

# REPORT ON THE REMUNERATION OF THE BOARD OF DIRECTORS IN 2020

## REMUNERATION AND REIMBURSEMENT FOR MEMBERS OF THE BOARD OF DIRECTORS

### PURPOSE

To align the system of Board members' remuneration with the shareholders' long-term interests and ensure fair compensation for Board members to reflect their valuable services to the Company and its shareholders.

### GOVERNING REGULATIONS

- Russian laws
- Regulations on the Board of Directors
- Policy on Remuneration and Reimbursement for Members of the Board of Directors

### Remuneration system for members of the Board of Directors

Board and committee chairs, committee members

Non-executive directors

Executive directors



**FIXED REMUNERATION**



**VARIABLE REMUNERATION**



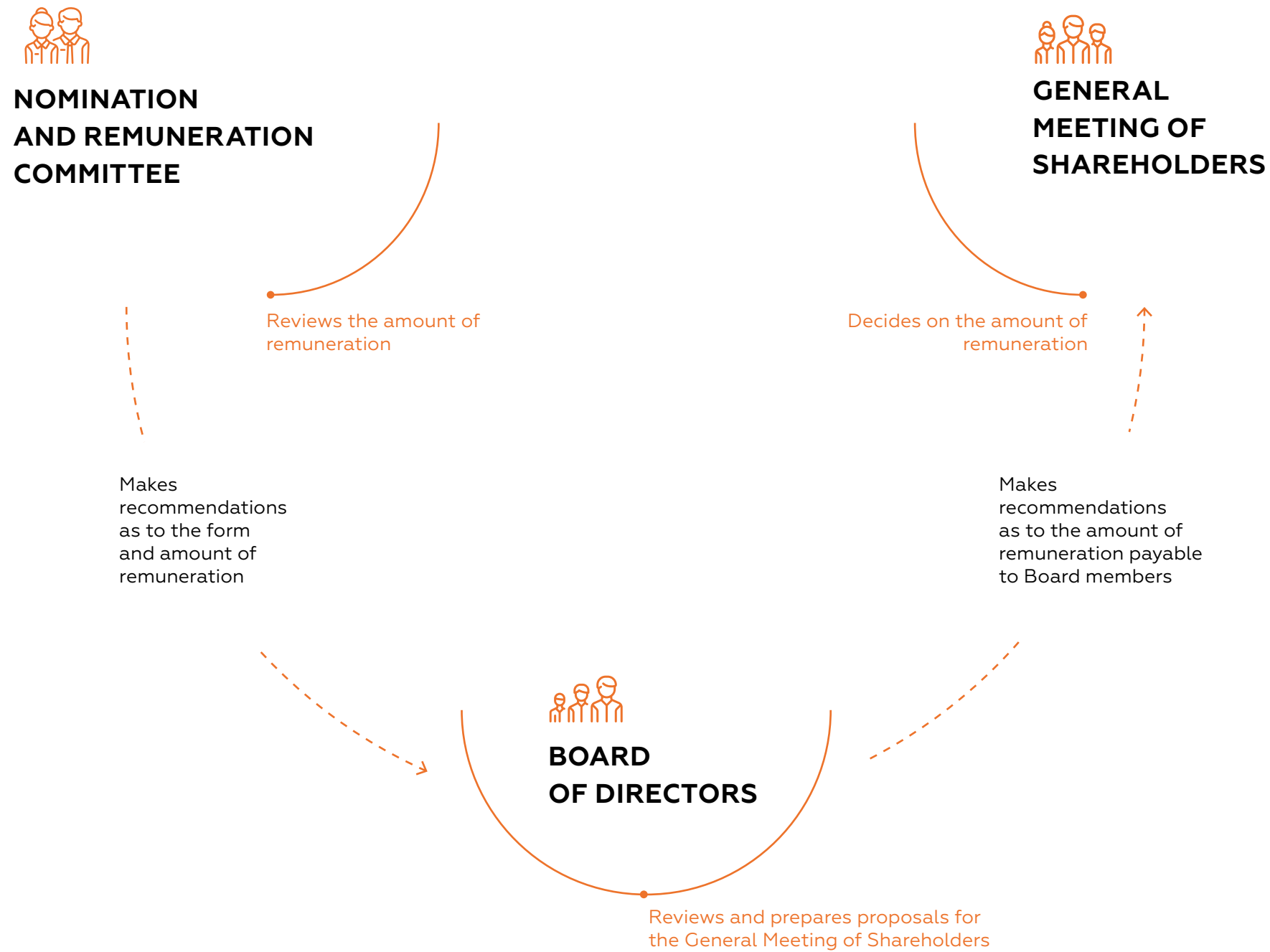
**REIMBURSEMENT OF EXPENSES**

TMK's Policy on Remuneration and Reimbursement of Members of the Board of Directors, aligned with applicable laws and best corporate governance practices, aims at considering the Board's responsibility, powers and time necessary to discharge their duties.

In accordance with the Policy, the amount of remuneration is linked to the performance of main duties and additional responsibilities as a Board member (who is not an executive of the Company) inherent to the roles of Chairman of the Board of Directors, committee chair and committee member.

The amount of remuneration and reimbursable expenses is subject to preliminary approval by the Board of Directors and is based on recommendations made by the Nomination and Remuneration Committee of the Board of Directors.

## Procedure for determining the amount of remuneration payable to Board members



### REMUNERATIONS AND REIMBURSEMENTS FOR MEMBERS OF THE BOARD OF DIRECTORS OF PAO TMK, RUB MLN

Indicator	2018	2019	2020
Remuneration for service on the Board of Directors and its committees	147.40	147.40	161.50
Reimbursement of expenses	13.66	20.71	2.97
Other remuneration	0	0	0
<b>Total</b>	<b>161.06</b>	<b>168.11</b>	<b>164.47</b>

## REMUNERATION OF KEY EXECUTIVES

### PURPOSE

To incentivize the executives to deliver on objectives and targets with high-quality performance and to ensure the Company’s financial stability and sustainable growth.

### GOVERNING REGULATIONS

Policy on Remuneration of Key Executives of PAO TMK.

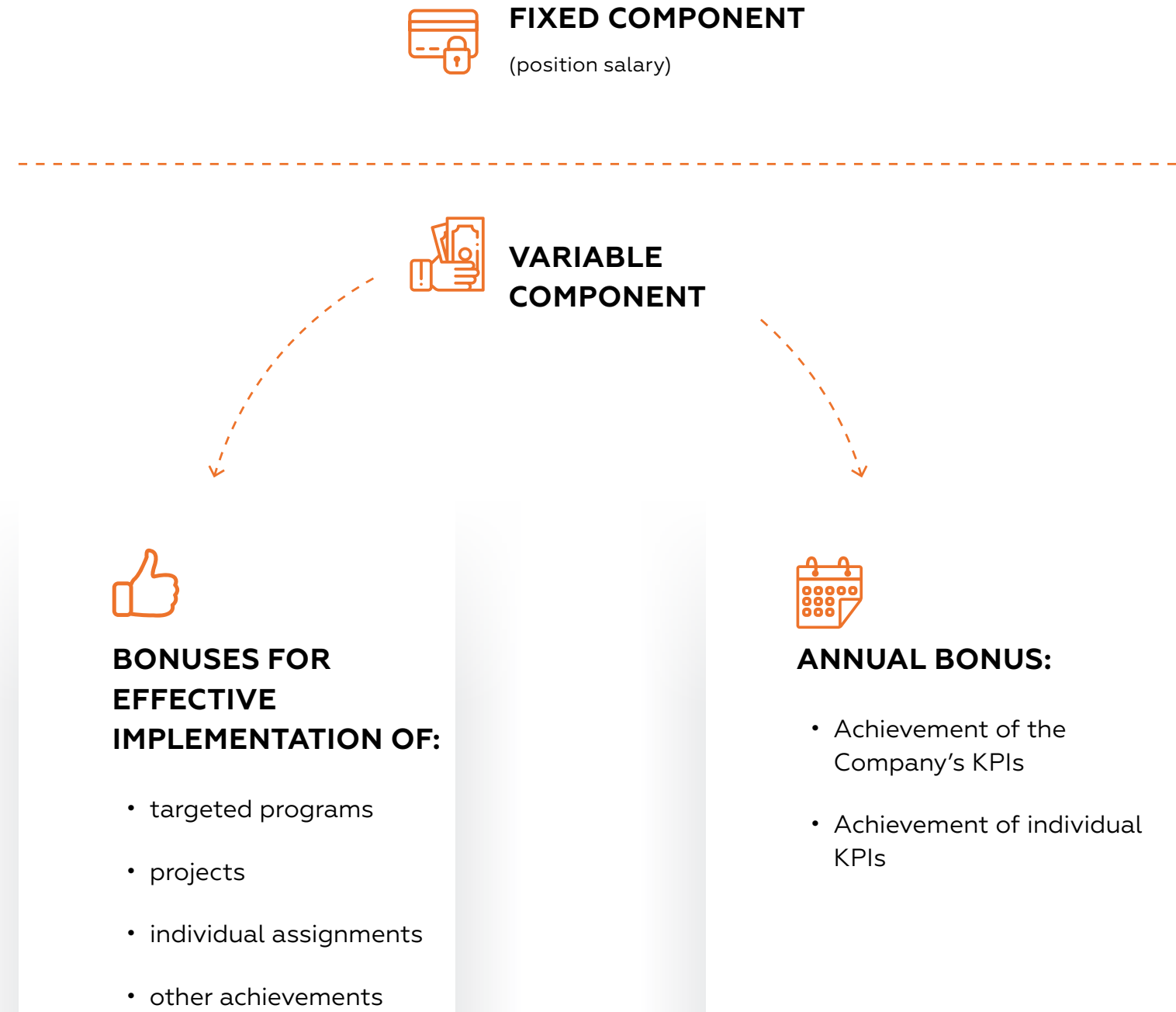
### FORMS OF INCENTIVES

Short-term and long-term programs.

### SHORT-TERM INCENTIVE PROGRAMME

Basic remuneration and a set of KPIs are individually determined for each manager included in a short-term incentive programme (their list is updated on an annual basis). Each KPI has a certain weight assigned to it. Based on the full-year results, the weights of KPIs are adjusted subject to the actual performance against such KPIs, measured on the approved scale.

## Remuneration mix for key executives



Remuneration is accrued upon review by the Board of Directors of the Company's performance in the past year, i.e. the achievement of targets for metrics such as EBITDA, operating cash flow, product shipments, product sales revenue, etc. Managers' performance can also be evaluated on the achievement of individual targets, including project implementation (taking into account the manager's role in the project), subordinate units' delivery on their targets, performance against internal customer focus and gross profit KPIs, progress on programs to introduce new product types, etc. All this data may be sub-divided by top managers' responsibility areas into divisions, sections, individual assets or business lines.

For key executives, bonus KPIs include business targets approved as part of the Company's plans and budget for the reporting year.

Since 2018, TMK has in place a **long-term incentive programme** aimed at increasing the managers' interest in the Company's capitalization growth through granting a right to receive additional remuneration for the achievement of TMK's strategic goals, based on the changes in its share price against the reference group comprising major international and Russian companies.

The information on the remuneration of managers covered by the Policy is disclosed in accordance with the corporate practices, applicable laws, regulators' requirements, the listing rules of stock exchanges and the recommendations of the Corporate Governance Code.

PAO TMK's Board of Directors meetings and resolutions on remuneration of key executives:

- **February 21, 2019** – remuneration of the Company's managers for 2018, key performance indicators and remuneration arrangements for 2019;
- **February 20, 2020** – remuneration of the Company's managers for 2019, key performance indicators and remuneration arrangements for 2020;
- **February 18, 2021** – remuneration of the Company's managers for 2020, key performance indicators and remuneration arrangements for 2021.

REMUNERATION OF PAO TMK'S CEO AND MANAGEMENT BOARD, RUB MLN

Indicator	2018	2019	2020
Salary	262.12	191.80	179.21
Bonuses	133.87	151.01	285.48
Other remuneration	0	0	0
<b>Total</b>	<b>395.99</b>	<b>342.81</b>	<b>464.69</b>