

# TRANSACTIONS REPORT

## LIST OF TRANSACTIONS MADE BY PAO TMK IN 2020 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

No major transactions were made by PAO TMK in 2020.

### LIST OF TRANSACTIONS MADE BY PAO TMK IN 2020 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

No.	Counterparty	Subject matter of the transaction	Transaction price	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/subsequently approved the transaction, date of resolution
1Q 2020					
1	VTB Factoring Ltd	Surety agreement under which PAO TMK shall secure all obligations of PJSC TAGMET (Beneficiary) to VTB Factoring Ltd under Agreement between PJSC TAGMET and LLC ENERGY ENGINEERING COMPANY ENERCOM on performing energy saving and energy efficiency measures, dated March 21, 2019	RUB 256,205,746.10	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2. Alexander Shiryayev, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 3. Andrey Zimin, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 4. Andrey Kaplunov, a member of PAO TMK's Board of Directors, is simultaneously a member of the Beneficiary's Board of Directors. 5. Tigran Petrosyan, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors. 6. Vyacheslav Popkov, a member of PAO TMK's Management Board, is simultaneously a member of the Beneficiary's Board of Directors.	Board of Directors, January 23, 2020
2	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 17,459.750.68	1. PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	Approval not required (transactions under RUB 500 mln)
3	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	RUB 50,184,337.53		

# OTHER RISKS

## EQUIPMENT FAILURES OR PRODUCTION CURTAILMENTS OR SHUTDOWNS

Our production capacities are subject to equipment failures and to the risk of catastrophic loss due to unanticipated events, such as fires, explosions and adverse weather conditions. Our manufacturing processes depend on critical pieces of steel-making and pipe-making equipment. Such equipment may, on occasion, be out of service as a result of unanticipated failures, which could require us to close part or all of the relevant production facility or cause us to reduce production on one or more of our production lines.

Any interruption in production capability may require us to make significant and unanticipated capital expenditures to effect repairs, which could have a negative effect on our profitability and cash flows. Any recoveries under insurance coverage that we may obtain may not offset the lost revenues or increased costs resulting from a disruption of our operations.

A sustained disruption to our business could also result in delays to or cancellations of customer orders and contractual penalties, which may also negatively impact our reputation among our customers. Any or all of these occurrences could have a material adverse effect on our business, results of operations, financial condition and prospects.

## INSURANCE AGAINST ALL POTENTIAL RISKS AND LOSSES

We maintain insurance against losses that may arise in case of property damage including business interruption insurance, accidents, transportation of goods. We also maintain corporate product liability and directors and officers liability insurance policies.

We maintain obligatory insurance policies required by law and provide employees with medical insurance as part of our compensation arrangements with our employees.

Nevertheless, we do not carry insurance against all potential risks and losses, and our insurance might be inadequate to cover all of our losses or liabilities or may not be available on commercially reasonable terms.

## ABILITY TO EFFECT STAFF ALTERATIONS AND SHORTAGES OF SKILLED LABOR

Our key Russian subsidiaries are in many regions the largest employers in the cities in which they operate, such as Volzhsky, Taganrog, Kamensk-Uralsky and Polevskoy. While we do not have any specific legal social obligations or responsibilities with respect to these regions, the ability to effect alterations in the number our employees may nevertheless be subject to political and social considerations. Any inability to make planned reductions in the number of employees or other changes to operations in such regions could have an adverse effect on the results of operations and prospects.

Competition for skilled labor in the steel pipe industry remains relatively intense, and labor costs continue to increase moderately, particularly in the CIS, Eastern Europe and the United States. We expect the demand and, hence, costs for skilled engineers and operators will continue to increase, reflecting the significant demand from other metallurgical companies and other industries. Continual high demand for skilled labor and continued increases in labor costs could have a material adverse effect on our business, financial position and results of operations.

# LEGAL RISKS

## CHANGES IN TAX LEGISLATION AND TAX SYSTEM

Our subsidiaries make significant tax and non-budgetary funds payments, in particular, profit tax, VAT, property tax and payments to social security funds. Changes in tax legislation could lead to an increase in tax payments and, consequently, to a lowering of financial results. As significant part of the operations is located in Russia, the main risks relate to changes in the legislation of the Russian tax system. The Russian Government continually reviews the Russian tax legislation. The new laws generally reduce the number of taxes and the overall tax burden on business while simplifying tax legislation. Nevertheless, should the Russian taxation system suffer any changes related to increasing of tax rates, this could adversely affect our business.

Moreover, the Russian oil industry is subject to substantial taxes, including significant resources production taxes and significant export customs duties. Changes to the tax regime and customs duties rates may adversely affect the level of oil and gas exploration and development in Russia, which can adversely affect the demand for our products in Russia.

## CHANGES IN ENVIRONMENTAL LAW

We meet the requirements of national environmental laws at our industrial capacities location areas: the directives and regulations of Russian, the European Union and Kazakhstan legislation.

The main ecological-and-economical risks of our Russian plants are related to changes and tightening of the Russian environmental protection laws. Environmental legislation in Russia is constantly developing. The imposition of a new law and regulation system may require further expenditures to install new technological and waste disposal equipment, pollution and wastewater control equipment, as well as will lead to growth of the rate of payments for negative impact on the environment. It is expected that compliance with the regulations will be accompanied by stricter control by state monitoring authorities.

We estimate that the environmental legislation of the European Union and Kazakhstan will not undergo any material changes in the near future. Nevertheless, if such changes arise, the cost of compliance with new requirements could have a material adverse effect on our business.

INTEREST RATE RISK

Loans and borrowings at variable interest rate create an exposure to interest rate risk, that is, fluctuations of cash flows due to changes in market interest rates. The exposure of interest rate risk did not materialise for us in the reporting period, as substantially all of our loans and borrowings bore interest at fixed rates or the CBR key rate increased by a fixed margin.

CURRENCY RISK

Our products’ prices as well as our costs are nominated both in Roubles and in other currencies (generally, in US dollars and euro). Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. In 2020, we incurred foreign exchange gain from spot rate changes in the total amount of 8,288 million roubles. In addition, we recognised the reclassification of foreign currency reserves to the income statement in the amount of 6,022 million roubles (net of income tax) in the statement of other comprehensive income. The reclassification was a result of IPSCO sale. Also we are exposed to currency risk on the borrowings that are denominated in currencies other than the functional currencies of the respective Group’s members. The currencies in which these transactions are denominated are primarily Rubles, US dollars and euro. As of December 31, 2020, 20% of our loans were denominated in US dollar. In this regards, as well as taking into consideration continuing volatility of the Rouble against US dollar, the risk of losses owing to the Rouble devaluation remains sufficiently high. Depreciation of the Rouble against the US dollar could adversely affect our net profit as coherent losses will be reflected in our consolidated income statements. Nevertheless, we are partly secured from currency risks as foreign currency denominated sales occasionally are used to cover repayment of foreign currency denominated borrowings.

INFLATION RISK

A significant amount of our production activities are located in Russia, and a majority of direct costs are incurred in Roubles. We tend to experience inflation-driven increases in certain costs, such as raw material costs, transportation costs, energy costs and salaries that are linked to the general price level in Russia. In 2020, inflation in Russia increased to 4.9% as compared to 3.0% in 2019. In spite of the measures of the Russian government to contain inflation, growth of inflation rates may be significant in the short-term outlook. We may not be able to increase the prices sufficiently in order to preserve existing operating margins.

High rates of inflation, especially in Russia, could increase our costs, decrease our operating margins and adversely affect our business and financial position.

# FINANCIAL RISKS

## LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure that it will always have sufficient liquidity assets to meet its obligations when due.

We manage liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As of December 31, 2020, our total debt increased to 199,075<sup>1</sup> million roubles as compared to 186,058 million roubles at the end of 2019 as a result of the Rouble depreciation against the US dollar. Net repayment amounted to 1,426 million roubles. As of December 31, 2020, our Net-Debt-to-EBITDA ratio was 2.32x.

As of December 31, 2020, we committed credit lines in Russian, European and American banks with the available limit of 96,105 million roubles.

Nevertheless, there can be no assurance that our efforts to improve liquidity profile and reduce leverage will prove successful. The negative debt market reaction on deteriorating global political and financial situation, US and EU sanctions, economic situation in Russia may have an adverse impact on our ability to borrow in banks or on capital markets, and may put pressure on our liquidity, significantly increase borrowing costs, temporary reduce the availability of credit lines or lead to and possibility to incur financing on acceptable terms.

## COMPLIANCE WITH COVENANTS

Certain amount of our loan agreements and public debt securities currently include financial covenants. Some covenants impose financial ratios that must be maintained, others impose restrictions in respect of certain transactions, including restrictions in respect of indebtedness, pledging of assets and material asset disposals. A breach of financial or other covenants in existing debt facilities, if not resolved by means such as obtaining a waiver from the relevant lender and/or making amendments to debt facilities, could trigger a default under our obligations.

We are in compliance with covenants.

Nevertheless, in case financial markets or economic situation on the markets, where we operate, deteriorate in the future, we may not comply with relevant covenants. In case of possible breach we will apply best efforts to obtain all necessary waivers or standstill letters. We do not expect the occurrence of such events in the near future.

<sup>1</sup> Total debt is calculated as loans and borrowings less interest payable.

DEPENDENCE ON A SMALL GROUP OF CUSTOMERS

As we focus on supplying primarily the oil and gas industry, our largest customers are oil and gas companies. In 2020, our five largest customers in Russia were Rosneft, Gazprom, Surgutneftegas, Gazpromneft and Lukoil, which together accounted for 41% of our total sales volumes. The increased dependence of pipe sales on a single large customer bears the risk of an adverse effect on results of operations in the event that our relationship with any of these major customers deteriorates.

Our LDP business is largely dependent on one of our largest customers, Gazprom. In 2020, 31% of our LDP were sold for Gazprom projects. Increased competition in the supply of LDP or a change in relationships with Gazprom could negatively affect our competitive position in the large-diameter pipe market, resulting in decreased revenues from sales of these products and adversely affecting our business, financial position and results of operations. Additionally, large-diameter pipe business depends significantly upon the level of construction of new oil and gas pipelines in Russia and the CIS. The delay, cancellation or other changes in the scale or scope of significant pipeline projects, or the selection by the sponsors of such projects of other suppliers could have an adverse effect on our sales of LDP, and thus on the results of operations and financial position.

COMPETITION

The global market for steel pipe products, particularly in the oil and gas sector, is highly competitive. In the Russian and CIS markets, we face competition primarily from ChTPZ, OMK, Chinese pipe producers, as well as from ZTZ in the LDP segment.

After accession to the WTO Russia had adjusted its national legislation in full accordance with WTO rules and regulations, what allowed Russia along with the EEU (Eurasian Economic Union) to use WTO trade defense mechanism for the national market protection. To date, the following antidumping measures are effective in EEU: antidumping duties in the amount 18.9%-19.9% on imports of some types of steel tubes and pipes originated from Ukraine that were extended till 2021, anti-dumping duties ranging from 4.32% to 18.96% on imports of seamless corrosion resistant steel tubes and pipes originating from Ukraine, antidumping duties in the amount 19.15% on imports of cold-drawn stainless steel pipes originated from China and Malaysia, antidumping duties 12.23%-31% in respect to OGTG originated from China.

Outside Russia and the CIS, we compete against a limited number of premium-quality pipe products producers, including Tenaris, Vallourec, Sumitomo, Voestalpine and Chinese producers.

Higher competition could have a material adverse effect on our business, financial condition, results of operations and prospects.

# PRINCIPAL RISKS AND UNCERTAINTIES

## INDUSTRY RISKS

### DEPENDENCE ON THE OIL AND GAS INDUSTRY

The oil and gas industry is the principal consumer of steel pipe products worldwide and accounts for most of our sales, in particular sales of OCTG, line pipe and large-diameter pipe. In 2020, sales volumes of pipes used in oil and gas industry accounted for approximately 74% of our tubular products.

The oil and gas industry has historically been volatile and downturns in the oil and gas markets can adversely affect demand for our products, which largely depends on the number of oil and gas wells being drilled, completed and reworked, the depth and drilling conditions of wells and the construction of oil and gas pipelines. The level of such industry specific activities in turn depends on the level of capital spending by major oil and gas companies. The level of investment activities of oil and gas companies, which is largely driven by prevailing prices for oil and natural gas and their stability, significantly affects the level of consumption of our products.

Thus, the decline in oil and gas exploration, drilling and production activities, prices for energy commodities and other economic factors beyond our control could adversely affect our results of operations.

### INCREASES IN THE COST OF RAW MATERIALS

We require substantial quantities of raw materials to produce steel pipes. The principal raw materials used in production processes include scrap and ferroalloys for use in steelmaking operations, steel billets used for the production of seamless pipe and steel coils and plates for the production of welded pipe. The demand for the principal raw materials we utilize is generally correlated with macroeconomic fluctuations, which in turn are affected by global economic conditions.

Prices for raw materials and supplies have a key influence on our production costs and are one of the main factors affecting our results of operations. There are many factors, which influence raw materials prices, including oil and gas prices, worldwide production capacity, capacity utilization rates, inflation, exchange rates, trade barriers and developments in steelmaking processes. We are negotiating new contract terms with our major clients based on pricing formulas, which secure us against growing raw materials prices. The share of raw materials and consumables costs in the total cost of sales in 2020 was 66%. In 2020, the cost of scrap metal for TMK's plants in Russia in Rouble-terms increased on average by 6%, and the cost of coils decreased by 4%. The increase in prices for scrap, coils and other raw materials, if not passed to customers can adversely affect our profit, margins and results of operations.

Our plants also consume significant quantities of energy, particularly electricity and gas. In 2020, energy and utility costs comprised approximately 10% of our total cost of sales. The prices for electricity for our plants increased by 5% in Rouble-terms compared to 2019, while the average prices for domestic natural gas for our plants increased by 2% in Rouble-terms. If we are required to pay higher prices for gas and electricity in the future, our costs will rise and this could have a material adverse effect on our business, financial condition, results of operations and prospects.



The following limitations of Adjusted EBITDA as an analytical tool should be considered:

- Adjusted EBITDA does not reflect the impact of financing or finance costs on our operating performance, which can be significant and could further increase if we were to incur more debt;
- Adjusted EBITDA does not reflect the impact of income taxes on our operating performance;
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation on our operating performance. The assets that are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, it does not reflect our future cash requirements for these replacements; and
- Adjusted EBITDA does not reflect the impact of other non-cash items on our operating performance, such as foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions, (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associate and other non-cash items

NET DEBT

NET DEBT HAS BEEN CALCULATED AS OF THE DATES INDICATED

Indicators	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Loans and borrowings less interest payable	199,075	205,872	183,327	218,209	186,058
Net of:					
Cash and short-term financial investments <sup>1</sup>	(100,401)	(97,175)	(80,230)	(109,658)	(31,127)
<b>NET DEBT</b>	<b>98,674</b>	<b>108,697</b>	<b>103,097</b>	<b>108,551</b>	<b>154,931</b>
<b>NET DEBT TO EBITDA (LTM<sup>2</sup>)</b>	<b>2.32</b>	<b>2.38</b>	<b>2.57</b>	<b>2.32</b>	<b>3.56</b>

Net Debt is not a measure under IFRS, and it should not be considered to be an alternative to other measures of financial position. Other companies in the pipe industry may calculate Net Debt differently and therefore comparability may be limited. Net Debt is a measure of our operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non IFRS measure, it is widely used to assess liquidity and the adequacy of a company’s financial structure. Management believes Net Debt provides an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from available cash. Net Debt demonstrates investors the trend in our net financial position over the periods presented.

<sup>1</sup> Cash and short-term financial investments include Cash and cash equivalents, Other financial assets, short-term loans issued and the bank promissory notes with a maturity more than 1 year.  
<sup>2</sup> Net Debt-to-EBITDA ratio is defined as the quotient of Net Debt at the end of the given reporting date divided by the Adjusted EBITDA for the 12 months immediately preceding the given reporting date. Adjusted EBITDA - see «Selected financial data».



## SELECTED FINANCIAL DATA

### ADJUSTED EBITDA

RECONCILIATION OF INCOME BEFORE TAX TO ADJUSTED EBITDA FOR THE 12 PREVIOUS MONTHS,  
RUB MLN

Indicators	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Income before tax	<b>30,358</b>	27,701	21,400	25,448	6,027
Depreciation and amortisation	<b>12,651</b>	11,750	11,706	11,805	13,282
Finance costs, net	<b>11,874</b>	12,350	13,174	13,901	14,104
Impairment of assets	<b>5,216</b>	11,373	10,986	10,673	6,246
Foreign exchange (gain)/loss, net	<b>(8,288)</b>	(9,772)	(3,838)	(2,027)	(2,098)
Foreign exchange gain/(loss) from operations	<b>6,942</b>	8,223	2,787	5,388	(597)
Loss/(gain) on disposal of property, plant and equipment	<b>347</b>	797	862	783	898
Movement in allowances and provisions (except for provisions for bonuses)	<b>5,679</b>	5,102	4,575	4,813	2,848
Gain on disposal of subsidiaries	<b>(23,870)</b>	(23,864)	(23,895)	(26,552)	13
Other non-operating income/(expenses)	<b>1,671</b>	2,040	2,344	2,473	2,555
(Gain)/losses from associates	<b>(100)</b>	(59)	(2)	38	263
<b>ADJUSTED EBITDA</b>	<b>42,480</b>	<b>45,641</b>	<b>40,099</b>	<b>46,743</b>	<b>43,541</b>

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. We believe that this approach objectively reflects our results against high volatility in foreign exchange markets.

Adjusted EBITDA is not a measure of our operating performance under IFRS and should not be considered as an alternative to gross profit, net profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, Adjusted EBITDA should not be considered to be a measure of discretionary cash available to invest in our growth. Adjusted EBITDA has limitations as an analytical tool, and potential investors should not consider it in isolation, or as a substitute for analysis of our operating results as reported under IFRS.

INDEBTEDNESS

Our total debt increased to 199,075 million roubles as of 31 December 2020 from 186,058 million roubles as of 31 December 2019. Net repayment of borrowings in 2020 was 1,426 million roubles. The increase in debt was a result of the rouble depreciation against the U.S. dollar. Our Net debt amounted to 98,674 million roubles as compared to 154,931 million roubles as of 31 December 2019.

As of 31 December 2020, our debt portfolio comprised diversified debt instruments, including bank loans, bonds and other credit facilities. As of 31 December 2020, the U.S. dollar-denominated portion of our debt represented 20%, Rouble-denominated portion of debt represented 75%, euro-denominated portion of debt represented 5% of our total debt.

The share of our short-term debt was 37% as of 31 December 2020 compared to 45% as of 31 December 2019.

As of 31 December of 2020, our weighted average nominal interest rate decreased by 88 basis points to 6.07% compared to 31 December 2019.

OUR MOST SIGNIFICANT CREDIT FACILITIES AS OF 31 DECEMBER 2020 WERE AS FOLLOWS

Type of borrowing	Bank	Original currency	Outstanding principal amount	Maturity period
			RUB mln	
Eurobonds		USD	36,938	February 2027
Loan	Gazprombank	RUR	20,000	August 2025
Loan	Sberbank	RUR	14,000	October 2023
Loan	VBRR	RUR	12,500	July 2022
Loan	Gazprombank	RUR	11,200	March 2022
Bonds		RUR	10,000	May 2021
Bonds		RUR	10,000	April 2022
Loan	VTB	RUR	9,000	March 2022
Loan	Alfa-Bank	RUR	6,000	July 2021
Loan	Sberbank	RUR	6,000	December 2021
			<b>135,638</b>	
Other credit facilities			63,990	
Unamortised debt issue costs			(553)	
<b>TOTAL LOANS AND BORROWINGS</b>			<b>199,075</b>	

DEVELOPMENT TRENDS

In Russia, we expect demand for OCTG pipe from oil and gas companies to remain stable, supported by continued development of their existing and new projects, as well as increased complexity of hydrocarbons production in Russia.

In Europe, we expect consumption of industrial pipe to recover gradually after the lifting of massive COVID-19 lockdowns and due to implemented government measures to support industrial companies in the eurozone countries.

## CASH FLOWS

The following table presents our cash flows

Indicators	2020	2019	Change
		RUB mln	RUB mln
<b>Cash provided by operating activities before working capital changes</b>	<b>34,305</b>	<b>42,636</b>	<b>(8,331)</b>
Decrease/ (increase) in inventories	(2,668)	(3,197)	529
Decrease/ (increase) in settlements with customers	46,128	406	45,722
Increase/ (decrease) in settlements with suppliers	(21,601)	2,588	(24,189)
Income tax paid	(7,512)	(4,425)	(3,087)
<b>Net cash provided by operating activities</b>	<b>48,652</b>	<b>38,008</b>	<b>10,644</b>
Payments for property and equipment	(10,524)	(14,183)	3,659
Acquisition of subsidiaries	(14,439)		(14,439)
Other investments	55,106	(9,308)	64,414
<b>Free Cash Flow</b>	<b>78,795</b>	<b>14,517</b>	<b>64,278</b>
Change in loans	(1,426)	(3,312)	1,886
Interest paid	(12,698)	(14,153)	1,455
Other financing activities	(22,498)	2,113	(24,611)
<b>Free Cash Flow to Equity</b>	<b>42,173</b>	<b>(835)</b>	<b>43,008</b>
Dividends paid	(3,259)	(2,736)	(523)
Effect of exchange rate changes	11,998	(1,526)	13,524
Cash and cash equivalents at the beginning of period	22,124	27,221	(5,097)
Cash and cash equivalents at period end	73,036	22,124	50,912

Cash provided by operating activities before working capital changes decreased by 8,331 million roubles and amounted to 34,305 roubles million. The positive cash flow from working capital changes was 21,859 million roubles in 2020 as compared to a negative cash flow in the amount of 203 million roubles in 2019. Working capital change in 2020 was mainly attributable to an increase in advances from customers.

Net repayment of borrowings amounted to 1,426 million roubles as compared to net repayment in the amount of 3,312 million roubles in 2019.

Cash and cash equivalents at the end of the period amounted to 73,036 million roubles as compared to 22,124 million roubles at the end of 2019.

## NET OPERATING EXPENSES

Net operating expenses were lower by 2,624 million roubles or 7%. The share of net operating expenses, expressed as a percentage of revenue, was 15% compared to 12% in 2019.

## ADJUSTED EBITDA

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. In 2020, adjusted EBITDA decreased by 1,060 million roubles or 2% as compared to previous year. Adjusted EBITDA margin was 19% compared to 14% in 2019.

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Russia	<b>41,950</b>	<b>20</b>	40,055	17	1,895
America	-		1,968	3	(1,968)
Europe	<b>530</b>	<b>4</b>	1,517	10	(987)
<b>TOTAL ADJUSTED EBITDA</b>	<b>42,480</b>	<b>19</b>	<b>43,540</b>	<b>14</b>	<b>(1,060)</b>

**Russia.** Adjusted EBITDA was higher by 1,895 million roubles as lower gross profit was offset by foreign exchange gain on operations. Adjusted EBITDA margin was 20% compared to 17% in 2019.

**Europe.** Adjusted EBITDA decreased by 987 million roubles as compared to 2019 following a decrease in gross profit, which was partially offset by lower operating expenses. Adjusted EBITDA margin amounted to 4% as compared to 10% in 2019.

## IMPAIRMENT OF ASSETS

In the year ended December 31, 2020, we recognised the impairment loss of 5,216 million roubles compared to 6,246 million roubles loss in 2019.

## FOREIGN EXCHANGE MOVEMENTS

In 2020, we recorded a foreign exchange gain in the amount of 8,288 million roubles as compared to a 2,098 million roubles gain in 2019.

## NET FINANCE COSTS

In 2020, net finance costs decreased by 2,230 million roubles or 16%. The weighted average nominal interest rate was 6.07% as of 31 December 2020 as compared to 6.95% as of 31 December 2019.

## GROSS PROFIT

In 2020, our consolidated gross profit decreased by 13,071 million roubles or 21% year-on-year and amounted to 48,570 million roubles. Gross profit margin was 22% compared to 20% in 2019.

### GROSS PROFIT RESULTS BY REPORTING SEGMENTS ARE AS FOLLOWS:

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Russia	<b>47,040</b>	<b>23</b>	55,382	24	(8,342)
America	-	-	2,983	5	(2,983)
Europe	<b>1,530</b>	<b>11</b>	3,276	21	(1,746)
<b>TOTAL GROSS PROFIT</b>	<b>48,570</b>	<b>22</b>	<b>61,641</b>	<b>20</b>	<b>(13,071)</b>

### GROSS PROFIT RESULTS BY GROUP OF PRODUCTS ARE AS FOLLOWS

Indicators	2020		2019		Change
	RUB mln	% to revenue	RUB mln	% to revenue	RUB mln
Seamless pipe	<b>44,125</b>	<b>27</b>	55,397	25	(11,272)
Welded pipe	<b>3,292</b>	<b>8</b>	5,628	8	(2,336)
<b>TOTAL PIPE</b>	<b>47,417</b>	<b>23</b>	<b>61,025</b>	<b>21</b>	<b>(13,608)</b>
Other operations	<b>1,153</b>	<b>7</b>	617	5	536
<b>TOTAL GROSS PROFIT</b>	<b>48,570</b>	<b>22</b>	<b>61,641</b>	<b>20</b>	<b>(13,071)</b>

**Russia.** The division's gross profit decreased by 8,342 million roubles. Gross profit margin was 23% compared to 24% in 2019.

Gross profit from sales of seamless pipe fell by 4,509 million roubles as a result of lower sales volumes, the negative effect of which was partially offset by improved product mix. Raw material prices also had a negative impact on our gross profit.

Gross profit from sales of welded pipe decreased by 4,431 million roubles as a result of significant drop in LDP sales volumes, which also had a negative impact on product mix.

Gross profit from other operations increased by 597 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

**Europe.** Gross profit in the European division decreased by 1,746 million roubles or 53%. Favorable currency translation effect was 157 million roubles. Excluding this effect gross profit decreased by 1,903 million roubles. Gross profit margin amounted to 11% compared to 21% in 2019.

Gross profit from sales of seamless pipe fell by 1,909 million roubles as a result of unfavorable market environment. Gross profit was also affected by lower sales volumes.

Gross profit from other operations stayed almost flat as compared to 2019.

## SALES

In 2020, our consolidated revenue decreased by 85,757 million roubles or 28% mainly as a result of IPSCO disposal.

### SALES BY REPORTING SEGMENTS ARE AS FOLLOWS

Indicators	2020	2019	Change	Change
	thousand tonnes	thousand tonnes	thousand tonnes	%
Russia	<b>2,637</b>	3,120	(483)	(15)
America	-	520	(520)	(100)
Europe	<b>174</b>	187	(14)	(7)
<b>TOTAL PIPE</b>	<b>2,811</b>	<b>3,828</b>	<b>(1,017)</b>	<b>(27)</b>
		RUB mln	RUB mln	%
Russia	<b>208,386</b>	235,269	(26,883)	(11)
America	-	57,780	(57,780)	(100)
Europe	<b>14,234</b>	15,329	(1,094)	(7)
<b>TOTAL REVENUE</b>	<b>222,621</b>	<b>308,378</b>	<b>(85,757)</b>	<b>(28)</b>

### SALES BY GROUP OF PRODUCTS ARE AS FOLLOWS

Indicators	2020	2019	Change	Change
		thousand tonnes	thousand tonnes	%
Seamless pipe	<b>2,026</b>	2,651	(625)	(24)
Welded pipe	<b>785</b>	1,177	(392)	(33)
<b>TOTAL PIPE</b>	<b>2,811</b>	<b>3,828</b>	<b>(1,017)</b>	<b>(27)</b>
		RUB mln	RUB mln	%
Seamless pipe	<b>166,262</b>	221,031	(54,770)	(25)
Welded pipe	<b>40,362</b>	74,483	(34,121)	(46)
<b>TOTAL PIPE</b>	<b>206,624</b>	<b>295,514</b>	<b>(88,890)</b>	<b>(30)</b>
Other operations	<b>15,997</b>	12,863	3,134	24
<b>TOTAL REVENUE</b>	<b>222,621</b>	<b>308,378</b>	<b>(85,757)</b>	<b>(28)</b>

**Russia.** The division's revenue decreased by 26,883 million roubles or 11% year-on-year.

Revenue from sales of seamless pipe decreased by 16,150 million roubles. Negative effect of lower sales volumes was partially offset by better product mix.

Revenue from sales of welded pipe decreased by 15,056 million roubles mainly as a result of lower LDP sales, which also had a negative impact on product mix.

Revenue from other operations increased by 4,323 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

**Europe.** In the European division revenue decreased by 1,094 million roubles or 7% year-on-year. Favorable currency translation effect was 1,464 million roubles. Excluding this effect revenue fell by 2,558 million roubles.

Revenue from sales of seamless pipe decreased by 2,516 million roubles as compared to the last year as a result of unfavorable market environment influenced by COVID-19 pandemic.

Revenue from other operations decreased by 46 million roubles as compared to previous year mostly as a result of lower billets sales.

## BUSINESS STRUCTURE

Our operating segments reflect TMK's management structure and the way financial information is regularly reviewed. For management purposes, TMK is organised into business divisions based on geographical location and has three reporting segments:

- Russian division: plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia, traders located in Russia, the United Arab Emirates, the USA and Switzerland. The Russian division is engaged in the production and supply of seamless and welded pipe, premium products and the provision of related services to oil and gas companies;
- American division: plants and traders located in the USA and Canada. On January 2, 2020, the Group completed the disposal of IPSCO Tubulars Inc. and its subsidiaries which constituted the American division;
- European division: plants located in Romania and traders located in Italy and Germany. The European division is engaged in the production and supply of seamless pipe and steel billets.

## YEAR ENDED 31 DECEMBER 2020 RESULTS

### RESULTS OF OPERATIONS

In 2020, our results were largely impacted by IPSCO disposal and an economic slowdown due to COVID-19 pandemic, despite which our Adjusted EBITDA stayed in line with 2019.

Indicators	2020	2019	Change
	RUB mln	RUB mln	RUB mln
<b>Sales volume (in thousand tonnes)</b>	<b>2,811</b>	3,828	(1,017)
<b>Revenue</b>	<b>222,621</b>	308,378	(85,757)
Cost of sales	<b>(174,051)</b>	(246,736)	72,685
<b>GROSS PROFIT</b>	<b>48,570</b>	<b>61,642</b>	<b>(13,072)</b>
<i>GROSS PROFIT MARGIN</i>	<b>22%</b>	20%	
Net operating expenses <sup>1</sup>	<b>(33,019)</b>	(36,006)	2,987
Impairment of assets	<b>(5,216)</b>	(6,246)	1,030
Foreign exchange gain/(loss), net	<b>8,288</b>	2,098	6,190
Finance costs, net	<b>(11,874)</b>	(14,104)	2,230
Gain/(loss) on disposal of subsidiaries	<b>23,870</b>	(13)	23,883
Other non-operating income/(expenses)	<b>(261)</b>	(1,344)	1,083
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>30,358</b>	<b>6,027</b>	<b>24,331</b>
Income tax benefit/(expense)	<b>(6,057)</b>	(2,081)	(3,976)
<b>NET PROFIT/(LOSS)</b>	<b>24,301</b>	<b>3,946</b>	<b>20,355</b>
<i>NET INCOME MARGIN</i>	<b>11%</b>	1%	
<b>ADJUSTED EBITDA</b>	<b>42,480</b>	<b>43,540</b>	<b>(1,060)</b>
<i>ADJUSTED EBITDA MARGIN</i>	<b>19%</b>	14%	

<sup>1</sup> Net operating expenses include selling and distribution, general and administrative, advertising and promotion, research and development and net other operating income/(expense).



In August, we signed an agreement to supply pipes to Amursky Gas Chemical Complex, one of the world’s largest polymer production enterprises, which is currently being constructed by SIBUR in the Amur region. According to the agreement we will deliver a set of complex solutions including seamless pipes, welded large-diameter pipes and pipeline parts in a total volume of more than 36 thousand tonnes in 2021-2023.

In October, we acquired 100% ownership interest in a casting and rolling complex, located in Yartsevo, Smolensk Region, TMK-YMZ (former-Parus, LLC). The complex has a production capacity of more than 300 thousand tonnes of rolled steel per year.

In October, we announced the completion of share buyback program of TMK ordinary shares that has been approved by the Board of Directors on 11 September 2020. The Program was performed by VTZ through the period of 15 September 2020 to 15 October 2020. As a result of the Program VTZ acquired 29,854,245 ordinary shares of TMK, which constitutes 2.89% of the total number of issued ordinary shares of TMK. The remaining shares in free-float are 4.4% of the total number of issued ordinary shares of TMK.

In October, a casing string made up of premium threaded connection pipes manufactured by TMK was successfully lowered into a well from the Berkut offshore ice resistant stationary platform at the Sakhalin-1 project’s Arkutun-Dagi field.

In October, we acquired a controlling stake in enterprises comprising Truby 2000. The acquisition will enable the expansion of the Group’s partnership with the state corporation Rosatom and accelerate further development of our expertise in the segment of equipment for nuclear stations.

We developed unique pipes for Rosatom’s mechanical engineering division for its BREST-OD-300 experimental demonstration power unit. A technology to produce extra-long heat-exchange pipes made of special durable, ductile steel was developed exclusively for the new power unit. The high-strength austenitic steel withstands both steam water and superheated steam, as well as liquid lead, which is used in a reactor as a coolant. As part of a project to establish the closed nuclear fuel cycle, TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

In December, we reached an agreement on expanding cooperation with the largest oil and gas company in Uzbekistan – JSC Uzbekneftegaz. The parties are discussing joint projects aimed at the development of the oil and gas industry in the Republic of Uzbekistan, as well as research and technical cooperation.

In 2020, we sold 2,811 thousand tonnes of steel pipes. Seamless pipes comprised 72% of our sales volumes. Sales of seamless OCTG reached 1,198 thousand tonnes, a 29% year-on-year decrease. The decrease was mainly a result of IPSCO disposal. Sales of LDP were 30% lower year-on-year at 326 thousand tonnes.

In 2020, our total consolidated revenue decreased by 28% to 222,621 million roubles as compared to 2019. Adjusted EBITDA<sup>1</sup> was 42,480 million roubles as compared to 43,540 million roubles in the previous year. Adjusted EBITDA margin was 19% as compared to 14% in 2019.

Market conditions for 2020

The Russian pipe market declined by 9% compared to 2019, predominantly reflecting lower shipments of large diameter pipe. Deceleration in drilling activity and a lower share of horizontal drilling (50% in 2020 compared to 53% in 2019) resulted in some decline in total OCTG pipe market volume.

In 2020, European pipe market experienced a significant decline in consumption from key industries resulting from deterioration of business activity, caused by COVID-19 pandemic and lockdowns.

KEY EVENTS

In January 2020, we sold 100% IPSCO Tubulars Inc. shares to Tenaris. As a part of the sale the parties entered into a 6-year agreement whereby, beginning on January 2, 2020, Tenaris became an exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada.

As a result of the sale, S&P raised our long-term credit rating from «B+» to «BB-» with Stable outlook. Moody's changed outlook from Stable to Positive and confirmed credit rating at B1.

In January 2020, we commissioned a new heat treatment facility at Seversky Pipe Plant with an annual capacity of up to 300 thousand tonnes. The new facility provides heat treatment for 168–370 mm diameter pipes with 6,4–40 mm pipe walls. The total amount of investments was 5.5 billion roubles, 110 of new jobs were created. New line allows to produce premium tubular products for fields with hard to extract reserves and for wells with aggressive environment and extreme North conditions.

In February 2020, we completed a RUB 500 million 7-year Eurobond issue with a coupon of 4.30%. The proceeds from the Eurobond offering were used to refinance \$500 million Eurobond matured in April 2020.

In April, a new finishing complex was commissioned at SinTZ. The equipment enables to perform main finishing operations in automatic mode.

On April 23, 2020 we completed the offering of Russian rouble bonds in the amount of 10 billion roubles. We used the proceeds to refinance our existing bonds and some bank loans. The placement had a positive effect on our debt maturity profile.

<sup>1</sup> Adjusted EBITDA - See «Selected financial data».

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2020

The following review of our financial position and results of operations is based on, and should be read in conjunction with, our consolidated financial statements and related notes for the year ended 31 December 2020.

Certain information, including our forecasts and strategy, contains forward-looking statements and is subject to risks and uncertainties, domestically and internationally. In assessing these forward-looking statements, readers should consider various risk factors as the company's actual results may differ materially from the expected results discussed in this report.

## Rounding

Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

## EXECUTIVE OVERVIEW

We are one of the world's leading producers of steel pipes for the oil and gas industry, a global company with extensive network of production facilities, sales companies and representative offices.

The principal activities of our company are the production and distribution of seamless and welded pipes, including pipes with the entire range of premium connections backed by extensive technical support.

Our plants produce almost the entire range of existing pipes used in the oil-and-gas sector, the chemical and petrochemical industries, energy and machine-building, construction and municipal housing, shipbuilding, aviation and aerospace, and agriculture.

We created an up-to date technological complex based on advanced scientific research, manufacturing high-quality competitive products.

Our operations are geographically diversified with manufacturing facilities in Russia, Romania and Kazakhstan. We operate two R&D centers in Russia. Our global market presence is supported by a wide distribution network. In 2020, we delivered 76% of our tubular products to our customers located in Russia. We estimate our share on the global market of seamless OCTG at around 10%.

We are the largest exporter of pipes in Russia. Exports of pipes produced by our Russian plants accounted for 18% of our total sales in 2020.

# CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of PAO TMK and its subsidiaries are published on the Company's website at:

[https://www.tmk-group.com/Financial\\_results](https://www.tmk-group.com/Financial_results)  
(Financial Results section)

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
				<p>5. The Company’s internal documents do not provide for engagement of an independent appraiser to estimate the value of the shares acquired and bought back by the Company as Company shares are traded on the highest quotation list of the exchange, have sufficient liquidity, and therefore, the Company has fair knowledge of their value.</p> <p>The Company does not intend to review its approach to this matter in the near future.</p> <p>6. The Company’s internal documents do not provide for an expanded list of grounds on which the Company’s directors and other persons as per the applicable law are deemed to be interested parties to the company’s transactions.</p> <p>Pursuant to the Company’s Regulations on the Board of Directors, members of the Board of Directors are to refrain from actions that will or may result in a conflict between their interests and those of the Company, and should such a conflict arise, they should promptly disclose to the Company any relevant information.</p> <p>Analysis of implementation of the Regulations set forth above confirms its efficiency and reasonable sufficiency, so the Company does not intend to introduce additional interested party criteria in the near future.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements	<ol style="list-style-type: none"> <li>Due to the specifics of the company's operations, the company's articles of association contain less stringent criteria for material corporate actions than required by law</li> <li>All material corporate actions in the reporting period were duly approved before they were taken</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.2	The company takes material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences	In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents	<ol style="list-style-type: none"> <li>The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction.</li> <li>The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company.</li> <li>The company's internal documents provide for an expanded list of grounds on which the company's directors and other persons as per the applicable law are deemed to be interested parties to the company's transactions</li> </ol>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>4. The Company's internal documents do not provide for a procedure for engaging an independent appraiser to estimate the value of the assets either disposed of or acquired in a major transaction or an interested party transaction. The value of the assets is controlled by the Board of Directors within the scope of its authority. The Board of Directors includes independent directors the number of which is sufficient for exercising control over the fair value of the assets disposed of or acquired. In accordance with the Company's Articles of Association, any transactions associated with acquisition, alienation, pledge, leasing, or other disposal of immovable property are subject to approval by the Company's Board of Directors. The Company does not intend to review its approach to this matter in the near future.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1	Actions that materially affect or may affect the company's share capital structure and financial position and accordingly the position of its shareholders («material corporate actions») are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed			
7.1.1	Material corporate actions include company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association provide for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors	<div>1. The company's articles of association include a list of transactions or other actions classified as material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the authority of the board of directors. When execution of such corporate actions is expressly referred by law to the authority of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders.</div> <div>2. According to the company's articles of association, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
7.1.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors	The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	



No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law	In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	The Company complies with this principle and, following best practice, additionally discloses quarterly IFRS statements. This Annual Report has been prepared in accordance with the Code recommendations on additional disclosures to be made in the Annual Report (paragraph 293) and, in particular, contains analysis of key metrics presented in the Company's consolidated financial statements for 2020 (MD&A). The IFRS statements for 2020 and the auditor's report are disclosed in the English and Russian languages on the issuer's website, Interfax information disclosure website and referred to in this Annual Report. Thus, investors have equal and easy access to the IFRS statements
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results	1. The company's annual report contains information on the key aspects of its operational and financial performance 2. The company's annual report contains information on the environmental and social aspects of the company's operations	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access			
6.3.1	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.	The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.1	The company and its operations are transparent for its shareholders, investors and other stakeholders			
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders	<ol style="list-style-type: none"> <li>The company's board of directors approved an information policy developed in accordance with the Code's recommendations</li> <li>The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code	<ol style="list-style-type: none"> <li>The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website.</li> <li>The company discloses information on the composition of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code).</li> <li>If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance</li> </ol>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>1–2. Full compliance.</p> <p>3. The information on the ultimate beneficiary, the Company's controlling person, is disclosed on the corporate website in quarterly issuer reports and in this Annual Report.</p> <p>The Company's controlling person is simultaneously the Chairman of the Board of Directors; his plans for the most significant aspects of the Company's corporate governance are reflected in internal documents and in other information (including material facts on decisions made by governing bodies) disclosed on the Company's website</p>
6.2	The company makes timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data	<ol style="list-style-type: none"> <li>The company's information policy sets out the approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information</li> <li>If company securities are traded on foreign organized markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year</li> <li>If foreign shareholders hold a material portion of the company shares, the relevant information was disclosed in the reporting period both in the Russian language and one of the most widely used foreign languages</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal control system. Key results of this assessment are included in the company's annual report	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2	The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice			
5.2.1	The company has set up a separate business unit or engaged an independent external organization to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors	To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organization with the same line of reporting	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2.2	The internal audit division assesses the performance of the internal control system, risk management system and corporate governance framework. The company applies generally accepted standards of internal audit	<div>1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure.</div> <div>2. The company applies generally accepted approaches to internal control and risk management</div>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration.	In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1	The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals			
5.1.1	The company's board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.	Functions of different governing bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents/relevant policy approved by the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy. 2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3	The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<div>1. In the reporting period, annual performance targets approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company</div> <div>2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration</div> <div>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.3.2	The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of company shares (options and other derivative instruments where company shares are the underlying asset).	<div>1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of company shares (financial instruments based on company shares)</div> <div>2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1.4	The company determines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	The remuneration policy (policies) or other internal documents of the company defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies and other key executives of the company.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.2	Long-term ownership of the company shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1	Remuneration payable by the company is sufficient to attract, motivate and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies and other key executives of the company is in compliance with the approved remuneration policy of the company			
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	The company has in place an internal document (internal documents) – the policy (policies) on remuneration of directors, executive bodies and other key executives, which clearly defines the approaches to remuneration of the above persons.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates all types of expenses, benefits and privileges provided to such persons.	The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	



No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.9.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1	The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests and support efficient performance of the board of directors			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company has adopted and published an internal document – regulations on the corporate secretary 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	In the reporting period, the company's board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	In the reporting period, committee chairmen reported to the board of directors on the performance of committees on a regular basis.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.9	The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors and the board of directors in general 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"><li>The board of directors set up a remuneration committee comprised solely of independent directors.</li><li>The remuneration committee is headed by an independent director who is not the chairman of the board of directors.</li><li>The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code</li></ol>	<div><input type="checkbox"/> Full</div> <div><input checked="" type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	<p>1. The Nomination and Remuneration Committee combines the functions of a remuneration committee and a nomination (HR, appointments) committee. The Chairman of the committee is an independent director.</p> <p>Along with independent directors, the committee includes one non-executive director.</p> <p>The committee members' qualifications and experience enable a professional approach to set goals.</p> <p>All Committee members comply with the recommendations of the Russian Corporate Governance Code for their competencies.</p> <p>The composition of the committee is based, among other things, on the optimal distribution of the Directors' workload and providing them with sufficient time to perform their duties.</p> <p>The Board of Directors plans to pursue the above approach in the near term to committee composition.</p> <p>2–3. Full compliance.</p>
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee was set up, predominantly comprised of independent directors.	<ol style="list-style-type: none"><li>The board of directors set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee &lt;4&gt;) predominantly comprised of independent directors.</li><li>The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code</li></ol>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8	The board of directors sets up committees for preliminary consideration of the most important matters related to the company's operations			
2.8.1	An audit committee comprised of independent directors was set up to preview matters related to controlling the company's financial and business activities	<div>1. The board of directors set up an audit committee comprised solely of independent directors.</div> <div>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</div> <div>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements.</div> <div>4. In the reporting period, meetings of the audit committee were held at least once a quarter</div>	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<div>1. Along with independent directors, the Audit Committee includes one non-executive director. The Chairman of the Audit Committee is an independent director. The Board of Directors discussed exclusive Committee membership of independent directors and acknowledged the Company's practice to be justified since it strikes the optimal balance of directors' roles and ensures sufficient time to perform their duties, as well as provides for the membership of directors whose qualifications and experience allow to make professional judgements on industry trends and the Company's operations. All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies. The Board of Directors also pays attention to regular re-election of Committees, the age balance of their members, and ensuring continuity of their functions. The Board of Directors plans to pursue the above approach in the near term to committee composition.</div> <div>2–4. Full compliance.</div>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.3	Directors have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period 2. In accordance with the company's internal documents, directors should notify the board of directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.4	All directors have equal access to the company's documents and information. Newly elected members of the board of directors are furnished with sufficient information about the company and the board of directors' performance as soon as possible.	1. In accordance with the company's internal documents, directors are entitled to access documents and make queries regarding on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents 2. The company has in place a formalized induction program for newly elected members of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7	Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors ensure efficient performance by the board of directors			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	The board of directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.2	The company's internal regulations formalize a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.	The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	The company's articles of association or internal document provide for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	Performance of the chairman of the board of directors was assessed as part of the board of directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials regarding items on the agenda of a board meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6	Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence			
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks	<div>1. The company's internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committee, prior to discussing the relevant agenda item</div> <div>2. The company's internal documents stipulate that a director should abstain from voting on any item in connection with which he/she has a conflict of interest</div> <div>3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company</div>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	The company has adopted and published an internal document that clearly defines the rights and duties of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director is chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors	<div>1. The board of directors is chaired by an independent director, or a senior independent director is chosen from among the independent directors.</div> <div>2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents</div>	<div><input type="checkbox"/> Full</div> <div><input checked="" type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	<div>1. The Chairman of PAO TMK's Board of Directors is a non-executive director. The Company believes that this inconsistency with the Code's recommendations is favorable for the Company since the Chairman is also the Company's ultimate beneficiary.</div> <div>The Chairman of the Board of Directors was elected unanimously by all members of the Company's Board of Directors.</div> <div>The Company is aware that election of a senior independent director is good international practice; however, international practice is largely based on a diffused ownership model, which is not typical of TMK.</div> <div>The Board of Directors considers the existing governance framework to be efficient; the members of the Board of Directors actively participate in meetings discussing all agenda items.</div> <div>Potential risks arising from non-compliance with this recommendation of the Code are mitigated through the practice of electing to the Board of Directors a sufficient number of independent directors (five directors out of eleven) with an impeccable reputation in the investment and business community.</div> <div>When considering its composition in the reporting year, the Board of Directors assumed that there was no need to elect a senior independent director since independent directors are included in the Board of Directors and each independent director is free to express his/her opinion and vote on agenda items.</div> <div>The Board of Directors plans to pursue the above approach in the near term.</div> <div>2. Full compliance.</div>



No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4	The board of directors includes a sufficient number of independent directors			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop his/her own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its significant shareholder, significant counterparty or competitor, or is related to the government, may not be considered as independent under normal circumstances.	In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code or were deemed independent by resolution of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders 2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.3	Independent directors make up at least one third of elected directors.	Independent directors make up at least one third of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	Independent directors (who do not have a conflict of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders			
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to performing its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of directors' professional qualifications. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	Whenever throughout the reporting period the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise and business skills, and has the trust of shareholders.	As part of the board of directors' performance assessment run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.4	The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	As part of the board of directors' performance assessment run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders, and employees	1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts 2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents	1. The board of directors approved the company's regulations on the information policy 2. The company designated persons responsible for implementing the information policy	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in its significant corporate events	In the reporting period, the board of directors reviewed the company's corporate governance practices	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2	The board of directors is accountable to the company's shareholders			
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of the board of directors' performance assessment in the reporting period	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders	The company has in place a transparent procedure enabling its shareholders to forward questions and express their positions on such questions to the chairman of the board of directors	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1	The board of directors carries out the strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company's executive bodies, and performs other key functions			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	<div>1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</div> <div>2. The board of directors reviewed the report(s) by the sole executive body or members of the collegial executive body on the implementation of the company's strategy</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), as well as criteria and performance (including interim) of the company's strategy and business plans	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.3	The board of directors determines the company's principles of, and approaches to, setting up a risk management and internal control system.	<div>The board of directors determined the company's principles of, and approaches to, setting up a risk management and internal control system.</div> <div>The board of directors assessed the company's risk management and internal control system in the reporting period</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
2.1.4	The board of directors determines the company's policy on remuneration payable to, and/or reimbursement (compensation) of costs incurred by, directors, executive bodies and other key executives of the company.	<div>1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for directors, executive bodies and other key executives.</div> <div>2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.4	The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.	To prevent its shareholders profiting from the company through any means other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's significant shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognize such deals as interested party transactions.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3	The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	In the reporting period, procedures for managing potential conflicts of interest among significant shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	No quasi-treasury shares were issued or used to vote in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance			
1.4.1	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	The company's registrar maintains the securities register in an efficient and reliable way that meets the needs of the company and its shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions	<ol style="list-style-type: none"> <li>During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items.</li> <li>Nominees to the company's governing and control bodies were available to answer shareholders' questions at the meeting at which their nominations were put to vote.</li> <li>When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p>This recommendation relates to the procedure for holding general meetings of shareholders in person and has been in place at PAO TMK since 2019. In line with recommendations of the Bank of Russia, the General Meeting of Shareholders during the pandemic were only held in absentia (as per the provisions of Federal Law No. 50-FZ dated March 18, 2020, and the Bank of Russia's Letter No. IN-06-28/48 dated April 3, 2020).</p> <p>In view of the above circumstances, the Board of Directors confirms the Company's full compliance with principle 1.1.6.</p>
1.2	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends			
1.2.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<ol style="list-style-type: none"> <li>The company has drafted and disclosed a dividend policy approved by the board of directors.</li> <li>If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	The company's dividend policy clearly identifies financial/ economic circumstances under which the company shall not pay out dividends.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other.	<ol style="list-style-type: none"> <li>In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the annual general meeting</li> <li>The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders</li> <li>The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, for all general meetings held in the reporting period</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<ol style="list-style-type: none"> <li>This recommendation relates to the procedure for holding general meetings of shareholders in person and has been in place at PAO TMK since 2019. In line with recommendations of the Bank of Russia, the General Meeting of Shareholders during the pandemic were only held in absentia (as per the provisions of Federal Law No. 50-FZ dated March 18, 2020, and the Bank of Russia's Letter No. IN-06-28/48 dated April 3, 2020).</li> <li>Full compliance.</li> <li>Full compliance.</li> </ol> <p>In view of the above circumstances, the Board of Directors confirms the Company's full compliance with principle 1.1.3</p>
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	<ol style="list-style-type: none"> <li>In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year</li> <li>In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.5	Each shareholder was able to freely exercise his/her voting right in the simplest and most convenient way.	<ol style="list-style-type: none"> <li>An internal document (internal policy) of the company contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled out by them and certified by the counting commission</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

# CORPORATE GOVERNANCE CODE COMPLIANCE REPORT IN ACCORDANCE WITH RECOMMENDATIONS OF THE BANK OF RUSSIA (LETTER NO. IN-06-52/8 DATED FEBRUARY 17, 2016)

This Corporate Governance Code Compliance Report was discussed by the Board of Directors of Public Joint Stock Company Trubnaya Metallurgicheskaya Kompaniya (PAO TMK) at the meeting dated March 11, 2021, Minutes No. 21 dated March 12, 2021.

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2020.

The statement of PAO TMK’s Board of Directors on compliance with the corporate governance principles set out in the Corporate Governance Code is provided on page 47 of this Annual Report.

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1	The company ensures equal and fair treatment of all shareholders in exercising their corporate governance right			
1.1.1	The company ensures the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered	<div>1. The company’s internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available.</div> <div>2. The company provides accessible means of communication with the company, such as a hotline, email or online forum, to enable shareholders to express their opinions and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting	<div>1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting.</div> <div>2. The notice of an upcoming meeting specifies the meeting venue and the documents required for admission.</div> <div>3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company’s board of directors and revision committee</div>	<div><input checked="" type="checkbox"/> Full</div> <div><input type="checkbox"/> Partial</div> <div><input type="checkbox"/> None</div>	





## APPENDICES



Sinarsky Pipe Plant

Sinarsky Pipe Plant’s philanthropy and sponsorship investment exceeded RUB 78 million. In Kamensk-Uralsky, Sinarsky Pipe Plant regularly holds sports events for the young, such as city and regional tournaments in football, hockey, swimming, volleyball, boxing, trap shooting and chess. Financial support is given to children’s sports clubs, educational institutions and artist groups such as a sports ballroom dancing group, a pop singing studio and a Cossack song group. An important part of the plant’s social policy is support for veterans of the Great Patriotic War: in 2020, Sinarsky Pipe Plant

congratulated 150 veterans on the 75th anniversary of the Victory Day, presented tours to a health resort to 78 veterans and renovated flats for two veterans. Special attention is paid to the cultural development of the plant employees and residents of Kamensk-Uralsky through organizing theatrical performances and concerts for the employees and their families. Each year, with the support from Sinarsky Pipe Plant, a New Year ice town is built in Kamensk-Uralsky, the Baptismal Font free mass event is held at the Sinara sports center, and the Yunost Culture Center hosts

celebrations on the Defender of the Fatherland Day, International Women’s Day, and public festivals on Maslenitsa. The city’s sports centers have health programs for Sinarsky Pipe Plant employees in swimming and gymnastics.

Seversky Pipe Plant

Seversky Pipe Plant’s philanthropy and sponsorship investment amounted to almost RUB 26 million. Seversky Pipe Plant provides financial support to sponsored educational institutions in Polevskoy and offers career guidance in cooperation with the Administration of the Polevskoy Urban District, Education Department, secondary and vocational educational institutions and public schools. Seversky Pipe Plant places a special emphasis on promoting healthy lifestyles among citizens.

Orsky Machine Building Plant

Orsky Machine Building Plant’s philanthropy and sponsorship investment was almost RUB 6 million. Orsky Machine Building Plant cooperates closely with local non-profit organizations and provides financial support to educational and social institutions in Orsk. In 2020, the company held its traditional Help a Big Family campaign, during which the company’s employees donated food baskets to large families.

RECOGNITION

The Sinara Charitable Foundation was ranked 39th in the ranking of Russian corporate and private foundations by the Vedomosti newspaper and 15th in the Public Recognition and Activity in Social Networks and Media category.

The Foundation was included in the register of Russia’s socially-oriented non-profit organizations (No. 4655).

In the Corporate Philanthropy Leaders ranking by the Donors Forum, TMK was assigned the B category, implying a good philanthropic practice.



TMK entities run regular long-term charitable activities and campaigns



TAGMET (Taganrog Metallurgical Works)

TAGMET’s philanthropy and sponsorship investment in 2020 totaled almost RUB 27 million. For many years, TAGMET has been providing financial support to pre-schools and sponsored secondary schools to upgrade their facilities, pay monthly student scholarships and award graduates of metallurgical colleges with prizes for their excellent academic performance. To improve

engagement among Taganrog’s plant residents, TAGMET holds an annual contest of social projects Idei v Zhizn (Turning Ideas into Reality), providing the winners with financial support to implement their programs. The company is also focused on creating a favorable urban environment, including through area improvement and holding cleanup days.



Volzhsky Pipe Plant

Volzhsky Pipe Plant’s philanthropy and sponsorship investment exceeded RUB 48.6 million. Volzhsky Pipe Plant helps educational institutions to equip research laboratories, publish collections of science articles and pay scholarships to promising students and grants to teachers. The plant provides financial assistance to pre-schools and orphanages,

renting transport for the disabled and helping to buy gifts for children with disabilities. In 2020, Volzhsky Pipe Plant continued its cooperation with local non-profit organizations to implement a number of socially significant projects, including in sports, inclusion and environmental protection. The plant’s Council of Young Pipe Manufacturers traditionally provides aid to

the Volzhsky Baby House, the Dom Miloserdiya orthodox orphanage, the Nadezhda Center for Rehabilitation of Children and Adolescents with Disabilities, the Cheremushka Childcare Center for Visually Impaired Children, and to WW2 veterans. Volzhsky Pipe Plant is also implementing the construction of the Metallurg sports and recreation center.

In 2020, TMK's volunteers:

- TMK plant employees take active part in the Corporate Citizenship project by donating blood and plasma to children.
- Took an active part in the #GivingTuesday2020 international initiative. The corporate campaign to support children from social care institutions covered 23 Russian cities, raising funds to purchase over 8,000 items of stationery and school supplies. The donations, including via a QR code, exceeded RUB 125 thousand
- The Company continuously implements the corporate donor campaign "Let Children Smile Again!" The campaign is promoted at the Company's enterprises, and its employees donate blood to local children's hospitals
- All TMK Russian plants run charitable programs, are involved in volunteering initiatives, and consistently provide aid to both veteran organizations and children's and healthcare institutions.





- The Painless Children’s Hospital project continues to supply medical equipment for, and promote the practice of, the latest innovative low-invasive surgery methods, providing children with a comfortable environment which minimizes stress as they undergo medical treatment. In 2020, the Company purchased a cystoscope and Hopkins optics for the Regional Children’s Clinical Hospital (Yekaterinburg) to examine the urinary system of babies from 0 to 6 months.
- Under the Daily Charity joint project with SKB-BANK, TMK raised RUB 3,174,000 to help children with cancer at the Center of Children’s Oncology and Hematology of the Regional Children’s Clinical Hospital in Yekaterinburg and the oncology department of the Kaluga Regional Clinical Children’s Hospital. For the most part, the individual donations were used to buy expensive medication for the Center of Children’s Oncology and Hematology, procure innovative low-invasive surgery equipment for the Kaluga Regional Clinical Children’s Hospital, and organize training for oncologists on how to use the equipment.
- The Managers League project, aiming at identifying talented managers who would like to change life for the better in the regions of TMK’s presence, took place in three cities – Volzhsky (Volgograd Region), Kamensk-Uralsky (Sverdlovsk Region) and Orsk (Orenburg Region). The project involved over 100 participants and announced 12 winners: four managers from Orsk, four from Kamensk-Uralsky and three from Volzhsky will be trained in special management programs at TMK2U Corporate University and included in the cities’ management talent pools.
- As part of the ABC of the Theatre project, children from orphanages and rehabilitation centers in the Sverdlovsk Region are introduced to best theatrical productions. In 2020, the Nutcracker Ballet Theatre (Yekaterinburg) staged a charity performance at Polevskoy (Sverdlovsk Region). The music show was held in compliance with COVID-19 sanitation requirements. The fun and educative performance full of exciting adventures gathered 300 spectators.

TMK plant employees take active part in the Corporate Citizenship project by donating blood and plasma to children.

- From 10 to 14 September, Yekaterinburg hosted the participants of the 10th anniversary Petrushka the Great international puppet theatre festival, supported by TMK and the Sinara Charity Foundation. 15 theatres from Russia, Germany and France presented puppet shows under the topic “Puppet Theatre: The Link of Times”.
- The Sinara Charity Foundation supported the 5th International Classical Dance Competition, The Nutcracker Invites, held online for the first time. The large-scale cultural event was attended by 140 performers and more than 30 groups of artists from Germany, Israel and Russia. The winners and laureates received 16 grants from the Foundation.
- 2020 saw a unique project supported by the Presidential Grants Foundation – Art Platform to Develop and Promote Modern Art in the Urals region to build a creative community bringing together contemporary Urals artists and young critics, foreign art experts and art historians. Within the project, an information portal has been launched that publishes articles about contemporary art and contemporary artists, and four art brochures (zines) – monographs on the artists, have been published. The project also featured an outdoor exhibition in Yekaterinburg.
- With TMK and the Sinara Charity Foundation’s support, an outdoor photo exhibition OBJECTIVE Charity was opened in Yekaterinburg. The layout included 35 photographs showing the work of Russian foundations and organizations that change the world for the better every day. Another 15 photographs focused on corporate philanthropy projects.

«Stop Coronavirus!» in figures:



In 2020, TMK and the Sinara Charity Foundation implemented the largest fundraising project in the Foundation’s history “Stop Coronavirus!” The project aims at supporting hospitals, healthcare institutions and non-profit organizations that help elderly people who live alone. The project raised RUB 100 million, including financial support from TMK and individual donations from all over Russia, to purchase personal protective equipment for 44 healthcare institutions in 23 cities and settlements across Russia: Abdulino, Artemovsky, Atkarsk, Chusovoy, Kaluga, Kamensk-Uralsky, Karshevitoye, Kartaly, Lyudinovo, Michurinsk, Nizhny Tagil, Orsk, Polevskoy, Slyudyanka, Sochi, Taganrog, Taiga, Tikhoretsk, Ulyanovsk, Vereshchagino, Volzhsky, Yekaterinburg and Zlatoust.



Volunteers who assisted the elderly and people with reduced mobility in self-isolation were not left out either. As part of the nationwide #AllInThisTogether campaign, the Sinara Charity Foundation purchased the necessary equipment to set up 12 volunteer centers in the Sverdlovsk Region.

Under the project, TAGMET purchased medicines and medical equipment for the needs of the City Emergency Hospital, renovated several hospital departments, and manufactured equipment components for the Taganrog Children’s Hospital. Volzhsky Pipe Plant purchased advanced equipment for diagnostic laboratories for COVID-19 testing at City Children’s Polyclinic No. 2 and innovative equipment and medicines for the Volgograd Regional Children’s Clinical Hospital to treat patients with COVID-19. In addition, Volgograd Regional Clinical Hospital for Infectious Diseases No. 1 was also provided with necessary medical equipment.

# SPONSORSHIP AND PHILANTHROPY

## PURPOSE

create positive social change in the regions hosting our plants.

## GOVERNING REGULATIONS

- TMK Group’s Code of Ethics
- Regulations on TMK Group’s Charity Policy
- TMK Group’s Policy on Social Investment, Charitable and Sponsorship Activities (approved by TMK’s Board of Directors on October 07, 2019).

## ORGANIZATION

TMK runs its charity projects via a professional operator – the Sinara Charity Foundation, established in 2001, and directly via the Company’s plants in its operating regions.

## PRIORITY AREAS OF TMK’S CHARITABLE EFFORTS IN 2020:

- Healthcare
- Training and education
- Culture and art
- Development of local communities
- Sports



TMK Group’s Code of Ethics



Regulations on TMK Group’s Charity Policy

### In 2020, with TMK’s support, the Sinara Charity Foundation implemented the following socially significant initiatives:

- Financial support to 151 non-profit organizations, including 44 through various grant competitions.
- Tochka Opory (Foothold), a corporate career advising project spanning 10 cities in the Volgograd, Kaluga, Kurgan, Orenburg, Orel, Rostov, Sverdlovsk and Chelyabinsk Regions. For the first time, over 6,000 high-school students from 100 schools attended the project events. More than 1,200 events were held (comprising tours, “live lessons”, TV shows dedicated to basic trades, training sessions for teachers, etc.). 18 classrooms in the winning schools have been equipped for industry-related programs. Due to COVID-19 restrictions, art and science contests were held remotely for the first time. The best drawings of jobs in the past season were included in the gift calendar of TMK2U Corporate University.
- As part of the Rostochek (Little Sprout) programme to support pre-school institutions, the Company purchased necessary medical equipment – thermometers and germicidal recirculators – for 39 mainstream and special kindergartens in the Volgograd, Rostov and Sverdlovsk Regions. The Company purchased soft supplies for institutions in Kamensk-Uralsky and equipped chess areas at institutions in Polevskoy (both in the Sverdlovsk Region).
- Together with the Sverdlovsk State Philharmonic, TMK implements a social and cultural project, Great Music for Little Hearts, benefiting residents of eight orphanages across the Sverdlovsk Region. The Philharmonic performers give interactive concert lessons, introducing small kids to classical art.

PUBLIC RECOGNITION IN 2020



TMK was among 30 most environmentally friendly companies in Russia according to Forbes magazine. The Company ranked 13th and was the leader among steelmakers. The ranking was based on indicators such as emission reduction, environmental expenditures, care for the environmental footprint, and changes in resource consumption, among others.

TMK's R&D facility in the Skolkovo Innovation Center won the prestigious competition "Environmental Culture. Peace and Accord", held annually by the V.I. Vernadsky Foundation. TMK's R&D facility environmental certification project won the Environmental Culture in Industry and Energy category.



In spring 2020, the R&D facility received LEED Gold, a highly acclaimed international green building certificate awarded by the U.S. Green Building Council (USGBC) following a multi-stage certification process. The R&D facility became the 33rd LEED Gold certified building in Russia and the first such facility in Skolkovo, which hosts research centers of well-established Russian and international companies.



In 2020, TAGMET and Sinarsky Pipe Plant won the award of the 16th Russian contest "Environment Leader of Russia 2020" in the Best Environmentally Responsible Steel Company category.



Seversky Pipe Plant received a commendation at the all-Russia contest "Reliable Partner – Environment" for implementing local environmental best practices.

2021 PLANS

- To ensure compliance with new environmental laws, TMK has developed a corporate Environmental Performance Improvement Programme for 2021-2023. Its key focus, apart from preparations to obtain new environmental documents, is to improve environmental performance of the Company's key production facilities.
- The Company places a particular emphasis on reducing its carbon footprint. In particular, we plan to develop a corporate programme to reduce GHG emissions, and to advance/progress our efforts to introduce process standardization by assessing the compliance of production processes and applied technological equipment with the provisions of information and technical guides listing the best available technologies.



ENVIRONMENTAL AND INDUSTRIAL MONITORING

FOCUS:

continuous monitoring of environmental impacts.

TMK facilities have in place a multi-stage industrial environmental control system. To enable prompt analysis, all of the Russian division’s plants use their own certified chemical laboratories featuring the necessary state-of-the-art equipment. In accordance with accreditation requirements, environmental laboratories participate in interlaboratory comparisons for experimental confirmation of their proficiency. During the year, 198 thousand analyses were carried out.

Sampling and analysis of components outside the scope of accreditation of in-house laboratories are carried out by independent Centers for Laboratory Analysis and Technical Measurements.

Objects of industrial monitoring:

- Pollutant emissions
- Ambient air quality on the buffer zone boundary
- Physical impact levels (noise pollution)
- Surface, ground and wastewater quality
- Soil condition

INITIATIVES

In 2020, an image-building project, ECO HOUSE TMK, was implemented at Volzhsky Pipe Plant. As part of the project, a state-of-the-art facility was built, combining an environmental laboratory and a workplace for the plant’s environmental function staff. ECO HOUSE is a platform for scientific discussion and will be used to enhance eco-friendly development, educating school and university students. It is a long-term intellectual investment that cultivates young people’s respect for the environment.

In the reporting year, employees of TMK Group facilities helped maintain a favorable environment by participating in environmental cleanup days to clean up and improve the plants’ premises, cities and towns where the plants operate, coastal areas and river banks, as well as greening activities.

To foster environmental thinking, an environmental awareness campaign was conducted among the Company employees in 2020; events teaching office employees to save water, electricity and paper were carried out; corporate media covered environmental efforts of TMK enterprises.

The new two-story ECO HOUSE TMK building features rooms for analytical monitoring of various environments – atmospheric air, natural, fresh and waste water, workplace air – as well as the assessment of human exposure to physical factors, and offices for employees. The environmental center is fitted with state-of-the-art equipment and high-precision measuring tools to support research. Special attention is paid to creating a comfortable environment conducive to employees’ high performance.

WASTE MANAGEMENT

FOCUS:

prevention of land contamination by reducing waste generation and minimizing waste disposal into the environment.

The main measures implemented by TMK are aimed at reducing waste generation, reusing waste, and minimizing the amount of waste disposal into the environment.

Our waste management aligns with approved industrial guidelines and standards in place at TMK facilities, which set up a recycling system and practice waste sorting. Volzhsky Pipe Plant and Seversky Pipe Plant developed and rolled out specialized industrial waste management software solutions. Our waste disposal and temporary storage sites are subject to industrial environmental monitoring.

Environmental programs aiming to increase waste recycling and reduce waste landfilling achieved good results: **91% of total waste generated by production processes** (515 thousand tonnes in 2020, of which 98.3% was practically non-hazardous and low-hazardous) **are used, treated and recycled.**

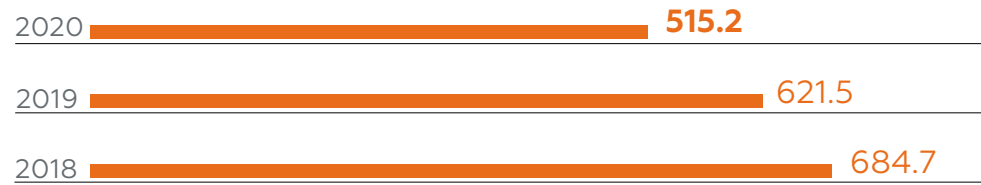
Key results of TMK’s consistent environmental activities in 2020:

- Total waste decreased by 17%
- Waste disposed of at our own facilities decreased by 3%

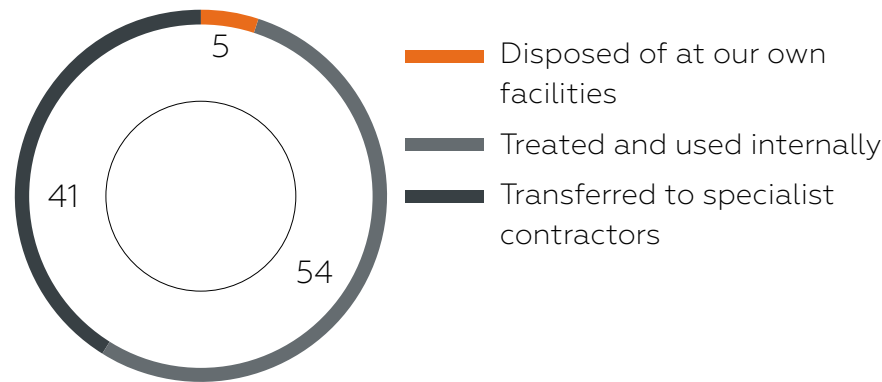
Waste is managed in accordance with approved instructions and corporate standards. Our waste disposal and temporary storage sites are subject to industrial environmental monitoring.

TMK contributes to the government’s efforts to fulfil Russia’s obligations under the Stockholm Convention on Persistent Organic Pollutants. Since 2017, the Company has had in place a Programme for Disposal of PCB-Containing Equipment (equipment containing polychlorinated biphenyls). Since the launch of the Program, TMK has decommissioned and transferred for treatment a total of 1,723 pieces of PCB-containing electrical equipment (transformers and condensers).

WASTE GENERATION IN 2018–2020, THOUSAND TONNES



WASTE MANAGEMENT IN 2020, %

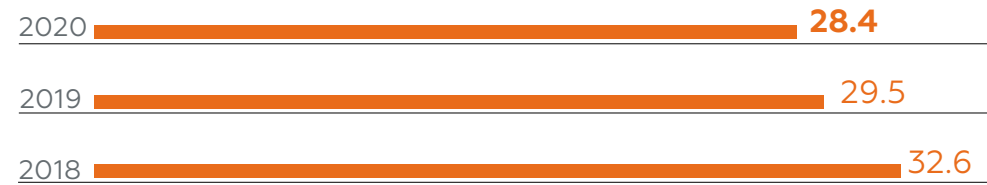


The following activities are carried out at all enterprises:

- Decommissioning of PCB-containing equipment
- Replacement of mercury-containing fluorescent lamps with LED lamps
- Separate collection of generated waste by type to ensure its recycling, sale, treatment and landfilling

During the year, measures were implemented to ensure compliance with regulatory requirements and improve qualitative and quantitative indicators for effluents; to optimize fresh water consumption used in core production processes (steelmaking and pipe production); and enhance monitoring of water consumption and water disposal, etc.

TMK’S OVERALL WATER CONSUMPTION, MLN M³



TMK’S TOTAL WASTEWATER, MLN M³



TMK’S WATER DISCHARGE TO SURFACE WATER BODIES, THOUSAND M³



TMK’S POLLUTANT DISCHARGE TO WATER BODIES, THOUSAND TONNES



Progress vs. 2019:

- 3% decrease in total water consumption
- 15% reduction in water consumption in production
- 8% decrease in wastewater discharge to natural water bodies
- 5% decrease in pollutant discharge to water bodies

The success of our sustainable water use efforts is demonstrated by the positive changes in TMK Group’s water consumption.

Key activities in 2020:

At Volzhsky Pipe Plant:

- above-ground and underground tanks of Pipe Rolling Shop No. 3 were cleaned from sludge containing petroleum products, generated by mechanical treatment of oily wastewater

At Sinarsky Pipe Plant:

- a set of technical (equipment repair, cleaning and upgrade) and organisational measures was implemented, which helped reduce fresh water consumption, significantly reduce wastewater disposal and the discharge of petroleum products and solids

At Seversky Pipe Plant:

- The reconstruction of the aeration station and biological treatment plant is underway
- The upgrade of the Mayak filtering facility continues
- Fish protection devices were installed on the Chusovaya River.

At TAGMET:

- Fish protection devices were repaired and cleaned; negative impact on aquatic biological resources was prevented
- Russian sturgeon was artificially reproduced by releasing 25,242 fingerlings

At TMK-INOX:

- a prevention programme is in place to prevent coolant leaks into the sewage system

CLIMATE RESPONSIBILITY

FOCUS:

support of Russian and international initiatives to prevent climate change.

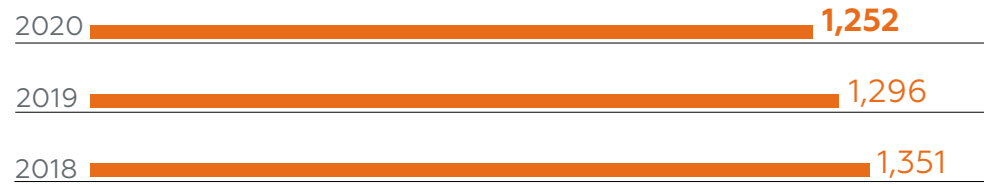
TMK considers carbon footprint when defining its development strategy, with the carbon agenda incorporated into risk management and business processes.

GHG emissions are calculated on an annual basis. GHG emissions in the Russian division are calculated in accordance with the Methodology Recommendations and Guidelines for Quantitative Determination of Greenhouse Gas Emissions from Organizations Conducting Economic and Other Activities in the Russian Federation approved by Order No. 300 of the Russian Ministry of Natural Resources and Environment dated June 30, 2015.

The European division entities comply with local carbon laws and submit GHG emission verification reports and monitoring plans to supervisory bodies in due time.

TMK is implementing **a Programme to Improve Energy Efficiency and Fuel and Energy Saving**, optimizing operations and improving process solutions, specifically through use of alternative carbon-containing materials and improvement of heating elements in core process equipment. As a result, total weight of GHG emissions decreased by 3.4% year-on-year in 2020. **Direct GHG emissions in 2020 totaled 1.25 mln tonnes of CO<sub>2</sub> equivalent.**

GHG EMISSIONS, MLN TONNES OF CO<sub>2</sub> EQUIVALENT




PROTECTION AND SUSTAINABLE USE OF WATER

FOCUS:

reduction of water consumption and negative impact on water bodies.

Subject to permits, TMK’s facilities abstract water from surface and underground sources to supply water for production, general and drinking, and process use, as well as public needs.

Water reuse or recycling is a mandatory requirement for commissioning any of TMK’s new, upgraded or revamped facilities. In 2020, the volume of recycled or reused water totaled 480 million m<sup>3</sup>. Percentage of water recycled and reused by TMK’s Russian plants stood at 95.85%. The high percentage of reused and recycled water reduces water withdrawal and wastewater discharge.

	<b>Key initiatives to mitigate negative impact on water bodies at TMK facilities</b>	Building and upgrading treatment facilities
		Organizational measures to prevent spills, leaks, and unsustainable use of water
		Building and enhancing water recycling and reuse systems

KEY ASPECTS OF TMK’S ENVIRONMENTAL  
ACTIVITIES

AMBIENT AIR PROTECTION

FOCUS:

continuous air quality improvement in production hosting areas.

TMK’s facilities comply with the legislation covering air emissions inventory, regulation and control, as well as operations in adverse weather conditions. Our emissions control activities ensure compliance with the prescribed air emissions limits.



Key initiatives  
to reduce air emissions  
at TMK’s facilities

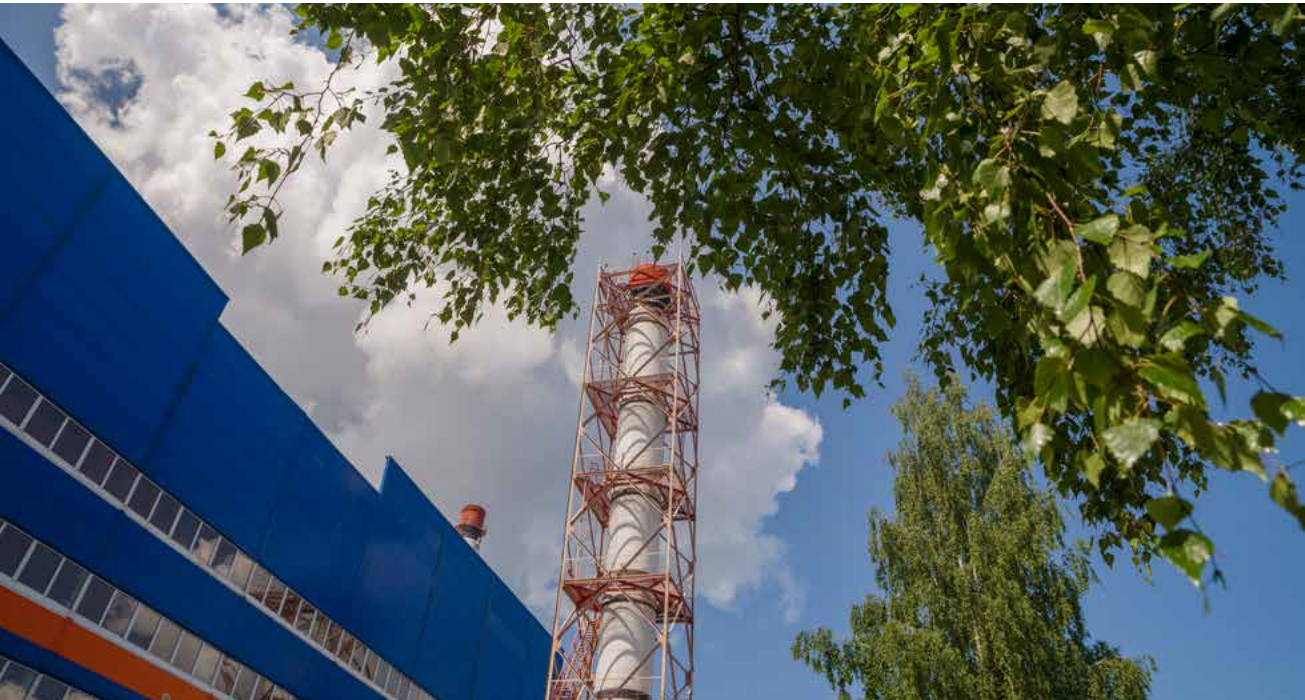
Installation of modern dust and  
gas removal equipment

Air emissions control in adverse  
weather conditions

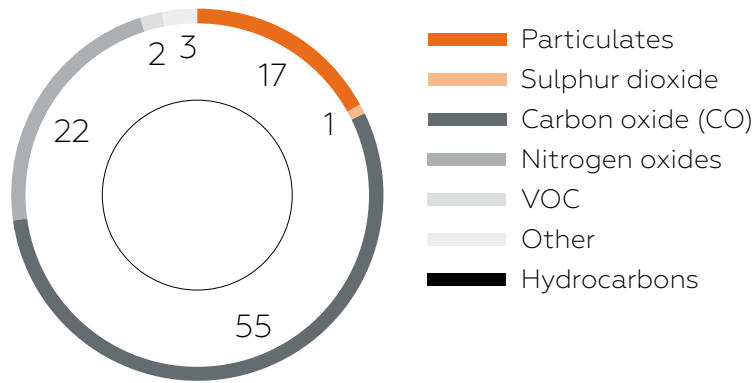
Ensuring the effectiveness of gas  
cleaning units

Containing, redirecting and  
cleaning dust and gas flows

In 2020, total air emissions amounted to 12.8 thousand tonnes of pollutants. Carbon oxide (CO) emissions from fuel combustion in production processes accounted for the largest part of total emissions (55%). In the reporting period, the Company complied with emission standards without any emergency or peak emissions.



EMISSION POLLUTANTS (%)



In order to reduce pollutant emissions into the ambient air, the Company took a number of measures to ensure efficient pollutant removal, control emissions in adverse weather conditions, as well as contain, redirect, and clean dust and gas flows at centralized facilities.

Key activities in 2020:

at Volzhsky Pipe Plant:

- Components of the aspiration unit of the EAF shop were upgraded
- Filters in the EAF’s gas cleaning system were replaced (12 thousand filters in total)

At Seversky Pipe Plant:

- The aspiration system of the crushing and screening plant is being upgraded

At TAGMET:

- Components of the dust and gas cleaning system of the vacuum degassing unit were upgraded
- Filters in the EAF’s gas cleaning system were replaced

At TMK-ARTROM S.A.:

- A rotary hearth furnace was repaired and flue gas volumes were optimized



In 2020, TMK’s CEO approved the **Environmental Performance Improvement Programme for 2021–2023**, aimed primarily at getting ready to obtain a comprehensive environmental permit by improving the environmental performance of the Group’s key plants. The programme envisages the implementation of 24 activities with an investment of about RUB 1.3 billion.

The key objectives of the programme are to:

- reduce air emissions
- improve technologies and modify equipment
- reduce the volume of contaminated wastewater discharge
- reduce the amount of water used
- improve the waste management system, and in particular ensure the safe storage of waste, introducing advanced technologies for treatment and disposal of hazardous waste
- comply with environmental laws
- prevent environmental damage.



Key capex projects in 2020

At Seversky Pipe Plant:

- Installation of a MAPEKO casting ladle preheater with a system for «soft drying» and gas burning inside the ladle
- Upgrade of the gas-cleaning unit of Lime Kiln No. 1

At Volzhsky Pipe Plant:

- the water recycling system equipment was upgraded.

At Sinarsky Pipe Plant:

- upgrade of the treatment facility was launched.

At TAGMET:

- the installation of a noise screen on the buffer zone boundary was initiated.

At Sinarsky Pipe Plant’s CHP plant:

- the retrofit of Exhaust Pipe No. 2 was completed.

At TMK-RESITA S.A.:

- a roof was installed over the hot slag discharge area.

FINANCING ENVIRONMENTAL PROTECTION  
ACTIVITIES

FOCUS:

consistent reduction of the man-made environmental footprint, including the introduction of advanced technologies and the development of environmentally-oriented processes.

By financing environmental initiatives, TMK plants ensure the achievement of the Company’s targets and compliance with the local environmental laws, standards and regulations. Our priority is the gradual decommissioning of obsolete equipment and installation of modern, environmentally friendly equipment at production facilities.

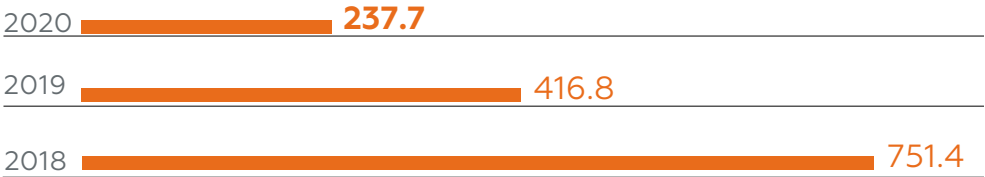
TMK allocates significant funds to implement projects and measures aimed at environmental protection and stewardship every year. In 2020, total environmental expenditures amounted to RUB 2,314.5 million, including environmental investments of RUB 237.7 million. The decrease in investment in 2020 was due to the completion of major investment projects – in particular, the construction of a treatment complex including a water treatment facility with water recycling at Seversky Pipe Plant’s Heat Treatment Facility No. 3, commissioned in early 2020.

Environmental projects are a key component of the Company’s development programs, including our current strategic investment program.

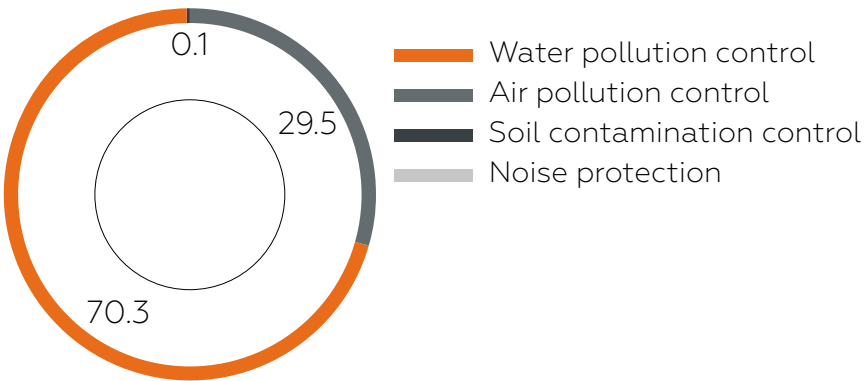
TMK’S TOTAL ENVIRONMENTAL EXPENDITURES, RUB MLN



TMK’S ENVIRONMENTAL INVESTMENTS, RUB MLN



TMK’S ENVIRONMENTAL EXPENDITURES IN 2020 BY ITEM, %



During the year, 22 capex projects were completed, focused primarily on **ambient air protection**.

## ENVIRONMENTAL MANAGEMENT SYSTEM

### FOCUS:

continuous improvement of environmental management.

The Company continuously improves its environmental management system so that an objective assessment is made of potential environmental risks in production operations, and the Group can implement measures to prevent or minimize their negative impact.

Environmental planning is based on set targets related to the protection of land, water and air, which enables TMK Group companies to ensure the compliance of their operations with the requirements of environmental laws and to continuously improve their environmental performance.

The Company recognizes, and complies with, ISO 14001:2015 – Environmental management systems – Requirements with guidance for use. In 2020, nine of the Company’s plants passed surveillance audits to confirm the compliance of their certified environmental management system with ISO 14001:2015.

## ENVIRONMENTAL EDUCATION AND TRAINING

### FOCUS:

high level of environmental responsibility and competence of staff, personal contribution to environmental management system performance.

In 2020, over 2,400 employees completed environmental training, were upskilled or received environmental protection briefings.

Main areas for personnel training:

- Environmental management system
- Environmental safety
- Permission to handle waste of hazard categories 1 to 5

Those TMK employees who are interested in the basics of environmental legislation and the environmental aspects of TMK Group’s operations have the option of taking the Ecology for Nonecologists course in TMK’s TMK2U Corporate University.

Company experts actively participate in environmental workshops, conferences and other events held by government bodies or relevant educational institutions.

The Company’s facilities also provide environmental safety briefings to its contractors.

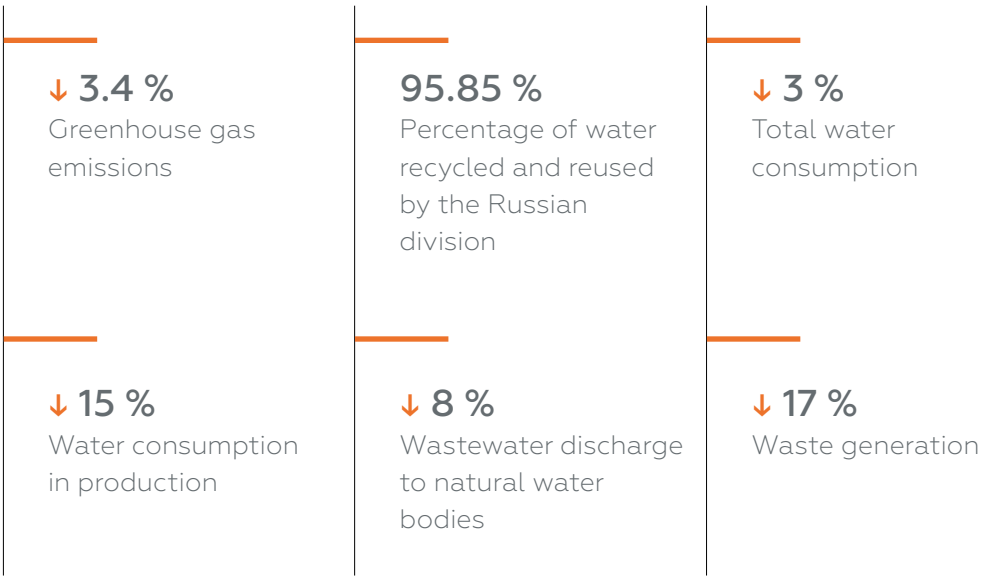
TMK also runs environmental initiatives, tours, open lessons and lectures for school and university students to improve environmental awareness in its operating regions.





# ENVIRONMENTAL MANAGEMENT

## TMK'S 2020 ENVIRONMENTAL PERFORMANCE HIGHLIGHTS



### PURPOSE

Minimize environmental footprint, preserve and improve the environment in operating regions in the context of dynamically growing production.

### GOVERNING REGULATIONS

- Environmental laws
- Environmental Policy of TMK Group was updated in 2019
- TMK Group's Environmental Policy Implementation Framework
- ISO 14001:2015 – Environmental management systems

9 of the Company's plants confirmed their compliance with ISO 14001:2015

2.3 RUB bln – environmental expenditures totaled

22 investment projects



Environmental Policy of TMK Group

### ORGANIZATION

TMK's Technical Director organizes environmental protection activities and monitors performance against targets. The Chief Environmental Engineer – Head of the Department of Efficiency of Industrial Ecology is responsible for day-to-day management, planning and environmental reporting at the Group level. At the facility level, The Technical Director/Chief Engineer is responsible for environmental protection. Actual environmental protection activities are conducted by specialized units – environmental services. Accredited environmental laboratories control industrial ecology as regards (instrumental) measurements for environmental analysis.

### APPROACH:

- Applying a risk-based approach to environmental matters when making strategic management decisions about planned and current operations
- Using the best available technologies to minimize environmental footprint
- Optimizing and improving production and process operations with a focus on resource efficiency and minimization of environmental footprint across different aspects
- Improving the system of efficient industrial waste management
- Continuously improving the Company's environmental performance and the relevant management system
- Building a trust-based dialogue with internal and external stakeholders.

### CONTROL

TMK's Board of Directors; supervisory bodies.

Over 2,400 employees of the Company received environmental trainings and briefings

TMK ranked among 30 most environmentally friendly companies in Russia and was the leader among Russian steelmakers according to Forbes magazine

PERFORMANCE INDICATORS

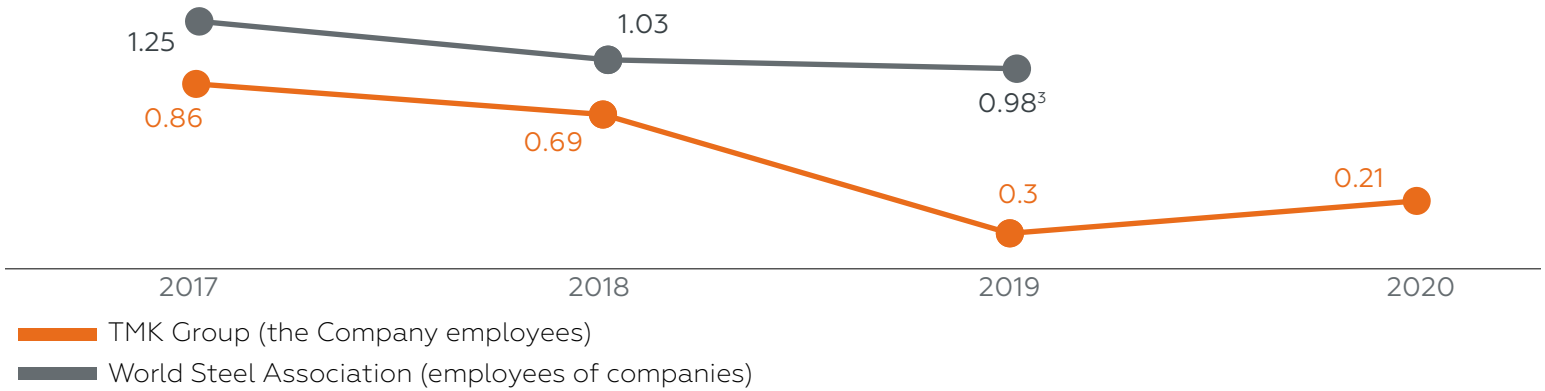
ACROSS TMK GROUP, EXCLUDING THE AMERICAN DIVISION<sup>1</sup>

Indicator	2018	2019	2020
Accidents	23	17	12
including fatalities	0	0	1
Frequency rate	0.68	0.5	0.36
Severity rate	75.7	89.4	89.0
Lost workday rate (LWR = FR x SR)	51.5	44.7	32.4

RUSSIAN DIVISION

Indicator	2018	2019	2020
Accidents	20	16	12
including fatalities	0	0	1
Frequency rate	0.63	0.51	0.38
Severity rate	70.8	87.4	89.0
Lost workday rate (LWR = FR x SR)	44.6	44.5	33.9

LOST TIME INJURY FREQUENCY RATE (LTIFR) AT TMK GROUP AGAINST THE AVERAGE BENCHMARK OF THE WORLD STEEL ASSOCIATION<sup>2</sup>



<sup>1</sup> TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc. in January 2020, deconsolidating the American division.  
<sup>2</sup> The calculations used the following formulas:  $LTIFR = N \times 1,000,000 / T$ , where  $N$  is the number of lost time injuries,  $T$  is the number of person-hours worked.  
<sup>3</sup> Latest World Steel Association data available as at the date of this Report.  
The calculations used the following formulas:  $FR = \text{number of accidents} \times 1,000 / \text{number of employees}$ ;  $SR = \text{number of lost workdays} / \text{number of accidents}$ .

EUROPEAN DIVISION

Indicator	2018	2019	2020
Accidents	3	1	0
including fatalities	0	0	0
Frequency rate	1.33	0.87	0.0
Severity rate	108.3	14.5	0.0
Lost workday rate (LWR = FR x SR)	144.0	12.6	0.0

In 2020, the Company’s injury metrics have improved.

LTIFR reduced to 0.21, hitting 4-year lows, the accident frequency rate decreased by 28% year-on-year, the number of severe cases by 25% year-on-year, and the lost workday rate by 25.8% year-on-year. The Company’s management pays close attention to health of employees injured in accidents, monitoring their treatment, state and the quality of treatment.

The Company deeply regrets to report that one fatality was recorded at Volzhsky Pipe Plant in 2020. The incident was investigated to identify the causes, and measures were taken to prevent such incidents in the future.

2021 PLANS:

- Digitization of occupational health and industrial safety services
- Integration of new companies joining TMK Group

- further rolling out best practices at enterprises, including in process digitization:
  - Participation in BIOT (Safety and Labor Protection) interactive exhibition
  - Exchange of best practices in occupational health and safety between heads of technical services and departments of TMK’s Russian division, representatives of United Metallurgical Company (OMK), Chelpipe Group, the State Labor Inspectorate of the Volgograd Region, and the Nizhne-Volzhsky Department of the Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor)
  - Online meetings with heads of OHS organizations, including meeting dedicated to implementing digital technologies
  - Participation in expert groups of the Russian Union of Industrialists and Entrepreneurs (RSPP) to improve applicable health and safety laws under the governmental regulatory guillotine policy
- installation of video surveillance at enterprises to ensure compliance with safety requirements and assist in accident investigations.

**ENSURING EMPLOYEE HEALTH AND SAFETY DURING THE COVID-19 PANDEMIC**

Throughout 2020, TMK strictly complied with the recommendations of federal and regional authorities and the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) to enforce hygiene safety and prevent the spread of COVID-19 at the Group’s production sites and offices.

The following measures were implemented during the reporting period:

- Floor markings to mark out social distancing of 1.5–2 meters
- One-way flows through the Group’s buildings and sites
- Mandatory use of provided protective equipment (respirators and hand protection) at all the Group’s premises

- Hand sanitizers to disinfect hands
- Thermal imaging cameras to screen body temperature at entrances to buildings, body temperature measurements during the day using digital thermometers
- Regular disinfection and installation of germicidal lamps in rooms
- Discouraging trips within buildings, face-to-face contacts, meetings in person; moving meetings and events online
- Partially shifting the Company employees to remote work, creating cross-platform mobile workspaces that are managed remotely
- Cancelling or postponing mass business, sporting and cultural events, banning business trips abroad
- Changing work and rest schedules (setting individual schedules, changing shift patterns) to minimize congestion in offices and reception areas
- Setting a timetable for visiting canteens and coffee shops
- Banning external meal delivery to offices
- All employees are strongly advised to self-isolate and follow other measures to counter the spread of COVID-19 as required by regional authorities.

RISK IDENTIFICATION AND SAFE ENVIRONMENT

All TMK Group entities apply a risk-based approach and regularly review their occupational health and safety requirements in place, which are mandatory for all employees.

The key to improving safety is employee engagement. To date, about 80% of TMK Group employees are involved in identifying and eliminating risks. In February 2020, enterprises introduced hazard maps, which were drawn up with the help of employees. Hazard maps present a list of workplace hazards where risks cannot be completely eliminated, but can be controlled. During the year, the Company held briefings to employees on safety precautions based on the risks identified, and installed barriers and other security equipment to ensure maximum injury protection.

The enterprises continuously monitor the working environment as per schedules, which enables real-time employee risk assessment and prompt organizational and technical measures to eliminate or reduce the impact of risks.

In line with tradition, all TMK Group production facilities as well as contractor employees took part in Steel Safety Day 2020. The results were summarized in October 2020 instead of the World Day for Safety and Health at Work on April 28 due to the COVID-19 pandemic and submitted to the World Steel Association. During the year, the Company followed the plan to eliminate or mitigate the identified safety risks. All of the plan’s activities are running to schedule.

TMK’S PARTICIPATION IN STEEL SAFETY DAYS

Participants	2018	2019	2020
TMK employees	35,518	35,962	31,821 <sup>1</sup>
Including safety auditors, %	81	81	83
Contractor employees	6,924	7,350	7,611

In 2020, RUB 770 million was allocated to occupational health and safety, up 30% year-on-year.

THE MOST SIGNIFICANT ACTIVITIES TO ENHANCE OCCUPATIONAL SAFETY AT THE GROUP ENTITIES INCLUDE

- certification to ISO 45001
- pilot corporate electronic health check system at TAGMET launched in 2019. Digital tools enable automated health screening to identify alcohol and drug use. During the year, “Electronic” health checks were rolled out to four more TMK plants: Seversky Pipe Plant, Volzhsky Pipe Plant, Sinarsky Pipe Plant and Orsky Machine Building Plant
- targeted inspections to mitigate safety risks related to moving parts and machinery
- targeted inspections and follow-up installation of barriers and lockouts to prevent entry into areas with operating equipment
- firefighting equipment serviceability checks in October and December 2020

<sup>1</sup> The number of participating employees decreased due to the sale of the American division.

## TRAINING AND EDUCATION

OHS training at the Company meets the requirements of Russian federal laws and regulations on occupational health and safety. TMK2U Corporate University, in cooperation with the management company's Occupational Health Department:

- started training in Occupational Health and Safety for Managers and Specialists, First Aid, and Minimum Fire Technical Standards programs, involving external experts, for 230 employees of the management company
- develops a range of unique e-learning courses in Occupational Health and Safety for Managers and Specialists, Induction Briefing, Minimum Fire Technical Standards, Fire Safety Training, Training to Assign Group 1 on Electrical Safety to Non-Electrical Personnel, Occupational Risk Management. These programs are mandatory for all the Company employees
- regularly updates all developed courses in line with new statutory requirements to occupational health and safety.

In addition to mandatory training, TMK also provides training programmes and takes measures to improve the safety culture, personnel qualifications and competencies in occupational safety. For example, TMK2U Corporate University regularly offers e-learning courses, webinars and lectures on occupational health and technosphere safety, which were attended by 802 people in 2020.

The training extensively uses digital technology – for instance, Volzhsky Pipe Plant has a Steel Safety Room, demonstrating on a large screen production sites, hazards and occupational health techniques.

Volzhsky Pipe Plant also has a quest room with artificially created safety breaches. The employee in the room should identify and explain these breaches.

Supported by the corporate communications function and the corporate media, the Company actively promotes occupational safety, including engaging employees in occupational health and safety events and informing on preparing to, and holding of, Steel Safety Day.

Pursuant to the Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities approved by the CEO's directive, TMK holds a competition to select the organization with the best OHS performance, with Sinarsky Pipe Plant named the winner in 2020.





# OCCUPATIONAL HEALTH AND SAFETY

## PURPOSE

Ensure safe working conditions at all TMK enterprises for each employee and full employee compliance with occupational health and safety requirements.

Zero injuries is a key goal of the Company's 2027 development strategy.

## GOVERNING REGULATIONS

- Occupational Health and Industrial Safety Policy and Industrial Safety Policy
- OHSAS 18001 – Occupational Health and Safety Management System
- Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities
- Occupational health and safety management system, including internal procedures aligned with applicable laws and international standards



**Occupational Health  
and Industrial Safety  
Policy**



**Industrial Safety  
Policy**

## ORGANIZATION

Technical Director is responsible for organizing activities and achieving occupational safety targets at all TMK entities, with their KPIs including occupational health and industrial safety metrics. The occupational health and safety management system in place at all the Company's enterprises includes regular assessment of occupational risks, special assessment of working conditions, workplace microclimate control measures, monitoring employee health, training and certifying employees in occupational health and safety.

## CONTROL

The Board of Directors, TMK's executive management, Technical Director jointly with facility management.



TMK enterprises have been successfully certified to ISO 45001:2018



100% of production sites took part in Steel Safety Day 2020



LTIFR reduced to 0.21, hitting 4-year lows



Accident frequency rate decreased by 28%



The number of severe workplace injuries decreased by 25%



Emergency-free production



Decreasing number and frequency of accidents and the lost workday rate

Career guidance

I'm Professional 2020

TMK2U is a co-organizer of Ural Federal University's Winter School

263

students attended the Winter School in Sochi

Apprenticeships 2.0

30

participants in TMK projects in 2020

Career guidance classes

203

classes held in 2020

Career Time online campaign  
(job fair, the Engineering Reconstruction project, Golden Internship contest)

Over

60,000

participants nationwide

National Open House Day

17

excursions in 2020

Automation and robotic process automation in HR

ROBOTIC  
PROCESS AUTOMATION (RPA)

9  
robots

TMK2U has developed 8 robots for internal use

An HR robot was successfully piloted

Savings from introducing an HR robot are estimated at

4,000  
person-hours

300  
person-hours  
were saved in 2020

Examples of  
processes



Mailing of letters



Assigning surveys in SOTA2U



Developing professional discipline tests in SOTA2U

AUTOMATION  
WITH POWER QUERY  
AND VISUAL BASIC MACROS  
IN EXCEL

More than  
10  
processes  
automated

More than  
2,500  
person-hours

Automation measures in 2020 will enable annual savings of more than 2,500 person-hours

Examples of  
processes



Follow-up reporting on Automated Tutoring Systems after training is complete



Automating recruitment tests



Automating distance learning and adaptation reports

## Building a culture of development

### Horizons International Forum

The Forum was held online in November 2020



Event promotion through media and PR, online streaming: via the Mobi2U mobile application

Over  
**1,500**  
participants

**58**  
events

**20**  
sections of international  
scientific and practical  
conferences

**2**  
corporate  
contests

**6**  
teams –  
participating in a KVN festival

**8**  
students  
from 2 universities made  
presentations at international  
scientific and practical conferences

## Evaluation and development



A third employee engagement survey was held

Over  
**2,000**  
employees  
took part in the survey

In addition: the first in-depth engagement study in SOTA2U

Talent evaluation (mid-level) **436** 588 1,252

Talent evaluation (top-level) **69** 121 101

Personal development plans (mid-level) **207** 356 1,009

Personal development plans (top-level) **52** 75 52



4 evaluation sessions were held to select candidates for the Management Talent Pool

**69**  
employees  
passed evaluation tests

Appointments from the talent-pool **146** 241 250

**2020**  
**2019**  
**2018**

21 apprenticeships were arranged (before COVID-19 restrictions)

6 trade-specific tests were developed, 3 are underway

A mentoring program for senior management was introduced

Based on the developed methodology, a corporate-wide certification of TMK Group employees started

Internal customer focus level was assessed at SOTA2U, involving 127 assessed employees and over 1,200 assessors


A pool of 22 internal assessors has been established




Open2U – an open knowledge space

# Open2U

The Open2U project was launched in June 2020 to give employees an opportunity to share experiences, fulfil their potential and improve skills. Anyone can join the community in SOTA2U, suggest a webinar topic and, with the help of TMK2U mentors, hold it for a wide audience.

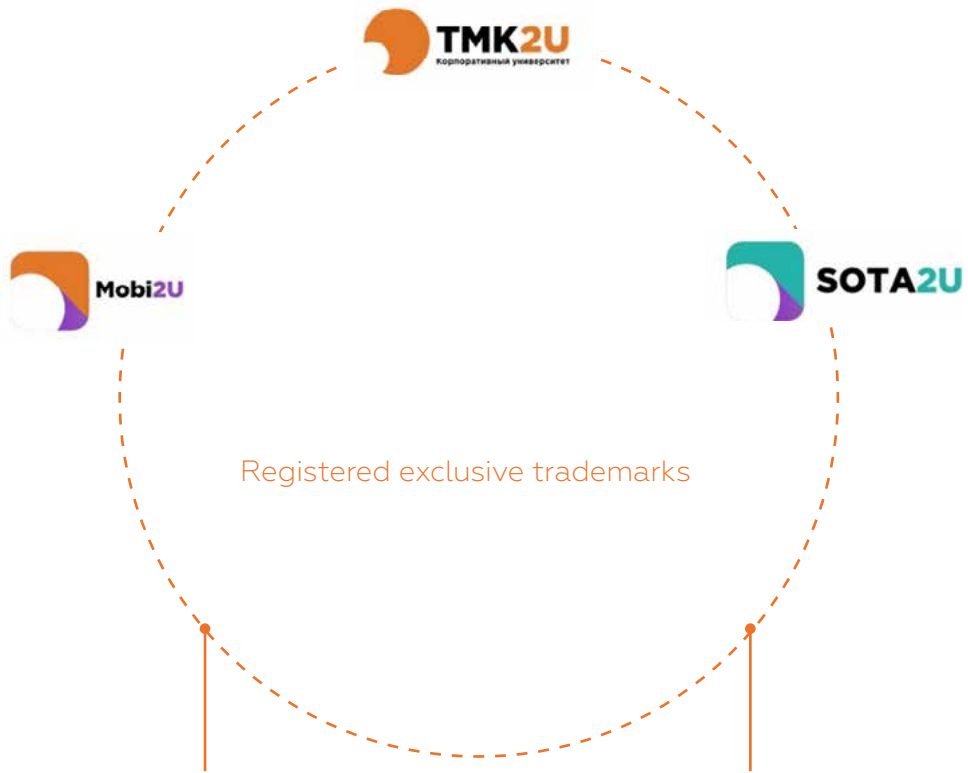
  
**29**  
webinars

  
**20**  
speakers

  
**174**  
community  
members

  
**3,378**  
webinar  
participants

Registration of 2U family trademarks

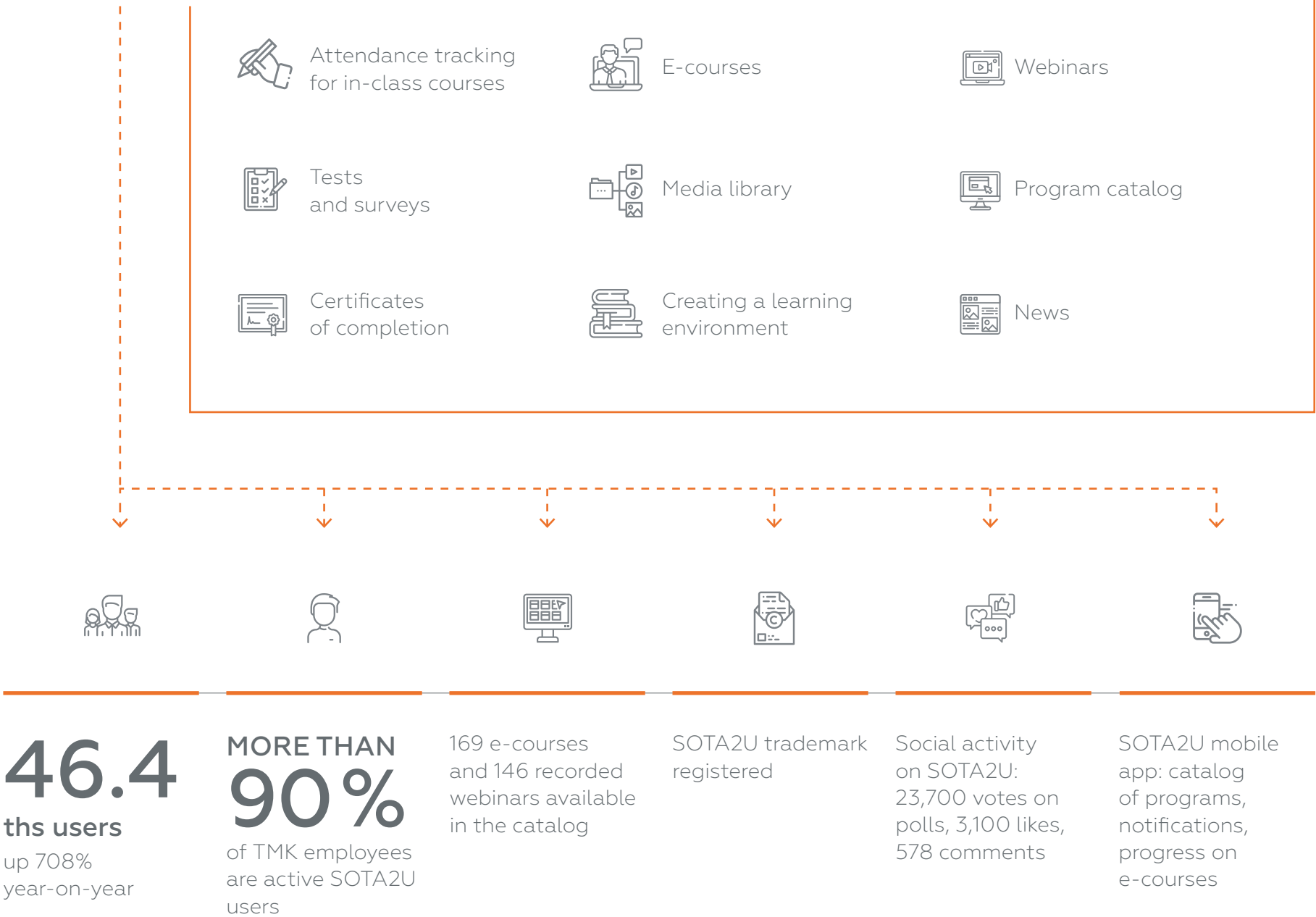


Trademarks are the Company's intellectual property and are legally protected against use by third parties without our consent

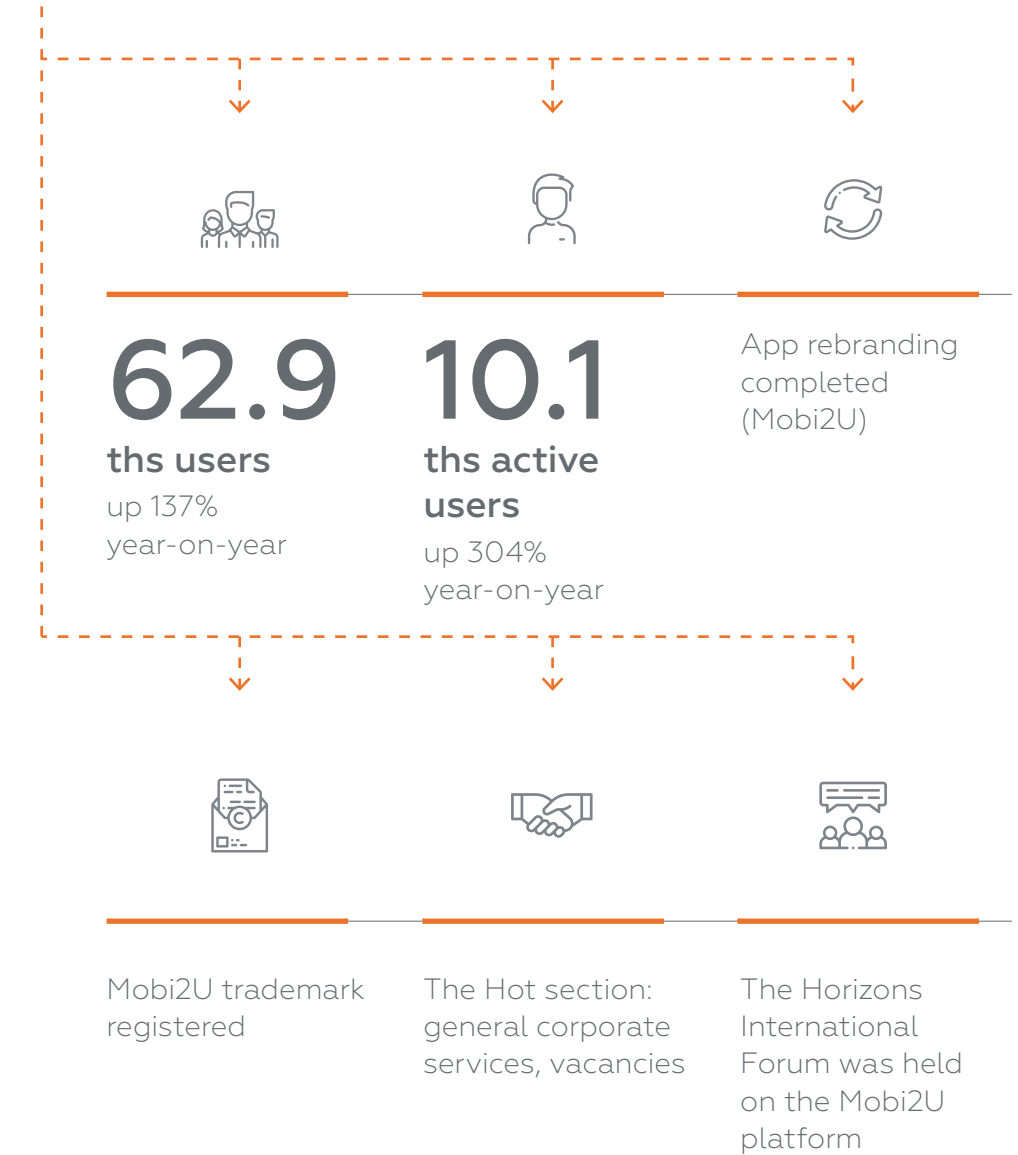
Trademark registration gives a company an advantage when entering new markets and helps to build trust in potential customers

Corporate digital environment: **SOTA2U** online HR platform and **Mobi2U** mobile app

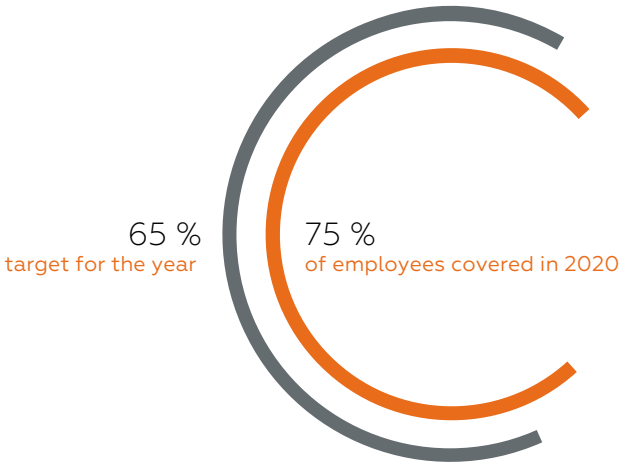
IN 2019, THE **SOTA2U** ONLINE EDUCATION PLATFORM WAS LAUNCHED



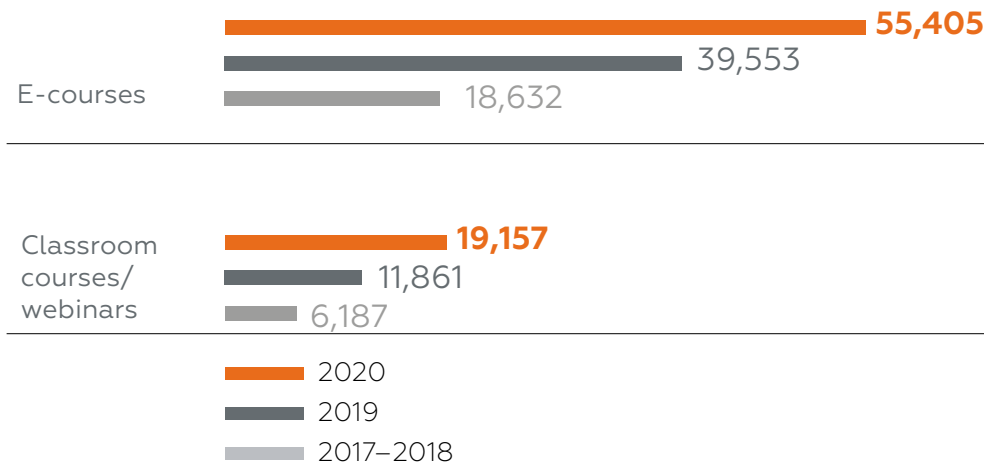
CONTINUED DEVELOPMENT OF THE **MOBI2U** MOBILE APPLICATION AS A TOOL FOR BUILDING CORPORATE CULTURE



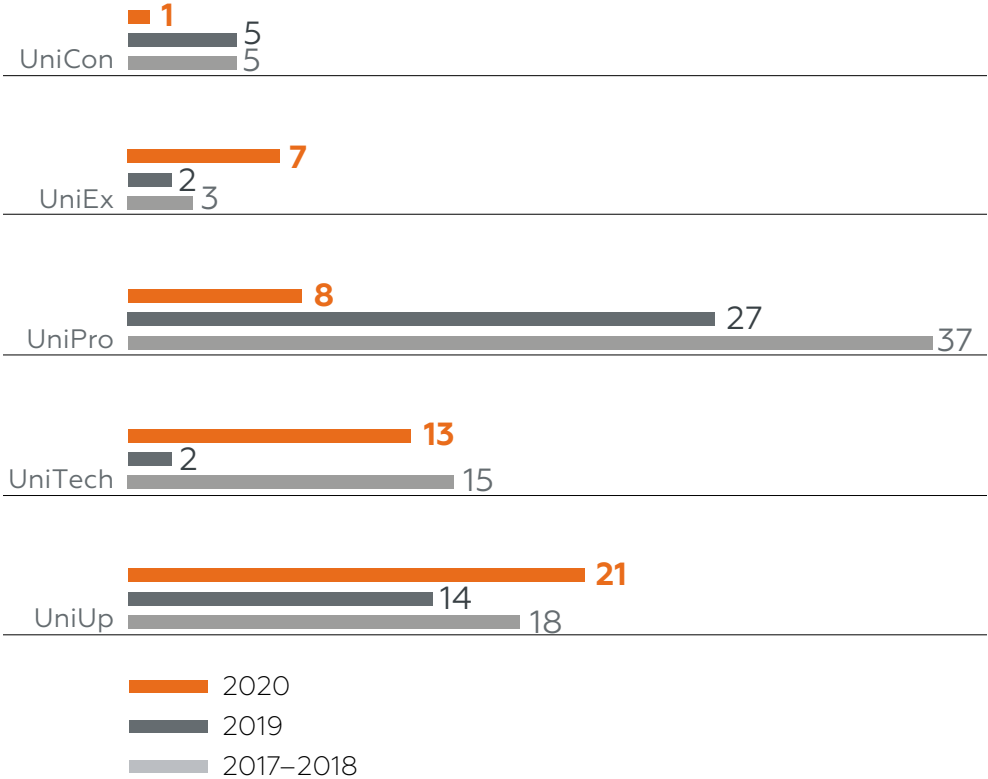
In 2019, on the initiative of TMK2U, steeluniversity launched **the steelTalks webinar series**. Speakers included top experts representing World Steel Association member companies from all over the world.



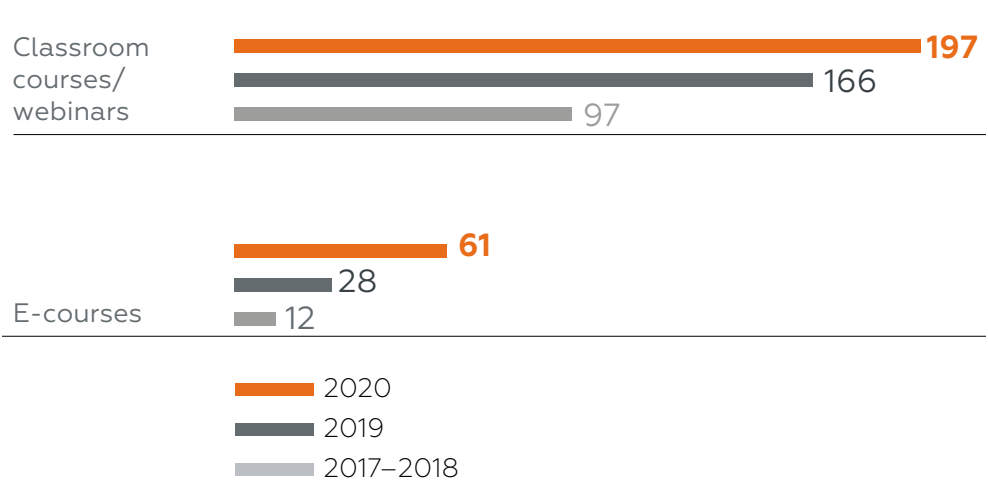
NUMBER OF PERSON-COURSES  
(CLASSROOM/WEBINARS AND E-COURSES)



IN 3 YEARS, THE UNIVERSITY HAS DESIGNED  
178 TRAINING PROGRAMMS IN 5 AREAS



IN-CLASS COURSES AND WEBINARS HELD,  
E-COURSES DEVELOPED



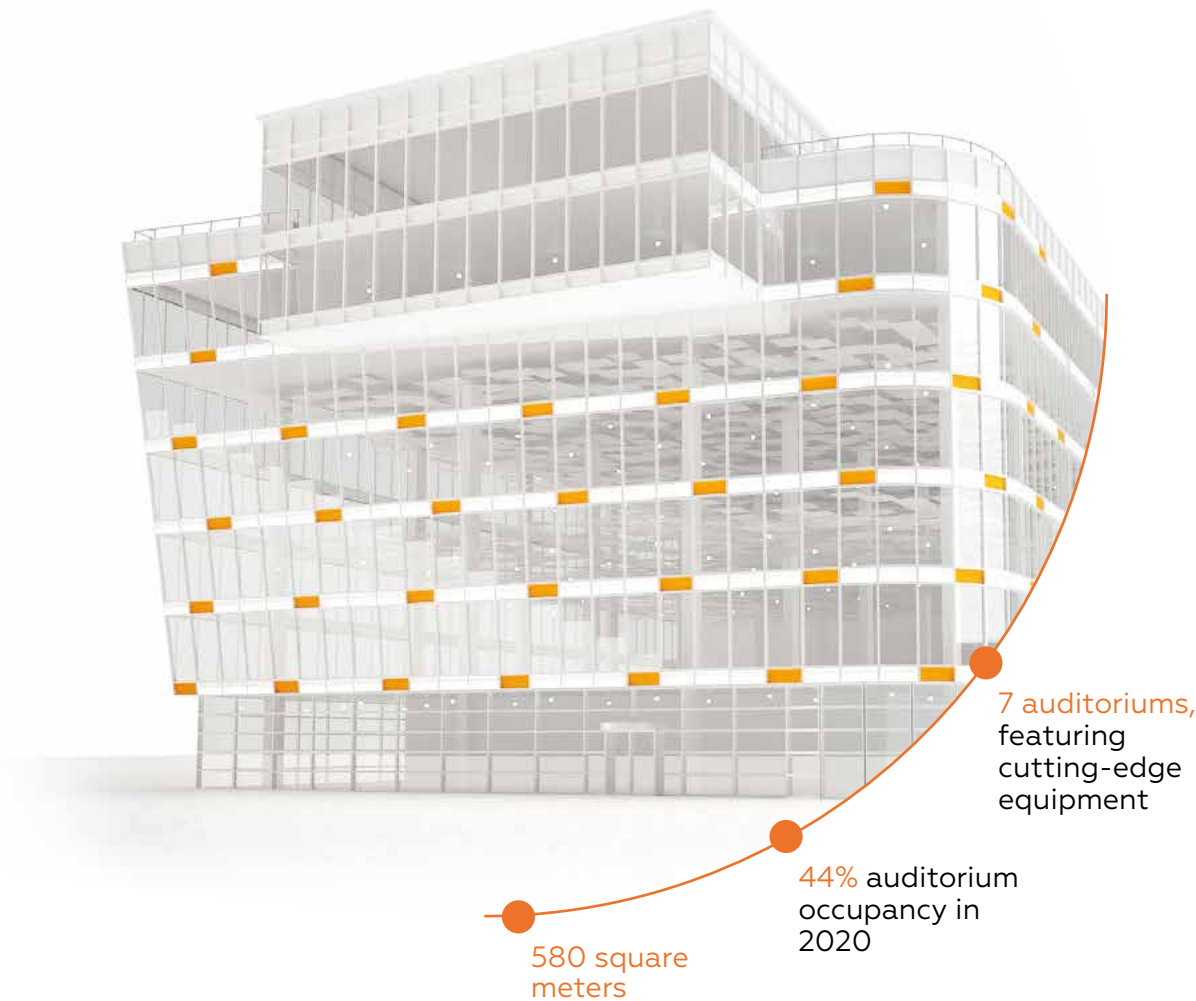
TMK2U Corporate University is core to the Company’s employee training and development system as well as its social surveys

HEADQUARTERED AT SKOLKOVO

Created in November 2017

SPECIALIZATION:

- Digital skills
- Soft skills



5 TRAINING GROUNDS LOCATED AT THE COMPANY’S PRODUCTION FACILITIES

SPECIALIZATION:

- Hard skills
- Soft skills



The following priority areas have been defined for TMK2U:

Establishing unified standards of employee qualifications and competencies across TMK’s facilities	Formalizing, unifying and facilitating the sharing of competencies between the businesses to ensure process sustainability	Compiling a full set of corporate professional standards factoring in the Group’s ongoing digitalization and technological innovations using uniform criteria for personnel recruitment, onboarding and training, as well as talent pool management	Improving the framework of early career guidance comprising TMK-sponsored secondary schools and colleges; contributing to programs for gifted children (the Sirius Educational Center, the Tochka Opory (Foothold) career advising project, the I’m Professional national competition, the nationwide Internships project, the national Career Night event, etc.) and promoting the latest visualization tools in career advising (gamification, animation, etc.)	
Attracting gifted students of relevant higher and secondary professional education institutions through competitive selection and targeted support based on the analysis and forecast of the Company’s needs	Building a system to foster managerial skills in the Company’s leaders and identify leadership potential in younger employees	Expanding capabilities that enable the Company to manufacture high value-added products	Supporting the implementation of investment projects through proactive development of relevant skills	Building an environment that fosters creativity and design thinking required to develop next generation high-tech production facilities
Ensuring succession for the Company’s management personnel by prioritizing candidates from the talent pool when making appointments to management positions	Creating a system of regular qualification and competency assessments of the Company personnel using diverse methods	Ensuring a continuous proactive training process by employing both conventional and innovative approaches to training programme design	In partnership with public authorities, establishing resource-based personnel training centers (training grounds at production facilities, Skolkovo Innovation Center) based on corporate specialization and a dual education framework	Organizing and holding corporate knowledge-building events (the Horizons International Forum, International Scientific and Practical Conference, professional excellence contests)
Developing the intra-corporate social and knowledge-building environment through promoting the Mobi2U corporate social network and the SOTA2U online HR platform	Designing and implementing a range of events to reinforce the visibility and positive perception of the Company’s HR brand	Introducing bilingual distance and multimedia learning and assessment channels via a single interactive platform	Creating industry-specific competency assessment centers for qualifications relevant for the metals and mining industry	Fostering employee engagement

The Corporate University is a key resource for achieving the Company’s development objectives defined in our HR Strategy.



PUBLIC RECOGNITION

In 2020

Seven Company employees received state awards:

6  
people  
the Distinguished  
Metallurgist title

1  
person  
the second class Medal  
of the Order For Merit  
to the Fatherland

74 people received industry awards:

19  
people  
the Honored  
Metallurgist  
title

55  
people  
Certificate of Merit  
from the Ministry

In 2020, TMK pursued its programme to award legal entities and individuals in recognition of their contribution to promoting sustainable, long-term and mutually beneficial relationships with the Company with badges and diplomas For Business Cooperation with TMK.



PENSION PROGRAM

The corporate pension programme is part of TMK’s benefit package, aimed at improving the quality of life for retired employees and motivating employees to stay with the Company and improve their performance.

EMPLOYEE DEVELOPMENT AND TRAINING

In 2020, TMK invested \$1.47 million in corporate training and career enhancement programs.

Since 2018, TMK2U Corporate University has been the main platform used by Company employees to develop their professional and business skills. The University’s headquarters are located at TMK’s R&D facility in Skolkovo while it has training grounds at all of the Company’s major production sites.

PROMOTING EMPLOYEE HEALTH

We have expanded all of TMK’s corporate recreation and health programs for the Company employees and their families in order to improve health, and offered them more leisure opportunities. However, due to the spread of the COVID-19 pandemic, health improvement activities for TMK employees were only partially implemented.

In a challenging epidemiological situation, the health of our employees is our special priority. Preventive measures are consistently carried out at all of the Company’s facilities and the health of TMK employees is monitored on an ongoing basis. In case of any signs of COVID-19, employees are tested and the Company arranges for medical care for those who fall ill. During the peak of COVID-19, we were able to shift a large number of office employees to remote work quickly, without losing efficiency. On top of that, we arranged for prompt tracking of sick people’s contact lists and were able to prevent local coronavirus outbreaks in 2020 as TMK plants maintained uninterrupted production.

We are committed to supporting employees’ physical, emotional and financial well-being, whilst also encouraging them to take to a conscientious approach to protecting their own health.

In 2020, many of our employees and their family members received health resort treatment



**1,297**  
employees  
and their family  
members stayed at  
Burgas Resort (Sochi)



**765**  
employees  
and their family  
members stayed  
at Hotel Romantic  
(Arkhyz)

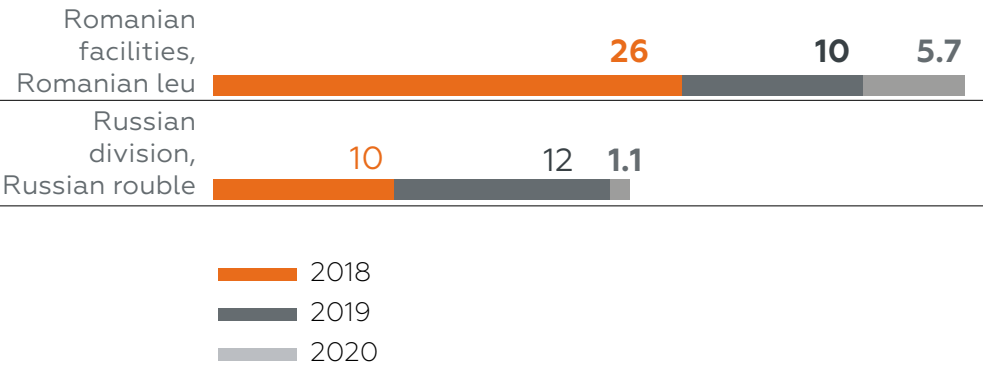


**72**  
employees  
and their family  
members stayed  
at Hotel Westend  
(Mariánské Lázně,  
Czech Republic)





YEAR-ON-YEAR INCREASE OF AVERAGE PAY ACROSS TMK GROUP IN LOCAL CURRENCY, % YEAR-ON-YEAR



At any TMK entity each employee’s pay is linked to their performance. The Company offers competitive salaries to its employees across all TMK plants aligned with the financial performance of the Company’s divisions and ensures compliance with national laws, industry agreements and collective bargaining agreements as regards salary indexation.

SOCIAL PARTNERSHIP

In 2020, our representatives were actively engaged in negotiating with the Russian Mining and Metallurgical Trade Union and the Russian Metallurgists Association on the Industry Tariff Agreement for the Russian Metals and Mining Industry for 2020–2022.

New collective bargaining agreements were signed at TMK’s Romanian facilities:

TMK-ARTROM – for a term to February 2021, TMK-RESITA – for 2020–2022.

All of the Company’s facilities complied with the requirements of all applicable codes and standards, whether industry-wide or set forth by collective bargaining agreements.

EMPLOYEE INCENTIVES AND COMPENSATION

Corporate motivation programs and unification of the compensation system:

- In 2020, the Unified Compensation System was in place at 11 production facilities across the Russian division and covered over 31,500 employees (90% of the Company’s headcount)
- We continue implementing and developing the Motivation Programme Based on management by objectives and key performance indicators (KPIs) for management by setting KPIs aligned with the system of balanced indicators by objectives.
- TMK Russian and Romanian plants have in place a special incentive scheme for key production employees operating and maintaining pipe rolling mills.
- A new bonus system based on management by objectives and KPIs for commercial staff was developed and introduced. The programme is expected to deliver results in 2021.
- A motivation system based on project results was introduced, aimed primarily at increasing employee involvement. Unified bonus rules have already proven to be effective their efficiency.

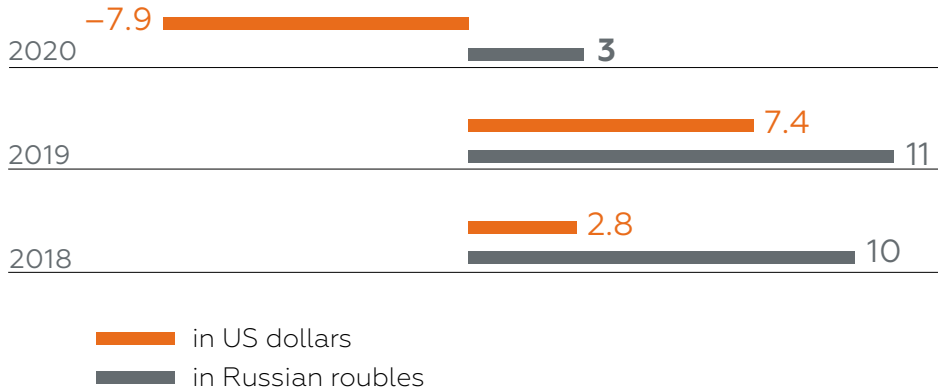
The Company’s employee incentive system is aimed at aligning the interests of shareholders, management and employees of TMK Group plants.

AVERAGE PAY AT TMK IN 2018–2020

The average pay across TMK was significantly affected by fluctuations in the financial market, in particular, changes in the Russian rouble exchange rate, lower production volumes and the sale of our American assets.

Average pay across the Company, excluding the American division, increased in roubles (up 3% year-on-year) and decreased in US dollars (down 7.9% year-on-year).

YEAR-ON-YEAR INCREASE OF AVERAGE PAY ACROSS TMK GROUP, % YEAR-ON-YEAR, EXCLUDING THE AMERICAN DIVISION



The average pay in local currency demonstrated an upward trend both in the Russian (up 1.1% year-on-year) and the European (up 5.7% year-on-year) divisions.

IMPLEMENTATION OF TMK’S HR STRATEGY IN 2020

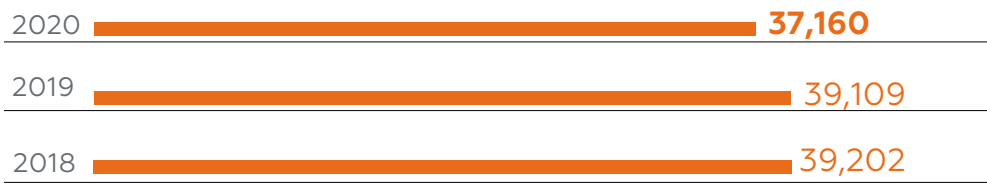
CORPORATE DEVELOPMENT AND HEADCOUNT  
MANAGEMENT

In 2020, TMK’s total headcount across its facilities in Russia, the EU (including Romania), the UAE and Kazakhstan was 37,160. We continued implementing our comprehensive approach to building a robust management framework focused on synchronizing business processes and the Company’s production plans across our organizations, enabling us to right-size our workforce across TMK. We maintained high staff performance in a challenging financial and economic environment brought about by the COVID-19 pandemic. Importantly, 2020 was marked by the integration of new assets into TMK Group.

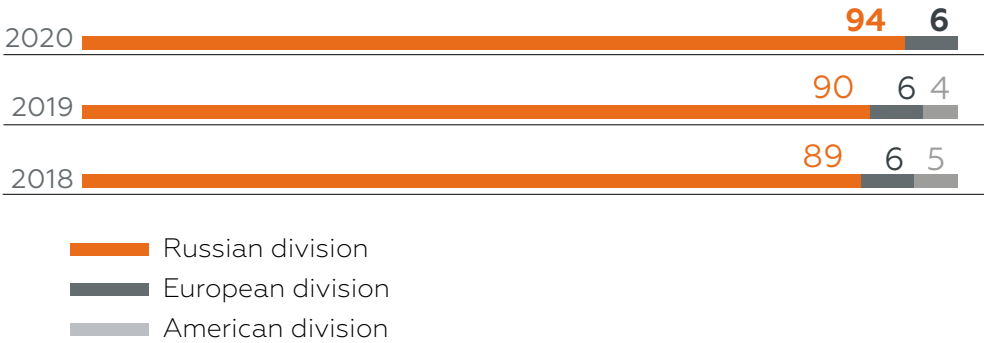
Headcount changes in 2020 were due to:

- the implementation of the project to sell TMK’s American division and the retention of the two core divisions, Russian and European
- the addition of new production assets to the Russian division, specifically: JSC Uralchermet, LLC Parus and LLC Truby 2000 in the Russian division.

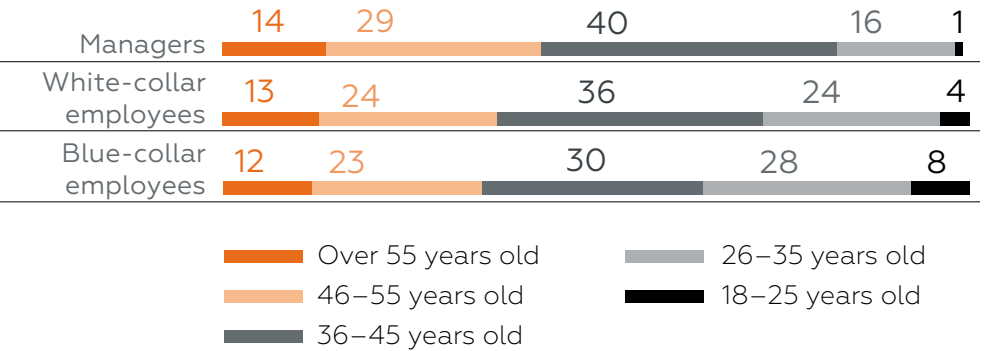
TMK’S HEADCOUNT



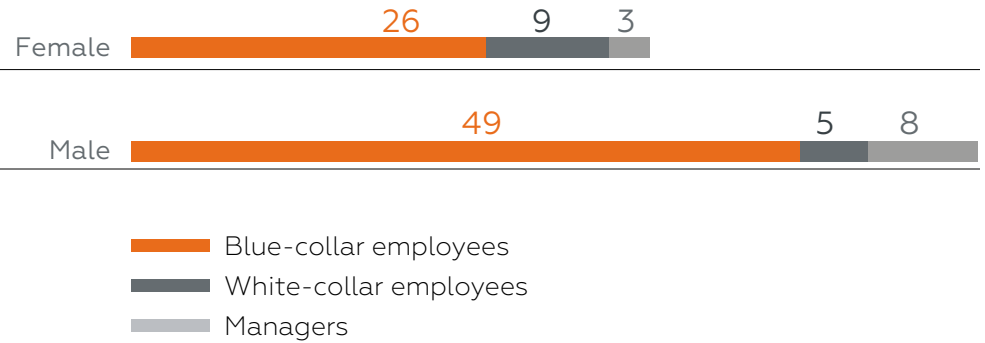
TMK’S HEADCOUNT BY DIVISION (%)



HEADCOUNT BREAKDOWN BY AGE AND CATEGORY (%)



HEADCOUNT BREAKDOWN BY CATEGORY AND GENDER (%)



The age structure of the TMK’s workforce reflects our strategic initiatives and facilitates the gradual transfer of expertise, knowledge and skills from one generation to the next, thereby ensuring effective succession for production personnel on an ongoing basis. The Company complies with all statutory requirements to headcount breakdown by gender and age.

# HUMAN RESOURCES AND SOCIAL POLICY



**Elena  
Pozolotina**

Vice President for Human Resources – Director of TMK2U Corporate University



At TMK, we treat HR management as an interconnected system. The systematic approach to HR management helps ensure TMK maintains its position as one of the world’s leading pipe producers and one of the industry’s best employers, providing competitive working conditions, social guarantees, professional development opportunities and growth potential for career-driven employees.

Our human capital is a key competitive advantage, and investment in personnel is integral to the Company’s long-term development. We see a return on this investment through improved performance across the Company’s key business metrics.

We pay close attention to internal customer focus as we believe it allows us to effectively address the pool of large-scale and ambitious business objectives we set for ourselves.

## PURPOSE

Align TMK’s human capital with our strategic objectives and ensure employees are motivated and have the professional qualifications needed to achieve them.

## GOVERNING REGULATIONS

TMK’s HR Strategy for 2020–2027, which is based on TMK’s Business Strategy adopted by the Board of Directors in 2020, TMK’s HR Management, Internal Regulations and Policies Relevant to the of Strategy’s Key Functional Areas of corporate quality management standard.

TMK’s HR Strategy defines:

- corporate HR management principles
- corporate values
- strategic HR initiatives
- key areas and tasks
- corporate HR management KPIs.

## ORGANIZATION

Vice President for Human Resources – Director of TMK2U Corporate University provides overall guidance and coordinates HR management activities across TMK Group facilities. HR management organization at each of the Company’s facilities is structured as an integral part of the company-wide function.

**37,160**  
group headcount

**3**  
years  
TMK2U Corporate University

STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Shareholders, lenders

- |  |  |  |   |  |   |
|--|--|--|---|--|---|
| <ul style="list-style-type: none"><li>• Compliance with best practices in corporate governance</li><li>• Equal access to information about the Company</li></ul> | <ul style="list-style-type: none"><li>• Protection of shareholder rights set out in the Company's Articles of Association</li><li>• The Investors section of the corporate website</li></ul> | <ul style="list-style-type: none"><li>• Corporate webpage on the Interfax information disclosure website</li><li>• Regulations on the Information Policy</li></ul> | <ul style="list-style-type: none"><li>• Disclosure of financial results on a quarterly basis</li><li>• General Meetings of Shareholders</li></ul> | <ul style="list-style-type: none"><li>• Publication of annual reports</li><li>• Capital Markets Days</li><li>• Participation in investment conferences</li></ul> | <ul style="list-style-type: none"><li>• Site visits to TMK plants</li></ul> |
|--|--|--|---|--|---|



The Investors section of the corporate website



Corporate webpage on the Interfax information disclosure website



Regulations on the Information Policy

Federal and regional authorities

- |  |  |  |   |   |   |
|--|--|--|---|---|---|
| <ul style="list-style-type: none"><li>• Abiding by the applicable laws</li><li>• Keeping track of changes in the applicable laws and enforcement practices, as</li></ul> | <p>well as legislative initiatives, and preparing proposals on improving the legal framework</p> | <ul style="list-style-type: none"><li>• Engagement in making and implementing decisions by industry associations and organizations</li></ul> | <ul style="list-style-type: none"><li>• Engagement in the work of advisory bodies and targeted expert teams</li></ul> | <ul style="list-style-type: none"><li>• Partnership with regional authorities to address social and economic issues</li></ul> | <ul style="list-style-type: none"><li>• Compliance with environmental laws, holding events to promote environmental protection and mitigate environmental footprint</li></ul> |
|--|--|--|---|---|---|

Businesses and non-governmental organizations

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Membership and engagement in Russian and international industry and non-governmental organizations</li></ul> | <ul style="list-style-type: none"><li>• Participation in forums, conferences, exhibitions and workshops relevant to the Company's businesses</li></ul> |
|--|--|

Local households, local communities

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Engagement in the social and economic development of regions</li><li>• Cooperation with non-profit organizations and the expert community in the regions of operation</li></ul> | <ul style="list-style-type: none"><li>• Sponsorship and philanthropy</li><li>• Holding events to promote environmental protection and mitigate environmental footprint</li></ul> |
|---|--|

Media

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Arranging for interviews of Russian and international mass media with the Company's top management</li><li>• Communicating financial results and TMK's day-to-day operations</li></ul> | <ul style="list-style-type: none"><li>• Regular communication with mass media (including answering requests)</li><li>• Media tours to TMK plants</li><li>• Posting the latest news and information on social media</li></ul> |
|--|--|



STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Suppliers

- Focus on mid-term and long-term partnerships
- Delivering on all contractual obligations
- Uniform principles of supplier relations based on healthy competition among manufacturers, suppliers, and contractors
- An e-commerce platform for procurement of TMK’s Russian division
- Code of Ethics setting out the Company’s operating principles
- Anti-corruption Hotline



E-commerce platform



Code of Ethics



Anti-corruption Hotline

Employees, trade unions

- HR Strategy
- Code of Ethics setting out the Company’s business ethics principles
- Employee relations based on the principles of social partnership
- Creating a favorable and safe working environment and improving living standards of employees
- Providing competitive salaries in the regions in which TMK plants operate
- KPI-based remuneration
- Unified (single) compensation system
- Social benefits and guarantees
- Providing opportunities to unlock talent and potential for performance-driven employees
- Abiding by the terms and conditions of collective bargaining agreements in place at TMK Group’s plants
- Trade union meetings, and other meetings to discuss and sign collective bargaining agreements
- Personnel training and development provided by TMK2U Corporate University
- An industry-specific independent qualification assessment center at the National Agency for Qualification Development
- Building up an internal talent pipeline
- Engaging employees via corporate media (the YouTube magazine, plant newspapers, corporate TV and the Mobi2U application), social media and the corporate portal
- Employee engagement survey



Code of Ethics



STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS

Consumers

- |   |   |  |  |   |
|---|---|--|--|---|
| <ul style="list-style-type: none"><li>• Focus on mid-term and long-term partnerships</li><li>• Delivering on all contractual obligations</li><li>• A technical sales function to align our offers to consumer demands</li><li>• A CRM system aimed at:<ul style="list-style-type: none"><li>– improving the efficiency of consumer relations in sales departments</li></ul></li></ul> | <ul style="list-style-type: none"><li>– improving response time to consumers’ needs, speeding up request processing and commercial offer preparation</li><li>– increasing consumer satisfaction considering their comments and preferences regarding order fulfillment</li><li>– a feedback channel through a customer survey system.</li></ul> | <ul style="list-style-type: none"><li>• A quality management system compliant with ISO 9001:2015 and API Spec Q1</li><li>• Products manufactured at TMK plants are certified to API, TÜV, ASTM and DIN international standards, European directives, etc. and have all necessary permits</li><li>• Quality Policy</li><li>• Product range expansion</li><li>• Capacity upgrade programme</li></ul> | <ul style="list-style-type: none"><li>• TMK eTrade, a tubular goods online store</li><li>• The Products section of the website</li><li>• A dedicated website to showcase TMK’s premium connections</li><li>• Workshops for consumers on the proper use of TMK’s tubular products for various sectors</li><li>• Membership in international and Russian industry associations and organizations</li></ul> | <ul style="list-style-type: none"><li>• Participation in exhibitions and industry conferences</li><li>• Code of Ethics setting out the Company’s operating principles</li><li>• Anti-corruption Hotline</li></ul> |
|---|---|--|--|---|



Quality Policy



TMK eTrade



TMK’s premium connections



Code of Ethics



Anti-corruption Hotline

# STAKEHOLDER RELATIONS

As the global leader in the pipe industry in Russia and worldwide, TMK maintains an ongoing dialogue with all its stakeholders and holds itself accountable to key stakeholders.

TMK identifies stakeholders as individuals or legal entities or groups of parties that may be significantly affected by the Company's operations, and that may affect the Company's ability to successfully implement its strategy and achieve its goals.

TMK's key stakeholders are the Company employees and trade unions, consumers, suppliers and contractors, local communities, shareholders and the investment community, federal and regional authorities, business associations, and mass media.



**TMK Group's Code  
of Ethics**

TMK aims to identify the needs and expectations of each stakeholder, actively develops engagement practices and maintains their high corporate profile. In our stakeholder relations, we seek to balance interests and base our dialogue and cooperation on the principles of mutual respect, partnership and integrity. Our principles are set out in TMK Group's Code of Ethics.

This Annual Report is a key communication tool simultaneously addressing all of our constituent stakeholders. When preparing this Annual Report, we primarily focused on addressing stakeholders' concerns in the reporting year and also followed expert recommendations to improve the Report's quality.

Stakeholder relations and information addressing the concerns of stakeholders are presented in relevant sections of this Annual Report and in the chart below.

# SUSTAINABLE DEVELOPMENT REPORT

Environmental responsibility, safe working conditions, looking after employee health and development, respecting human rights, creating decent living conditions and improving the quality of life in the regions in which we operate are our key priorities underpinning the long-term success of our business. We strive to create value for our stakeholders, to be transparent and open to dialogue.

TMK Group companies are major employers and taxpayers, with entire ecosystems centered around them. The Company strives to minimize its environmental impact and improve the environmental situation in the regions in which it operates, to help develop and maintain social infrastructure, enhance the scientific and educational potential of the regions where it operates, and create an innovative environment by introducing advanced technologies and scientific developments.

## ESG RATINGS

**MSCI**  
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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In December 2020, the Group’s MSCI ESG (Environmental, Social and Governance) rating was affirmed at «BB».



In March 2021, ISS affirmed TMK’s corporate governance score of 3 (with 1 being low risk and 10 being high risk).

## PUBLIC RECOGNITION

In 2020, TMK ranked seventh in the sustainability ranking of Russian companies compiled by the Expert magazine – the best performance among Russian steelmakers. The ranking includes five measures of performance:

- financial performance
- social policy and HR management
- environmental performance of operations
- contribution to social infrastructure development and charitable activities in regions of operation
- SME engagement

According to the survey, TMK scored the most in Local Development, taking the sixth place in this category.

For the third year running, TMK topped the annual social efficiency ranking among Russian metals and mining companies, compiled by AK&M Analytical Information Agency to assess the social efficiency of major Russian companies, determine the leaders and identify the companies that make the biggest contribution to society while producing the lowest impact on the environment, as well as to find the right balance between the companies’ environmental footprint and their positive social impact.



# Responsible

business

Approved  
by CEO of PAO TMK  
on April 27, 2021

## SUSTAINABLE DEVELOPMENT REPORT

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TMK Group operates in compliance with generally accepted standards of business conduct and is guided by the principles of social responsibility and sustainable development.

Despite the unprecedented external challenges of the reporting year, we ensured timely disclosure of facts that may influence investment decisions, to our stakeholders. In the reporting year, TMK disclosed 141 material facts relating to the Company’s operations. In particular, the Company detailed the progress and results of the buyback programme to repurchase PAO TMK ordinary shares, as approved by the Board of Directors.

Type of disclosure	Number
Meeting agendas and decisions of the Board of Directors	37
Transactions	21
Disclosure of financial and other statements	17
Exercise of security rights	17
Changes in the ownership structure	15
Security issues	12
Performance results	7
Convening and decisions of the General Meeting of Shareholders	4
Listing of securities	4
Changes in ratings	3
Other	4

141 material facts  
TMK disclosed relating  
to the Company’s operations

IMPROVEMENT

TMK representatives play an active role in efforts to improve disclosure regulations to increase their relevance and eliminate redundant, unnecessary formal procedures and duplications (a regulatory guillotine process). The vast majority of our proposals have been implemented by regulatory authorities.

2021 PLANS

To update the internal regulatory framework and revise respective business processes to ensure compliance with new requirements of Russian laws relating to information disclosure effective from October 01, 2021.

- The Company continuously engages with shareholders and investors by updating its website page at <https://www.tmk-group.ru/ir>; publishes financial statements, press releases and presentations; holds Capital Markets Days and conference calls, responds to individual queries, etc.
- The Company regularly updates shareholder details jointly with the registrar
- The registrar’s website offers the Shareholder’s Personal Account service whereby persons on the shareholder register, including clients of nominee holders, can obtain materials for Annual General Meetings of Shareholders, vote online, as well as view personal account balances, shareholder details, dividends accrued and taxes withheld.

TRANSPARENCY

PURPOSE

To provide shareholders, bondholders, the investment community and other stakeholders with equal and timely access to information about the Company’s performance, enabling them to make informed decisions regarding TMK and its securities.

GOVERNING  
REGULATIONS

Internal regulations on cooperation between TMK business units and entities in the process of information disclosure.

IMPLEMENTATION

Executive bodies, the Corporate Secretary, Vice President, Investor Relations and other Company units within the powers granted to them by internal regulations.



A special section  
for investors  
on the TMK website



Regulations  
on the Information  
Policy



Regulations  
on Insider Information



List of Insider  
Information

CONTROL

Board of Directors and TMK dedicated units.

Mandatory disclosures:

<http://www.e-disclosure.ru/portal/company.aspx?id=274>

<https://www.tmk-group.ru/> <https://www.tmk-group.com/>

- Strict compliance with all statutory, regulatory and stock exchange requirements
- Simultaneous disclosures in Russian and English
- Disclosure of material facts, issuer’s reports, including TMK’s IFRS consolidated financial statements and RAS accounts, list of affiliates, (the Company’s internal regulations and policies)
- The issuer’s quarterly and annual reports.

ADDITIONAL  
DISCLOSURES

<https://www.tmk-group.ru/ir>  
<https://www.tmk-group.com/ir>

- Investor section on TMK’s website <https://www.tmk-group.com/ir>
- Quarterly publications of TMK’s IFRS consolidated financial statements
- Quarterly press releases presenting analysis of the Company’s financial performance, as well as guidance
- Quarterly financial and operational performance presentations
- Quarterly calls for investors and analysts to discuss the Company’s results and guidance
- Investor roadshows
- Participation in investment and industry conferences
- Capital Markets Days
- Site visits to TMK’s facilities for investors and analysts
- Feedback

For stakeholder convenience, we updated the interface and structure of the corporate disclosure website in 2020, providing faster and easier access to useful information.



Quarterly financial  
and operational  
performance  
presentations



Capital Markets Days