

## DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND RELEVANT BOARD COMMITTEES<sup>1</sup> IN 2020

	Board of Directors (26 meetings)	Audit Committee (12 meetings)	Nomination and Remuneration Committee (8 meetings)	Strategy Committee (5 meetings)
Frank-Detlef Wende	26	12		
Andrey Kaplunov	26			
Sergey Kravchenko	26		8	5
Yaroslav Kuzminov	26		7	
Alexander Pumpyanskiy	26	12		5
Dmitry Pumpyanskiy (Chairman)	26			
Mikhail Khodorovsky	26		7	
Natalia Chervonenko	26	12		
Anatoly Chubais	26			
Alexander Shiryayev	26			4
Alexander Shokhin	26			5

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three standing committees: Audit Committee, Nomination and Remuneration Committee, Strategy Committee. The current committees were formed by the Board of Directors on June 05, 2020, in compliance with the Code and exchange listing rules, and in line with the Company's implementation of inclusive practices whereby committees include non-executive directors who have extensive and diverse professional experience as well as in-depth knowledge of TMK's business profile.

**Committee composition remained unchanged in 2020.**

<sup>1</sup> Submission of a written opinion stating the position in voting on agenda items was counted as attendance at the meeting.

## AUDIT COMMITTEE



**Natalia Chervonenko**

Independent Director,  
Chairwoman of the Audit Committee



In 2020, the Audit Committee focused on further adopting risk-based control practices to offer enhanced assistance to PAO TMK’s Board of Directors. The past year has proven that this task was not just pressing but critical. And we managed to complete it. The internal evaluation results show that the Audit Committee has resolved organizational issues to drive deeper analysis of control procedures and implemented measures to improve risk management and internal controls.

In addition to the regular agenda, we reviewed matters such as the borrowing strategy, procedure for issuing loans, the new format of the Company’s performance reporting, and recommendations on the appointment of an external auditor for the longer term, among others.

The committee took part in developing TMK Group’s Risk Management Policy, a new corporate standard that will improve the quality of the committee’s decision-making in 2021.

### PURPOSE

To assist the Board of Directors in improving the management of TMK’s financial and business activities as well as the internal control and risk management system

### GOVERNING REGULATIONS



Regulations on the Audit Committee

### COMMITTEE’S COMPOSITION AND COMPETENCIES

Natalia Chervonenko	Chairwoman, Independent Director
Frank-Detlef Wende	Independent Director
Alexander Pumpyanskiy	Non-Executive Director

The committee consists of three Directors, two of whom are independent, and is headed by Natalia Chervonenko, Independent Director. There were no changes in the composition of the committee during the year. Each Committee member has the knowledge and experience required to perform their duties. All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies.

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## MEETINGS

In 2020, the committee held 12 meetings and had several meetings with the head of the Internal Audit Service and the leader of the external audit team, without the executives present.

### IN THE REPORTING PERIOD, THE COMMITTEE REVIEWED AND PRESENTED TO THE BOARD OF DIRECTORS RECOMMENDATIONS ON THE FOLLOWING KEY MATTERS:

- Performance evaluation of TMK's risk management and internal control systems and the internal audit function
- TMK Group's Risk Management Policy
- New format of TMK's performance reporting
- Compliance of corporate procedures for appointing certain officers at TMK with listing requirements
- Accounting policy analysis and review of PAO TMK's accounting (financial) statements for completeness, accuracy and reliability
- Assessment of the internal control system and risk mitigation when preparing accounting and management reports
- Review of the Internal Audit Service's plans and reports, the external audit plan and scope, information sharing with the auditor
- Appointment of TMK Group's external auditor for 2021–2030
- 2020 borrowing strategy, taking into account asset sale
- Procedure for issuing loans, including approval of the process and tools to assess acceptable loan sizes

**12** meetings  
the committee held in 2020

## OPINIONS OF THE COMMITTEE

- The committee heard reports from the heads of the Internal Audit Service, Risk Management Committee, and the CEO's Committee on Regulating Compliance Risks. **The Audit Committee gave a positive assessment** of the current risk management and internal control system
- The committee reviewed a number of matters related to the preparation and audit of PAO TMK's 2020 full-year and interim separate and consolidated 2020 accounting (financial) statements. Based on the results of its oversight of the external audit exercise, **the Audit Committee concluded that the audit had been carried out to professional standards**
- The committee reviewed PAO TMK's IFRS consolidated financial statements for 2020
- The Audit Committee reviewed and recommended that the Board of Directors approve PAO TMK's RAS accounting (financial) statements for 2020
- The committee reviewed and assessed the Company's existing controls over accounting (financial) reporting

## INTERNAL EVALUATION IN 2020

There is a positive change in the Audit Committee's performance scoring compared to 2019, particularly driven by resolving organizational issues for a deeper insight into control procedures and implemented measures to improve the risk management and internal control system.

## NOMINATION AND REMUNERATION COMMITTEE



**Sergey Kravchenko**

Independent Director,  
Chairman of the  
Nomination and  
Remuneration Committee



During the year, the Company implemented significant organisational, human resources and technological changes, – all while facing unprecedented external challenges. This new environment has affected the committee’s agenda – several meetings reviewed matters related to HR support for the Group’s operations amid restrictions. The “new normal” served as a catalyst to accelerate the implementation of new digital solutions and corporate IT platforms in HR and talent development. This strengthened the social aspect of the Company’s approach to problem solving. The committee’s timely and constructive recommendations have helped the Company to step up to 2020’s challenges, protect the health of our people and maintain workforce stability, ensuring normal operations.

### PURPOSE

Improved effectiveness of the Board of Directors’ decisions in order to attract the best talent to management positions across the Company and offer appropriate incentives to support their performance.

### GOVERNING REGULATIONS



**Regulations on the Nomination and Remuneration Committee**

### MEETINGS

In the reporting period, the committee followed the approved Regulations and activity plan. Additional agenda items were introduced in line with the established procedure as necessary. In 2020, the committee held eight meetings, six of them remotely via video and telephone conferencing due to pandemic-induced restrictions starting from April 20, 2020. The committee meetings were regularly attended by TMK’s CEO, members of the Management Board and other top managers, which facilitated efficient communication as well as thoroughly considered and constructive recommendations. For more details on attendance at the committee’s meetings, see page 75 of this Annual Report.

### COMMITTEE'S KEY PRIORITIES IN 2020

- Significant organizational and HR changes
- Changes in the Group's structure and management system
- Management succession
- Employee engagement
- Best corporate governance practices
- HR support of new digital solutions
- Development of TMK2U Corporate University
- Motivation of key employees
- HR support of the Company's efficient operation during the COVID-19 pandemic.

### IN THE REPORTING YEAR, THE COMMITTEE REVIEWED THE FOLLOWING KEY MATTERS AND PRESENTED RELEVANT RECOMMENDATIONS TO THE BOARD OF DIRECTORS.

- Updating TMK's HR Strategy
- Organizational and HR changes at TMK (a regular item on the committee's agenda): monitoring the current situation at TMK Group companies in Russia and abroad, changes in the management system and new appointments, including in internal audit, commerce (combining the sales and procurement functions), corporate compliance risks, oilfield services (TMK NGS), information security, the Single Service Center project, and others
- Annual performance evaluation of the Board of Directors (self-evaluation through surveying)
- Motivation of key managers: remuneration for achieving KPIs, long-term incentive program, bonuses for project implementation, new KPIs

#### HR support of the Company's efficient operation during the COVID-19 pandemic

- Providing competitive salaries in the regions of operation
- Prevention of conflicts of interest, protection of trade secrets
- Compliance of the Company's corporate procedures for appointing to key positions with listing requirements
- Rolling out corporate standards and HR procedures to new companies joining TMK Group
- Relevant HR events and projects. A new model for holding the International Forum Horizons remotely in compliance with COVID-19 safety requirements
- Studying the competitive labor market and HR changes in the Company, calculating the Employee Loyalty and Engagement Indices.

#### ANTI-COVID

In the reporting year, the Committee repeatedly reviewed matters related to HR support at TMK Group's operation amid challenges and restrictions posed by the COVID-19 pandemic. On the whole, the Company successfully responded to challenges posed by the pandemic, ensuring employee health and normal operation. The Committee also focused on TMK2U Corporate University, process digitization and automation, and the development of corporate information platforms. Using new methods and advanced approaches, during the pandemic the Company was able to ensure the continuity of personnel training and development, reduce anxiety and maintain workforce stability. **Summing up its review, the committee emphasized the importance of deep corporate professional education and development.**

#### Update of TMK's HR Strategy

The Committee also focused on TMK2U Corporate University, process digitization and automation, and the development of corporate information platforms.

## BUDGETING

As in previous years, **the committee** placed a particular emphasis on **budget planning**, repeatedly reviewing labor-related indicators at its meetings.

## SUCCESSION PLANNING

As part of improving the corporate governance system, the committee reviewed **matters of ensuring succession of the Company's Board of Directors**, noting that TMK follows best Russian and international practices, **including the Corporate Governance Code and the Recommendations of the Bank of Russia on Succession of Boards of Directors of Public Companies**. This is reflected in a number of the Company's internal documents as well as in information exchange with the financial market regulator and the investment community.

## INDUCTION

The Committee met with new top managers to discuss their professional development, career planning, areas of responsibility, key risks in their area, and the corporate culture.

In order to speed up the onboarding (adaptation to the new environment) of new members of the Board of Directors, the committee offers a package of materials on their respective competency areas of TMK Group's business. In 2020, the composition of the Board of Directors did not change; therefore, the committee did not carry out this exercise.

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## COMMITTEE'S SELF-EVALUATION RESULTS

- Guided by the principles of succession and expediency, the committee helped attract the best talent to management positions across the Company, retain them and offer appropriate incentives to support their performance
- The committee has the optimal number of members and is well-balanced in terms of the professional experience and expertise of its members
- The committee members were actively involved in its activities and attended meetings on a regular basis
- Participation of other members of the Board of Directors in the committee's meetings drove engagement when discussing agenda items and did not lead to a conflict of interest
- The matters reviewed by the committee were in line with its objectives and profile, activities plan and instructions from the Board of the Directors
- The committee's recommendations aided the Board of Directors in making well-balanced decisions supported by efficient implementation and control tools

The committee did not commission services from third-party organizations during 2020. No costs associated with such services or with technical support for the committee's activities were incurred.

## INTERNAL EVALUATION IN 2020

Following the surveys, the committee's performance was given a high score with an emphasis on repeated meetings on matters related to HR support of TMK Group's operation amid challenges and restrictions posed by the COVID-19 pandemic.

Following the surveys, the committee's performance was given a high score.

## STRATEGY COMMITTEE



**Alexander Shokhin**

Chairman of the Strategy Committee



2020 was a challenging year for all of us, and it was important to adopt a calm and professional approach to assessing the situation, identify immediate actions and update strategic priorities. The qualifications and well-coordinated work of our Directors, whose vast experience covers virtually all areas of TMK Group’s activities, as well as their insights into the current global development trends, enabled the committee to successfully meet its objectives and provide the Board of Directors with timely and thought-out recommendations.

The committee sees facilitating the Company’s sustainable growth amid external uncertainties, driving further implementation of advanced technology in management and business, and giving a new impetus to TMK’s social and environmental agenda as its objective going forward.

### PURPOSE

Development and presentation of recommendations to the Board of Directors to determine the Company’s business priorities and development strategy.

### GOVERNING REGULATIONS



**Regulations on the Strategy Committee**

### COMPOSITION

Alexander Shokhin	<b>Chairman, Non-Executive Director</b>
Sergey Kravchenko	Independent Director
Anatoly Chubais	Independent Director
Alexander Shiryaev	Executive Director
Alexander Pumpyanskiy	Non-Executive Director

### COMMITTEE MEETINGS AND RECOMMENDATIONS

The committee held five meetings in 2020, where recommendations to the Board of Directors on the following matters were discussed and developed:

- Assessment of TMK’s strategic risks
- Updates to the Company’s Strategy and its implementation
- Implementation of integrated planning system and MES system across the Russian division of TMK Group
- Environmental performance at TMK Group’s facilities
- The Company’s management reports
- TMK’s annual report
- TMK Group’s target structure for 2021
- Key indicators for calculating the Company’s budget and consolidated budget for 2021.

In line with its goals, the committee comprises Directors with extensive expertise in strategic management, information technology and innovation development, as well as business experience in Russia and abroad. The composition of the committee did not change during 2020.

## INTERNAL EVALUATION IN 2020

The Strategy Committee includes Directors whose experience and competencies cover almost all areas of the Company’s business and development. The committee scored highest in terms of well-balanced composition and showed stronger performance year-on-year.

## PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

**Evaluation purpose:** to identify areas for improving the performance of the Board of Directors.

According to the Russian Corporate Governance Code, the Board’s performance should be evaluated on a regular basis at least once a year, engaging an external advisor at least once every three years.

Since an external advisor was last engaged in 2019, the 2020 performance was evaluated internally through surveying on the following:

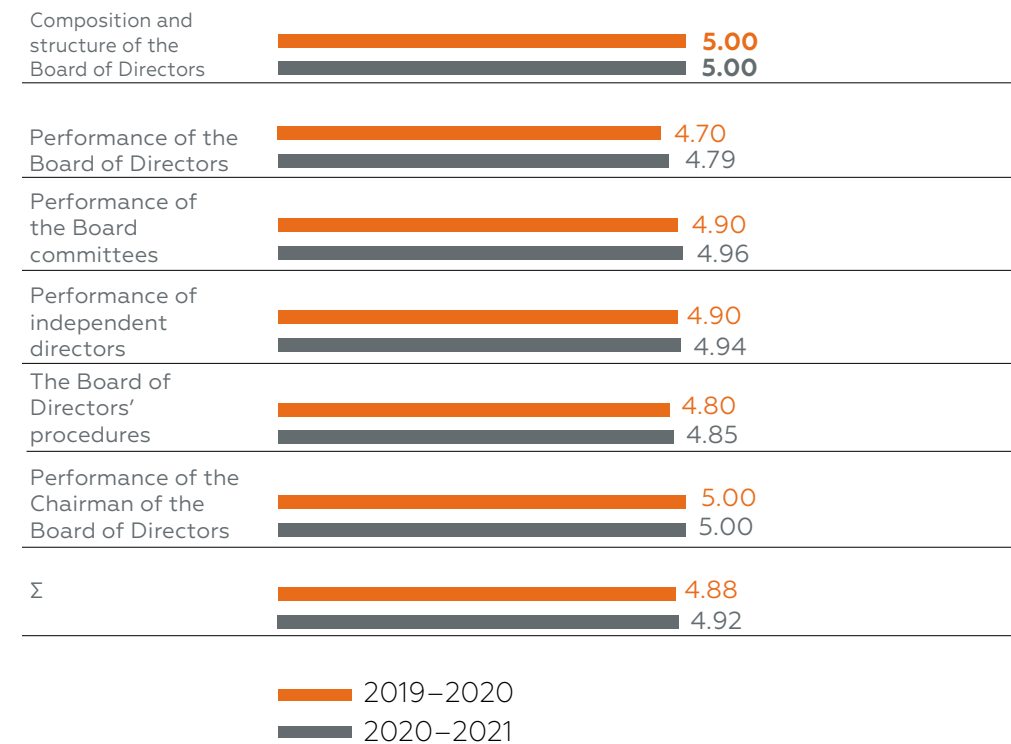
- Composition and structure of the Board of Directors
- Performance of the Board of Directors
- Committees of the Board of Directors
- Performance of independent directors on the Board
- The Board of Directors’ procedures
- Performance of the Chairman of the Board of Directors.

**Review period.** The 2020–2021 corporate year, i.e. the period between the Annual General Meetings of Shareholders.

Processing and analyzing the results, the total score for the completed questionnaires and scores for each section were averaged. The results were compared with the data for the previous period, and the Board’s comments were analyzed.

On a scale from 1 to 5, the maximum survey score taken as a relative maximum was 5.0; the minimum survey score taken as a relative minimum was 4.8; the total average score was 4.9.

### AVERAGE SCORES BY QUESTIONNAIRE SECTION COMPARED TO 2019–2020 DATA



### Rating by Board members (on a scale from 1 to 5)

- **4.8** performance of the Board of Directors
- **4.9** performance of independent directors
- **5.0** performance of Board committees
- **5.0** performance of the Board Chairman



## RESULTS OF THE BOARD OF DIRECTORS' SELF-EVALUATION IN 2020

- The current Board of Directors is well-balanced in terms of composition and structure
- The Board of Directors acts in the best interests of the Company and its shareholders
- The Board of Directors pays sufficient attention to almost all matters within the scope of its authority. The Board of Directors maintains a strong focus on strategic and medium-term planning, financial reporting and external audit, performance evaluation and management incentives, management succession planning and key appointments, information disclosure control, resolving conflicts of interest, legal and regulatory compliance, etc.
- Each Board committee delivers good governance and is well-balanced in terms of composition
- Independent directors significantly contribute to the Board's discussions
- The Corporate Secretary (Secretary of the Board of Directors) follows best corporate governance practices
- The performance of the Chairman of the Board of Directors was deemed effective across his all assigned functions
- The Board of Directors scored higher in most aspects of its performance year-on-year, showing less than 2% deviation of the total average score from the maximum score.

## RECOMMENDATIONS

- Consider establishing a dedicated Sustainability Committee under the Board of Directors
- Incorporate best ESG practices into strategic goals, with regular reporting on their implementation

## INFORMATION ON PERFORMANCE EVALUATION OF TMK'S BOARD OF DIRECTORS (OVER THE LAST 5 YEARS)

Review period	Evaluation type	Performed by
2015–2016	External	LLC PricewaterhouseCoopers Consulting (Moscow), part of the network of member firms of PricewaterhouseCoopers International
2016–2017	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee
2017–2018	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee
2018–2019	External	JSC R.O.S.T. Registrar
2019–2020	Self-evaluation through surveying	Internal auditor – TMK2U Corporate University
2020–2021	Self-evaluation through surveying	Internal auditor supervised by the Nomination and Remuneration Committee