

# HUMAN RESOURCES AND SOCIAL POLICY



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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

IMPLEMENTATION OF TMK’S HR STRATEGY IN 2020

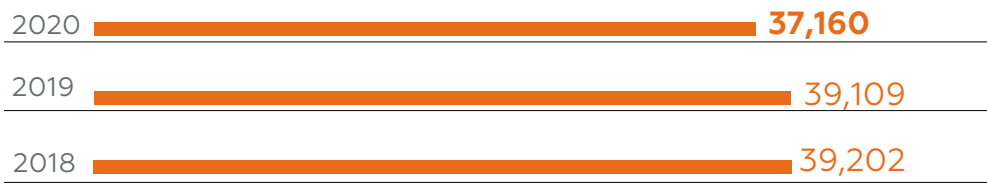
CORPORATE DEVELOPMENT AND HEADCOUNT  
MANAGEMENT

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.

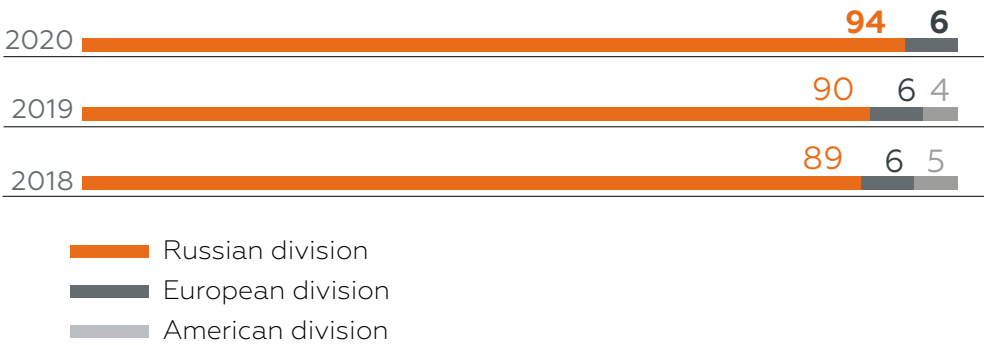
Headcount changes in 2020 were due to:

- 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.

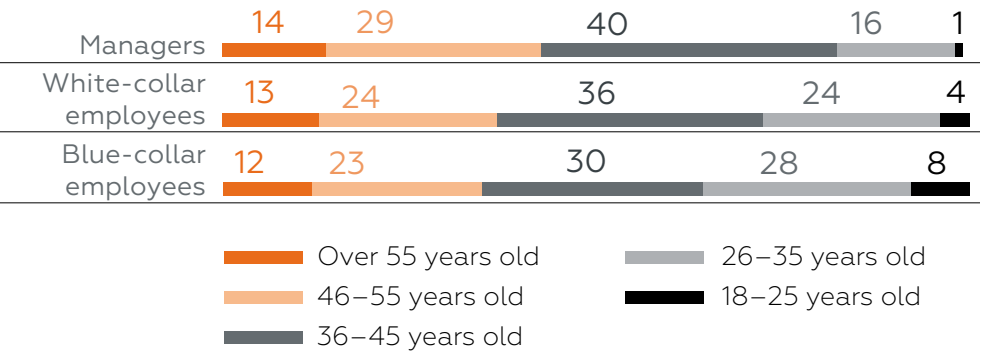
TMK’S HEADCOUNT



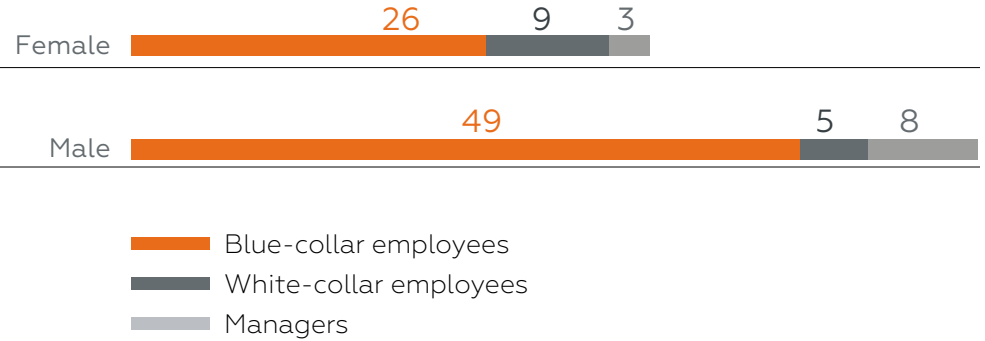
TMK’S HEADCOUNT BY DIVISION (%)



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.

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.

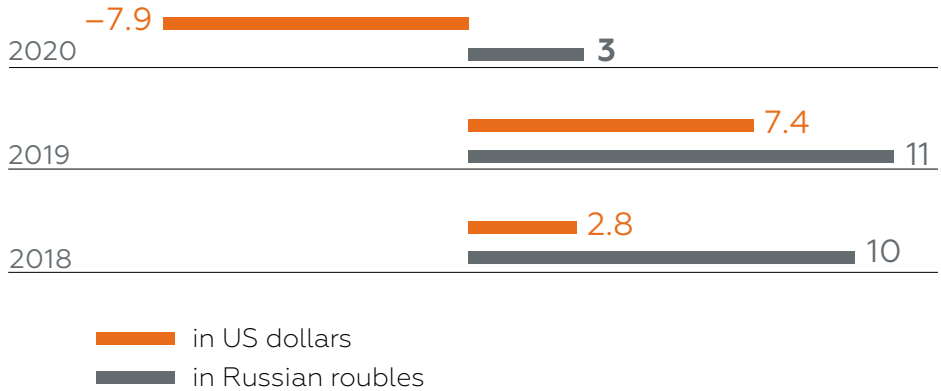
The Company’s employee incentive system is aimed at aligning the interests of shareholders, management and employees of TMK Group plants.

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).

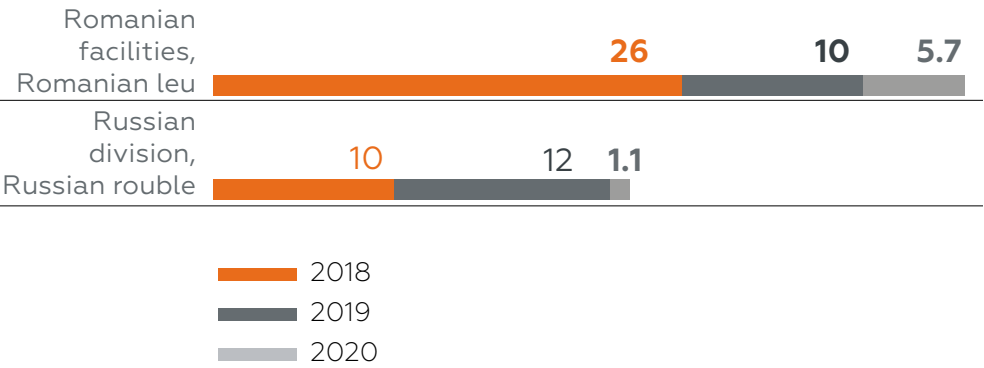
YEAR-ON-YEAR INCREASE OF AVERAGE PAY ACROSS TMK GROUP, % YEAR-ON-YEAR, EXCLUDING THE AMERICAN DIVISION



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.



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.



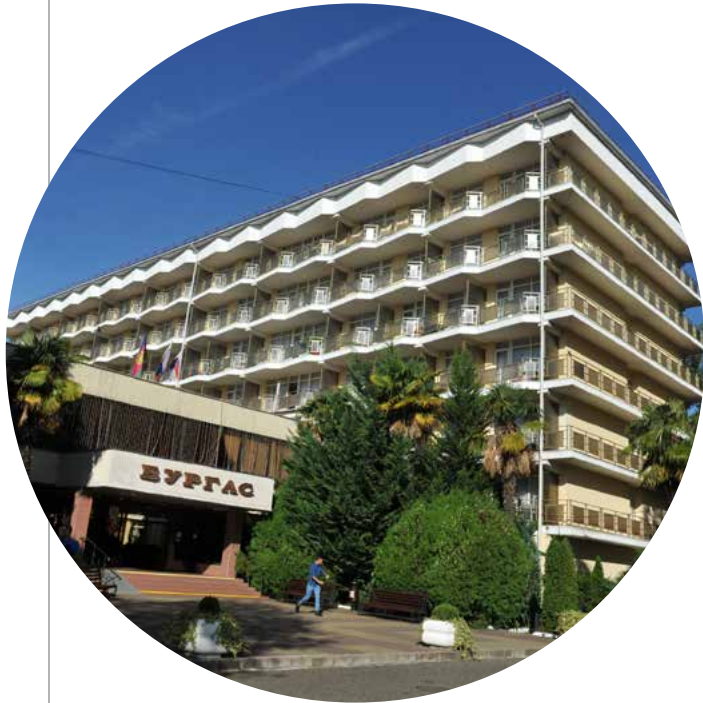
PROMOTING EMPLOYEE HEALTH

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)

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.



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**

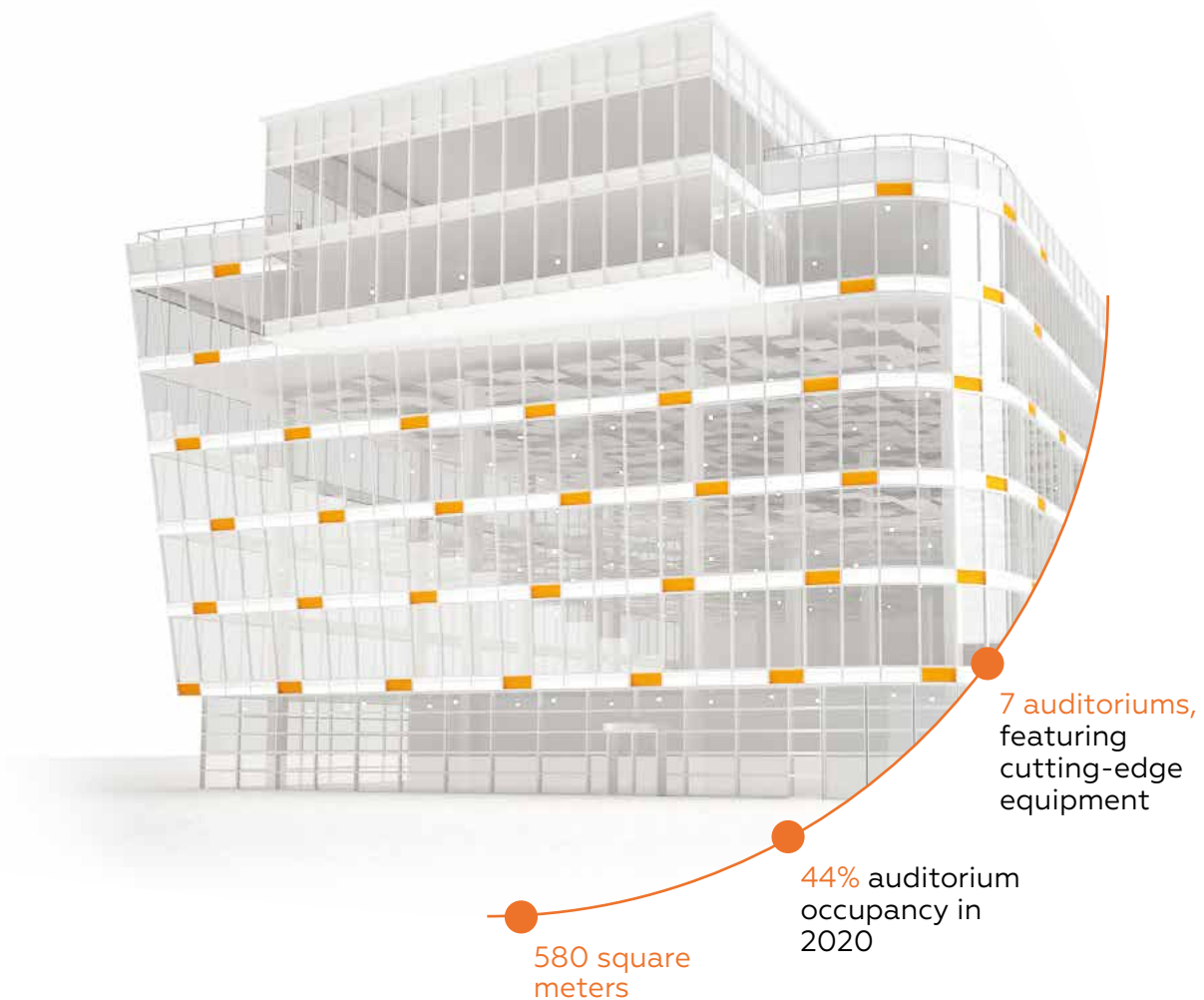
The Corporate University is a key resource for achieving the Company’s development objectives defined in our HR Strategy.

## 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:



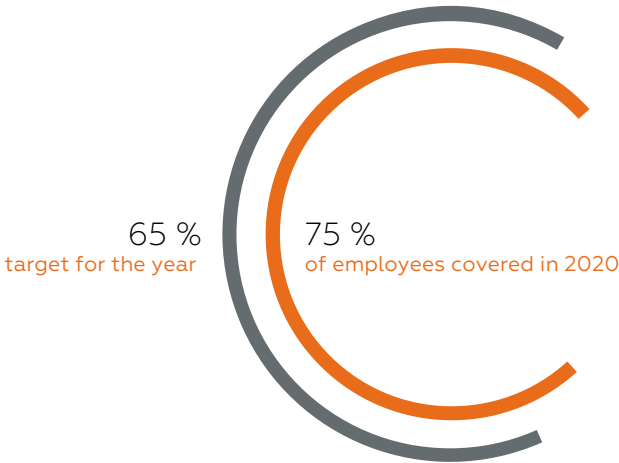
### 5 TRAINING GROUNDS LOCATED AT THE COMPANY'S PRODUCTION FACILITIES

SPECIALIZATION:

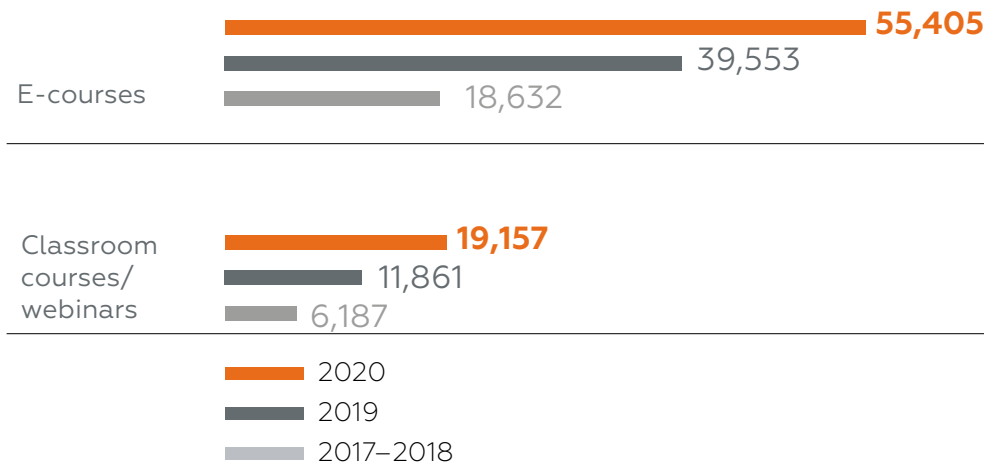




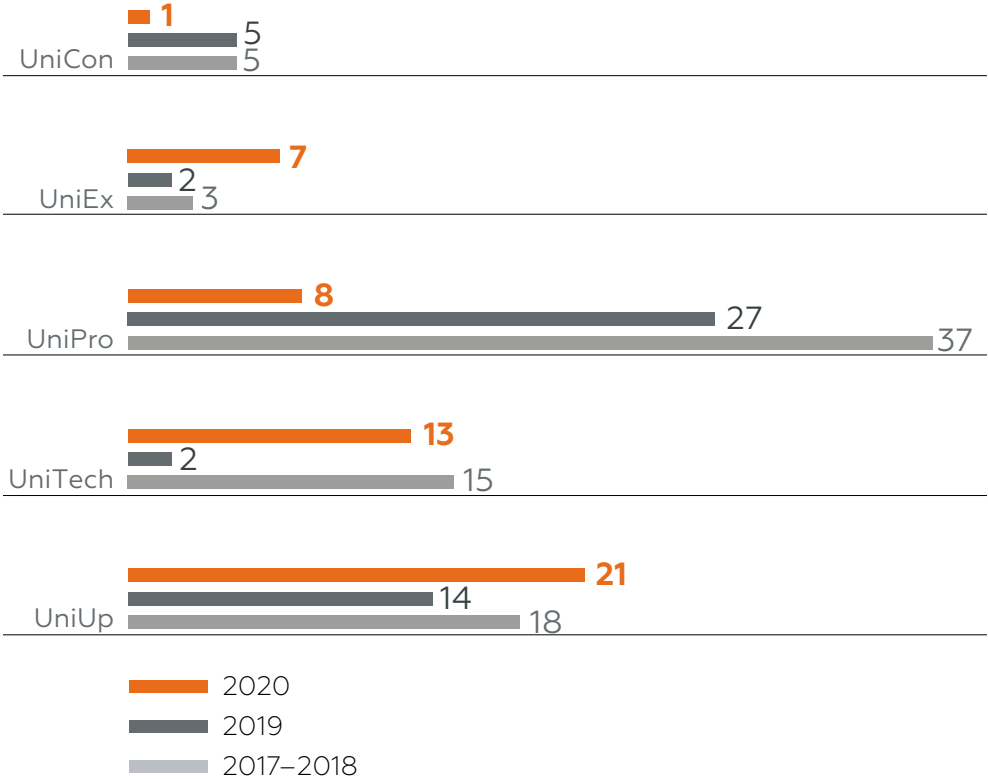
In 2019, on the initiative of TMK2U, steeluniversity launched **the steelTalks webinar series**. Speakers included top experts representing World Steel Association member companies from all over the world.



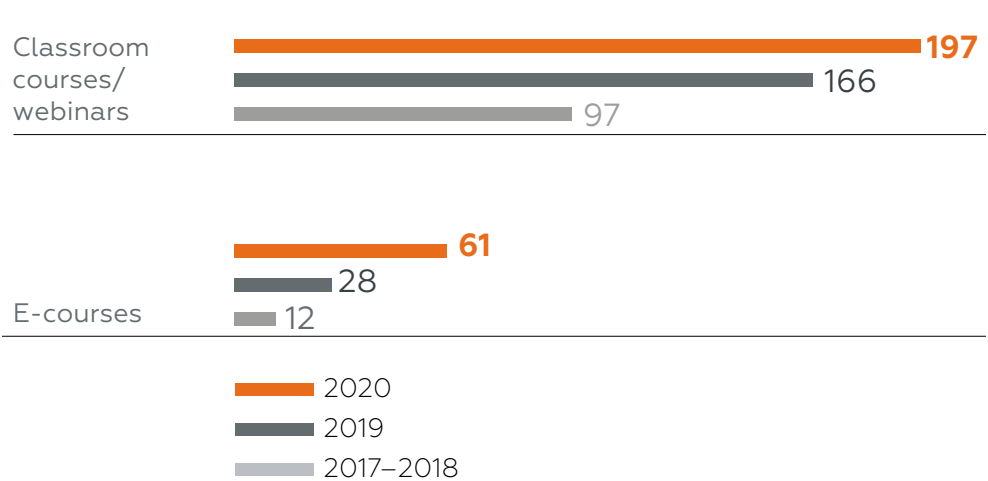
NUMBER OF PERSON-COURSES  
(CLASSROOM/WEBINARS AND E-COURSES)



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

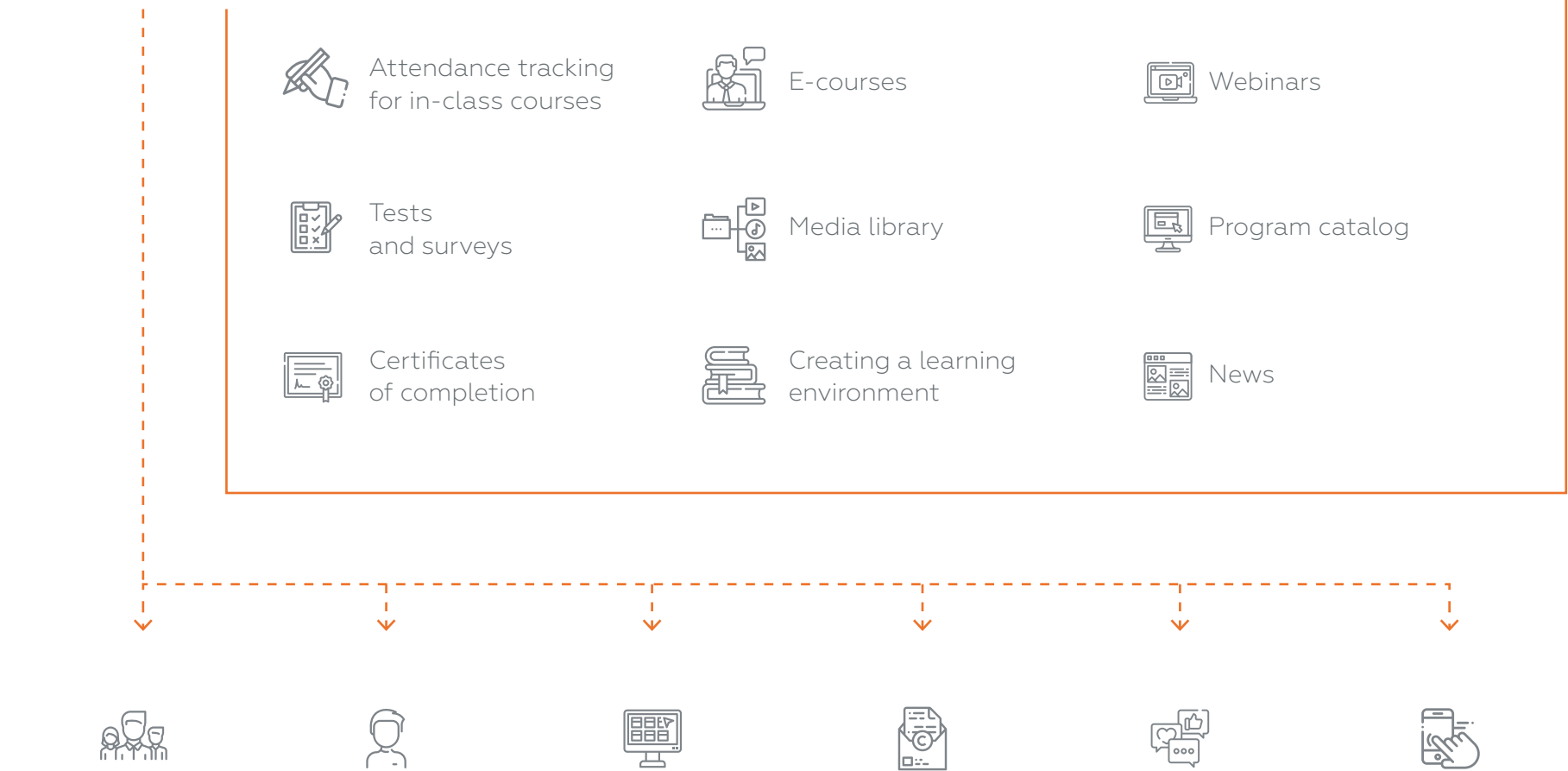


IN-CLASS COURSES AND WEBINARS HELD,  
E-COURSES DEVELOPED



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

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



**46.4**  
ths users  
up 708%  
year-on-year

**MORE THAN  
90%**  
of TMK employees  
are active SOTA2U  
users

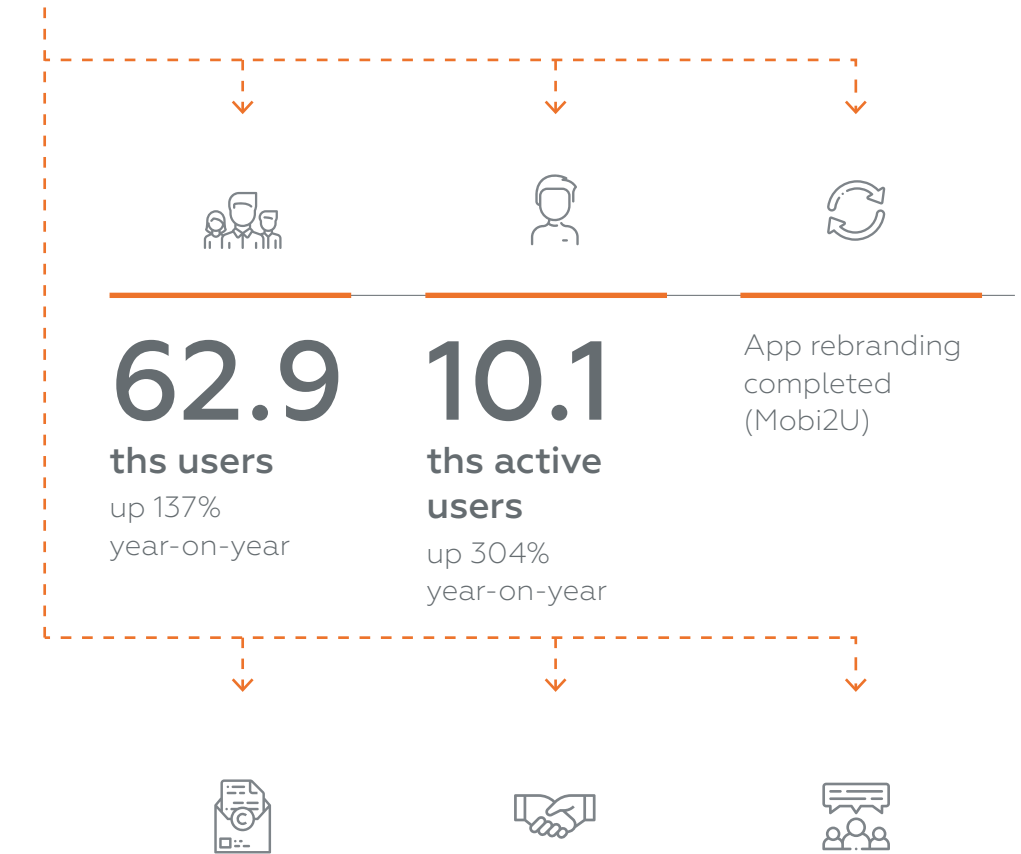
169 e-courses  
and 146 recorded  
webinars available  
in the catalog

SOTA2U trademark  
registered

Social activity  
on SOTA2U:  
23,700 votes on  
polls, 3,100 likes,  
578 comments

SOTA2U mobile  
app: catalog  
of programs,  
notifications,  
progress on  
e-courses

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



**62.9**  
ths users  
up 137%  
year-on-year

**10.1**  
ths active  
users  
up 304%  
year-on-year

App rebranding  
completed  
(Mobi2U)

Mobi2U trademark  
registered


The Hot section:  
general corporate  
services, vacancies


The Horizons  
International  
Forum was held  
on the Mobi2U  
platform

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



## 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

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