

Annual Report // **2014**

6.

CORPORATE GOVERNANCE REPORT



GOVERNANCE PRINCIPLES

We are systematically improving our corporate governance framework by introducing the best practices and fully complying with applicable laws and listing requirements.



TMK'S CORPORATE GOVERNANCE STRUCTURE » P. 51

TMK
CORPORATE
GOVERNANCE

6.1

OAO TMK BOARD OF DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES SET OUT IN THE CORPORATE GOVERNANCE CODE RECOMMENDED BY THE BANK OF RUSSIA TO ISSUERS OF SECURITIES ACCEPTED FOR TRADING ON THE OFFICIAL MARKET

The scale of TMK's operations and its engagement in both Russian and foreign stock markets impose a high degree of responsibility. We are systematically improving our corporate governance framework by introducing the best practices and fully complying with applicable laws and listing requirements.

2011 saw TMK, a company with a London Stock Exchange standard listing, adopt the Corporate Governance Code of OAO TMK. The Company strictly complies with the Code in its business and annually confirms it in reports.

In 2014, we started aligning our internal documents and corporate governance procedures with the new MICEX Stock Exchange listing rules that were approved on 31 December 2013. Due to the Russian financial market regulator's adopting a new Russian Corporate Governance Code, TMK needed more time to incorporate its provisions into its own framework.

The Corporate Governance System of OAO TMK is based on the Russian Corporate Governance Code principles, with certain implementation mechanisms to some extent different from the Code's recommendations. TMK's corporate governance practices are regulated by the Company's internal policies available on TMK's web site (<http://www.tmk-group.ru/Documents>), and generally reflected in TMK's Corporate Governance Code (http://www.tmk-group.ru/media_ru/files/51/corp_gov_code_ru.pdf).

www.tmk-group.ru/media_ru/files/51/corp_gov_code_ru.pdf). In 2014, TMK's corporate governance practices were in full compliance with the Company's Corporate Governance Code.

This Report briefly describes the most significant aspects of TMK's corporate governance model and practices, including the Report on the Company's compliance with the principles and recommendations set out in the Corporate Governance Code. Compliance with the Russian Corporate Governance Code principles was assessed in accordance with the methodology recommended by the MICEX (<http://moex.com/s22>).

We are steadfast in our commitment to the Russian Corporate Governance Code principles, which we are going to continue to roll out to the benefit of all stakeholders. Another step in this process will be the adoption of a new version of TMK's Corporate Governance Code.

6.2

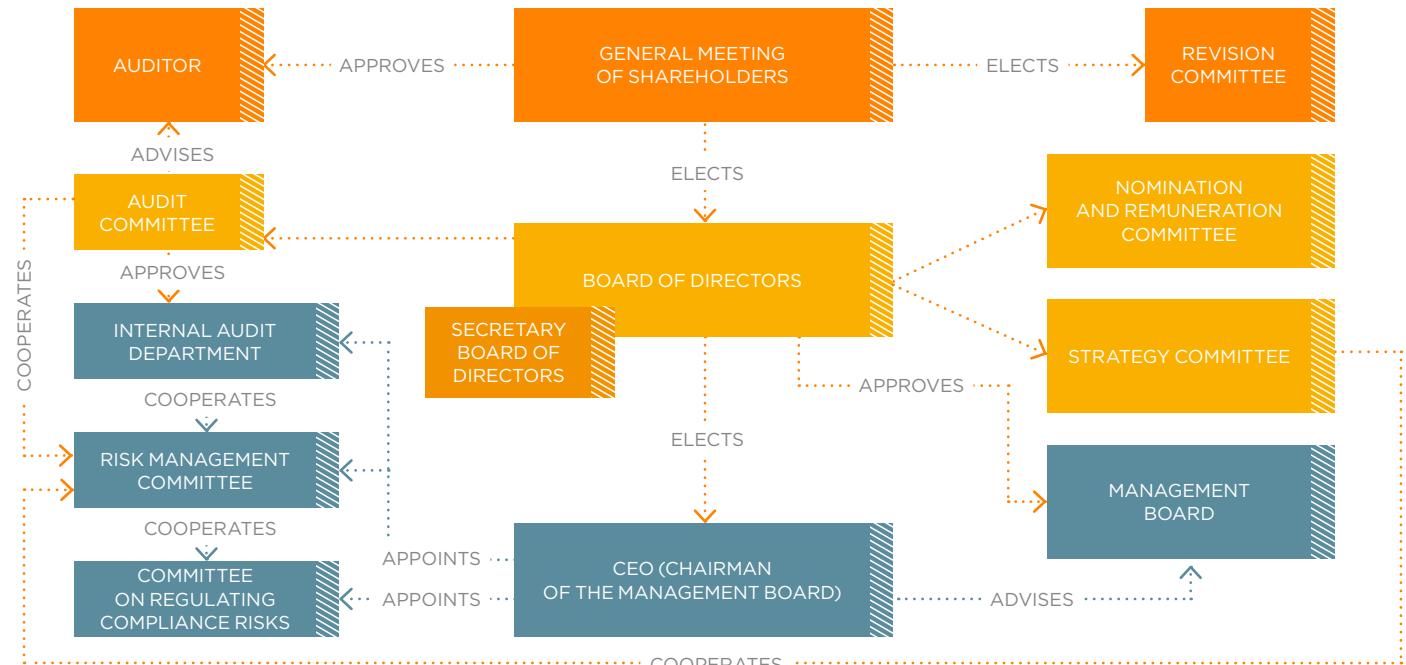
OAO TMK'S CORPORATE GOVERNANCE STRUCTURE

The General Meeting of Shareholders is OAO TMK's supreme governance body, with the primary powers delegated by shareholders to the Board of Directors. In order to ensure the Company's day-to-day management, the Board of Directors elects the CEO and approves the members of the Management Board as advised by the CEO. The Board of Directors also nominates candidates to executive bodies and to the boards of directors of OAO TMK's controlled entities.

It establishes committees whose resolutions are of an advisory nature.

To ensure efficient control over the Company's financial and economic activities, as well as compliance with the Russian laws and regulations, the General Meeting of Shareholders elects the Revision Committee and approves the Company's auditor.

SCHEME 6.1
OAO TMK's corporate governance structure



6.3

RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

Shareholders may exercise their rights set forth in the Company's Articles of Association primarily by participating in the General Meeting, as well as by determining the amount and procedures of dividend payment. We comply with all recommendations on material corporate actions, which allows us to protect the rights of shareholders and ensure equitable treatment.

The General Meeting of Shareholders is convened annually. In addition, extraordinary meetings may be held, if so resolved by the Board of Directors or requested by the Revision Committee, auditor or shareholder(s) holding at least ten per cent of shares.

Shareholders owning at least two per cent of shares may put forward proposals as regards the agenda for the Annual General Meeting, propose candidates to the Board of Directors, the Revision Committee, and the Counting Commission, as well as convene Board of Directors meetings.

In 2014, the Annual General Meeting of Shareholders was held along with one extraordinary meeting. The meetings' agenda included, inter alia, approval of the Company's annual report and annual financial statements, distribution of profits for 2013 and 1H 2014, election of the Board of Directors and the Revision Committee, auditor approval, and approval of related-party transactions.

Our Dividend Policy sets out the key terms for paying out dividends, the procedure for determining their amount and for a resolution to pay them, as well as responsibility for partial or delayed payment (http://www.tmk-group.ru/media_ru/files/51/divpolicy_150_307_l.pdf). See the Company's Securities section for details on dividend payments in 2014.

6.4 BOARD OF DIRECTORS

MEMBERS OF THE BOARD

TMK's Board of Directors is structured to ensure the balance of experience, qualifications and independence of directors, which enables the Board to manage the Company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of TMK and its shareholders. The Board of Directors is composed of persons with impeccable business and personal reputations, as well as skills and expertise to efficiently perform its functions. In 2014, the Board did not change and consisted of eleven directors.

As of the Annual Report date, five out of eleven directors were independent: they did not depend on the Company's officials, affiliates, significant counterparties and competitors or state agencies that might challenge their impartiality. The directors are independent in accordance with both TMK's and Russian Corporate Governance Codes. Their independent status is to be confirmed by the Nomination and Remuneration Committee each time they are elected to the Board.

Following the Annual General Meeting of Shareholders of 19 June 2014, the Board of Directors of TMK was re-elected and as at 31 December 2014 it was composed as follows:



Dmitry
PUMPYANSKIY

Chairman of the Board of Directors, non-executive director. Born in 1964. Graduated from Kirov Urals Polytechnic Institute in 1986. PhD in Technical Sciences, Doctor of Economics. Founder and beneficial owner of TMK. Has been with TMK since 2002, Chairman of the Board of Directors since 2004. Mr Pumpyanskiy was awarded a second class Medal of the Order for Merit to the Fatherland, a forth class Order for Merit to the Fatherland and Order of Honour, is a Russian Government prize winner in Science and Technology, was conferred a Honorary Metallurgist title and pronounced the winner of the 6th Director of the Year National Award in Chairman of the Board: Contribution to the Development of Corporate Governance nomination in 2011. Currently actively engaged in public work aimed at fostering the Russian metals industry. Fields of interest: metals industry economics and physics of metals. Authored 4 monographs and over 70 scientific papers.

Principal place of employment:
President at Sinara Group.

Relevant experience:
Member of the Management Board of the Chamber of Commerce and Industry of the Russian Federation, Chairman of the Board of Trustees of the Russian Ski-Jumping and Nordic Combined Federation, Chairman of the Supervisory Board of the Ural Federal University, member of the Board of Directors of Sinara — Transport Machines, SKB-Bank and Non-profit Organisation Foundation for Development of the Center for Elaboration and Commercialisation of New Technologies, member of the Board of Trustees of the ISTOKI Endowment Fund, President of the Regional Employers' Association — Sverdlovsk Regional Union Of Industrialists And Entrepreneurs (employers), Chairman of the Board of Directors of Sinara Group, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, member of the Supervisory Board of Non-Profit Partnership Russian Steel. Formerly, Board member at various industrial and financial companies, CEO at TMK, top executive at Russian metals and pipe companies.

Directly holds 0.007% in the authorised capital of TMK.



Mikhail
ALEKSEEV

Independent director, Chairman of the Nomination and Remuneration Committee, member of the Audit Committee. Member of the Board of Directors since 2011. Born in 1964. Graduated from the Moscow Finance Institute in 1986 and completed a post-graduate degree programme there in 1989, Doctor of Economics.

Principal place of employment:

Chairman of the Management Board of UniCredit Bank.

Relevant experience:

Chairman of the Board of Directors of RN Bank, member of the Board of Directors, member of Aeroflot's Audit Committee, member of the Management Board of BARN B. V. (the Netherlands), member of the boards of the Association of Russian Banks and Association of Regional Banks of Russia, Chairman of the Supervisory Board of UniCredit Leasing, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs. Formerly, member of the Board of Directors and the Board's Strategy Committee at Rostelecom, member of the Board of Directors of MICEX, a number of financial companies, Chairman of the Board and CEO of Rosprombank, Senior Vice President and Deputy Chairman of the Management Board of Rosbank, Deputy Chairman of the Management Board of ONEXIM Bank, Board member at Intersectoral Commercial Bank (Mezhkombank), Deputy Head of the General Directorate of the Ministry of Finance of the USSR.



Elena
BLAGOVA

Executive Director, has been with TMK since 2007, member of the Board of Directors since 2013. Born in 1959. Graduated from the Chelyabinsk Lenin Komsomol Polytechnic Institute in 1982 and the Moscow State Open University in 1993, was awarded a second class Medal of the Order for Merit to the Fatherland and a Honorary Metallurgist title.

Holds no shares in TMK.

Principal place of employment:

Deputy CEO for Special and New Projects at TMK.

Relevant experience:

Member of the Board of Directors of the Volzhsky Pipe Plant, Managing Director of the Volzhsky Pipe Plant.

Holds 0.003% in the authorised capital of TMK.



Andrey
KAPLUNOV

Executive Director. Has been with TMK since 2001, member of the Board of Directors since 2005. Born in 1960. Graduated from the Moscow Finance Institute in 1982 and later completed a postgraduate degree programme there, PhD in Economics. Commended by the Ministry of Industry and Trade of the Russian Federation.



Peter
O'BRIEN

Independent Director, Chairman of the Audit Committee. Member of the Board of Directors since 2012. Born in 1969. Graduated from Duke University (USA) in 1991 and obtained an MBA from Columbia University Business School in 2000. Took a course in AMP (Advanced Management Program) at Harvard Business School in 2011. In 2008, Mr O'Brien won the National Award of the Independent Directors Association in a special category Contribution to the Improvement of Corporate Transparency.

Principal place of employment:
First Deputy CEO of TMK.

Relevant experience:
Member of the Management Board of TMK, Board Chairman at TMK's Russian pipe plants and TMK Trade House, member of the Board of Directors of Sinara Group, Deputy Chairman of the Board of Directors of SKB-Bank, Board member at the Big Pension Fund, member of the Board of Trustees of the Sinara Mini-Football Club (Sverdlovsk Regional Sports Non-Governmental Fund). Formerly, Director of the HR and Development at Inkombank and Rosbank, Vice President of Guta-Bank, Deputy Head of the Currency and Finance Department at Zarubezhneft, Associate Professor at the Economic Theory Department of the Moscow Finance Institute.

Holds 0.0116% in the authorised capital of TMK.

Relevant experience:
Member of the Board of Directors and Chairman of the Audit Committee at IGSS, member of the Supervisory Board of the European Pension Fund. Formerly, Chairman of the Board of Directors at RusRailLeasing, member of the Board of Directors and Chairman of the Audit Committee at HRT Partipacoies, member of the Management Board, Vice President, Head of the Group of Financial Advisors to the President of Rosneft, Executive Director of Morgan Stanley in Russia, Vice President at Troika Dialog Investment Company, officer at the Press Center of the US Department of the Treasury.

Holds no shares in TMK.



Sergey
PAPIN

Non-executive director, member of the Board of Directors since 2005, member of the Nomination and Remuneration Committee. Has been with TMK since 2002. Born in 1955. Graduated from the Donetsk Polytechnic Institute in 1977. Mr Papin was awarded a Badge of Honour and a certificate of merit from the Ministry of Industry and Energy of the Russian Federation.

Principal place of employment:
Vice President at Sinara Group.

Relevant experience:
Vice President, member of the Board of Directors of Sinara Group, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, member of the Boards of Directors of Kalugaputmash, Ural Locomotives, Burgas Resort, Arkhyz — Sinara, Sinara — Transport Machines. Formerly, member of the Boards of Directors of Intourist-Sinara, Lyudinovsky Locomotive Plant, Ural Locomotives (formerly, Ural Rolling Stock Manufacturing Plant), Deputy CEO for External and Special Projects at TMK, Vice President of Inkombank and Guta-Bank.

Holds 0.008% in the authorised capital of TMK.



Robert Mark
FORESMAN

Independent director, member of the Nomination and Remuneration Committee. Member of the Board of Directors since 2012. Born in 1968. Graduated from Bucknell University (USA) in 1990 and Harvard University Graduate School of Arts and Sciences in 1993. Obtained a certificate from the Moscow Power Engineering Institute in 1989.

Principal place of employment:
Managing Director of Barclays PLC, Barclays Country Manager for Russia.

Relevant experience:
Head of Barclays Capital in Russia; formerly, member of the Supervisory Board of Vnesheconombank's VEB Capital, Deputy Chairman of the Management Board at Renaissance Capital, member of the Supervisory Board of Evrofinance Mosnarbank, Chairman of the Management Committee for Russia and CIS at Dresdner Kleinwort Wasserstein, Head of Investment Banking for Russia and CIS at ING Barings. Worked for the International Finance Corporation on private equity transactions and project financing.

Holds no shares in TMK.



Igor
KHMELEVSKIY

Non-executive director, member of the Audit Committee. Has been with TMK since 2003, member of the Board of Directors since 2004. Born in 1972. Graduated from the Ural State Law Academy and Shadrinsk State Pedagogical Institute in 1995, awarded a certificate of merit from the Ministry of Industry and Energy of the Russian Federation.

Principal place of employment:
Vice President at Sinara Group.

Relevant experience:
Member of the Board of Directors of Sinara Group, Director of Bravecorp Limited, Tirelli Holdings Limited, TMK Steel Limited and Sinara Capital Management. Formerly, Director of Fudberg Holding Ltd and TMK Global AG, Member of the Administrative Board of TMK — Artrom S.A., Deputy CEO for Legal Practice at TMK, Head of the Legal Department at Sinara Group.

Holds no shares in TMK.



Oleg
SCHEGOLEV

Independent director, member of the Strategy Committee. Member of the Board of Directors since 2012. Born in 1962. Graduated from the Moscow Finance Institute in 1984.

Relevant experience: First Vice President at Russneft, First Deputy Chairman of the Management Board and First Deputy CEO at Itera, Executive Director at Slavneft, Chairman and Board member at various oil & oilfield service companies, Deputy Head of the Department for Long-term Planning of the Fuel and Energy Complex at the Ministry of Energy of the Russian Federation, chief expert, deputy head, head of department at Sibneft (now Gazprom Neft).

Member of the Supervisory Board of the Independent Directors Association (IND) of Russia.

Holds no shares in TMK.



Alexander
SHIRYAEV

Executive director, Member of the Strategy Committee. Has been with TMK since 2003, member of the Board of Directors since 2005. Born in 1952. Graduated from the Sverdlovsk Institute of National Economy in 1991. Mr Shiryaev was awarded by the Sverdlovsk Region with a second class Badge of Merit and an Honorary Metallurgist title.

Principal place of employment:
CEO of TMK.

Relevant experience:
Chairman of the Management Board of TMK, Board member at TMK's Russian pipe plants, Chairman of the Board of Orsky Machine Building Plant, member of the Board of Sinara Group and TMK Trade House. Formerly, Deputy CEO for Development and CEO at Sinara Group, Chief Financial Officer at TMK, CEO at Uralshina.

Holds 0.017% in the authorised capital of TMK.



Alexander
SHOKHIN

Independent director, Chairman of the Strategy Committee. Member of the Board of Directors since 2008. Born in 1951. Graduated from Lomonosov Moscow State University in 1974. PhD, Doctor of Economics, Professor. Mr Shokhin was awarded with a third and a fourth class Orders for Merit to the Fatherland, Order of Honour, second class Order of Holy Prince Daniel of Moscow and a medal in commemoration of the 850th Anniversary of Moscow. In 2008, he won the National Award of the Independent Directors Association in the Independent Director nomination.

Relevant experience:
The Russian Union of Industrialists and Entrepreneurs, President of the National Research University Higher School of Economics, Chairman of the Renumeration and Personnel Committee at Russian Railways, member of the Board of Directors of UTLS, JSC, Chairman of the Audit Committee at Burovoya Kompaniya Eurasia (BKE), member of International Advisory Board — Senior Advisor at Bank of America Merrill Lynch,. Formerly, member of the Board of Directors of Russian Railways, member of the Board of Directors of Baltika Breweries, Fortum, TNK-BP Limited, Lukoil, Burovaya Kompaniya Eurasia, member of the Public Chamber of the Russian Federation, Chairman of the Supervisory Board at Renaissance Capital Investment Group, deputy of the State Duma (three convocations), Minister of Labour and Employment and Minister of Economy, Head of the Russian Agency for International Cooperation and Development, worked as Deputy Head of the Russian Government twice, former Russia's representative to the IMF and World Bank.

Holds no shares in TMK.



As at 31 December 2014, the members of the Board of Directors held no interests in affiliated companies and did not enter into TMK shares acquisition/disposal transactions; there is no conflict of interest.

Maxim
KURBATOV

Secretary of the Board of Directors (Corporate Secretary). Born in 1967. Graduated from Kirov Urals Polytechnic Institute, the Academy of National Economy under the Government of the Russian Federation and the Moscow State Law Academy.

Has been with TMK since 2002. Headed the CEO's Executive Office and the Corporate Governance function at TMK.

Has been the Secretary of the Board of Directors since 2005.

According to the Independent Directors Association, four of TMK's independent directors were on the list of the 50 best independent directors in 2014.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2014

In 2014, the Board of Directors held 30 meetings, including eight meetings in person.

The most significant and complex issues discussed at the Board meetings:

- TMK's investment programme for 2015;
- TMK's target structure for 2015;
- TMK's consolidated budget for 2015;
- TMK's management accounts and consolidated financial statements;
- development of a uniform compensation policy at TMK's American Division;
- approval of TMK's Business Plan for 2014-2020;
- implementation of the performance improvement programmes;
- streamlining TMK's governance structure;
- adjustment of the 2014 investment programme;
- independent assessment of the Board's performance;
- recommendations for the General Meeting of Shareholders on the dividend payout for 2013 and interim dividend payout for 1H 2014.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

In accordance with Russian laws (Article 64 of the Federal Law On Joint Stock Companies), members of the Board of Directors may be remunerated, if so resolved by the General Meeting of Shareholders. TMK shareholders have adopted the following principles and procedures outlined in the Regulations on the Board of Directors with respect to its remuneration:

- only non-executive directors are entitled to remuneration for the performance of their duties;
- the remuneration is to be fair and is to match long-term interests of shareholders;
- the remuneration to be paid includes:
 - a fixed base remuneration of the Chairman or a member of the Board payable on a monthly basis in the amount of 1/12 of the fixed annual amount;
 - additional remuneration for the performance of the duties of the Chairman or a member of a Board Committee payable every six months in the amount of 1/2 of the approved annual additional remuneration;
- payments to the members of the Board of Directors are governed by the terms of the Standard Contract approved by the General Meeting of Shareholders.

- the amount of remuneration payable to a member of the Board of Directors is to be decided by the General Meeting of Shareholders on the basis of the Board of Director's recommendations.

The Board of Directors is comprised of 5 independent directors, 3 non-executive directors and 3 executive directors.

In 2014, the members of the Board of Directors received a total of USD 1.89 m of remuneration.

6.5

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three standing committees: Audit Committee, Nomination and Remuneration Committee and Strategy Committee. The committees have been formed in compliance with the Corporate Governance Code of OAO TMK, which specifically requires that the Audit Committee and the Nomination and Remuneration Committee include independent directors only or, if reasonably impossible, independent directors and non-executive directors only.

Committee members remained unchanged in 2014.

PARTICIPATION OF BOARD MEMBERS IN BOARD AND COMMITTEE MEETINGS IN 2014

	Board of Directors (30 meetings)	Audit Committee (9 + 1 joint meetings)	Nomination and Remuneration Committee (7 + 1 joint meetings)	Strategy Committee (5 + 2 joint meetings)
D. Pumpyanskiy (Chairman)	30			
M. Alekseev	30	6	8	
A. Kaplunov	30			
Peter O'Brien	30	10		
S. Papin	30		8	
E. Blagova	27			
R. Foresman	28		6	
I. Khmelevskiy	30	10		
A. Shiryaev	30			7
A. Shokhin	30			7
O. Schegolev	30			7

AUDIT COMMITTEE

Peter O'Brien	Chairman of the Audit Committee, independent director
M. Alekseev	Member of the Audit Committee and Chairman of the Nomination and Remuneration Committee, independent director
I. Khmelevskiy	Member of the Audit Committee, non-executive director

Peter O'Brien, Chairman of the Audit Committee, and M. Alekseev, Member of the Audit Committee, comply with the Russian Corporate Governance Code recommendations for the reporting review and assessment competencies.

In 2014 and from 1 January 2015 to 31 March 2015, the Audit Committee's principal activities included the following:

- analysis of the accounting policies and oversight of the Company's financial statements;
- review of the Company's standards and procedures for internal control and risk management, assessment of the efficiency of the respective systems and development of recommendations for their improvement;
- review of the plans and reports of the Internal Audit Department, including as regards preventing the abuse of the insider information, assessment of the Department's performance;

- cooperation with the Revision Committee;
- presentation of recommendations to the Board of Directors as regards selecting an external auditor, assessment of the external auditor's independence;
- review of the audit plan and scope, active discussions with the external auditor of matters arising out of the audit.

OVERSIGHT OF THE EXTERNAL AUDIT BY THE AUDIT COMMITTEE

The Committee reviewed the following key matters regarding the preparation and audit of TMK's FY 2014 and interim consolidated and separate accounting (financial) statements:

- development of the audit plan for the consolidated financial statements of TMK Group (TMK and subsidiaries) prepared for the financial year in accordance with the International Financial Reporting Standards (IFRS);
- external auditor's opinion on TMK's accounting (financial) statements prepared under the Russian law and on TMK Group's consolidated financial statements in accordance with IFRS;
- review of the letter from TMK's external auditor regarding the internal control issues based on the results of the annual audit, assessment of the Company's existing controls for the preparation of financial statements;
- assessment of the external auditor's performance and work quality;
- selection of an external independent auditor of TMK's consolidated and separate accounting (financial) statements for 2015-2017.

The Audit Committee has reviewed TMK's financial statements prepared under the Russian accounting (financial reporting) standards together with the auditor's opinion and has recommended that the Board of Directors submit the annual accounting (financial) statements for approval at the Annual General Meeting of Shareholders.

The Committee reviewed and gave a positive assessment of external and internal audit.

NOMINATION AND REMUNERATION COMMITTEE

M. Alekseev	Chairman of the Nomination and Remuneration Committee and member of the Audit Committee, independent director
S. Papin	Member of the Audit Committee, non-executive director
Robert Mark Foresman	Member of the Nomination and Remuneration Committee, independent director

The Nomination and Remuneration Committee seeks to create a favourable environment for the engagement of qualified personnel in the Company's governance and incentives for their efficient performance, as well as to streamline the corporate governance system and align it with the best international practices.

In the reporting period, the Committee reviewed and presented to the Board of Directors recommendations that included:

- assessment of the performance of the Company's top executives in the previous reporting period, core KPIs and incentive terms for the next planning period;
- matters related to development of a uniform compensation policy at TMK's American Division;
- matters pertaining to standardising the corporate governance system, streamlining the organisational structure and optimising headcount of the management and various employees at TMK plants;
- organisational and staff matters in the operation of TMK divisions;
- matters related to the activities of the NGS* companies of TMK's Russian Division;
- matters pertaining to remuneration of the Company's directors;
- headcount and payroll indicators for TMK divisions' budget for the planned period, monitoring of productivity indicators and quick response to changes in economic environment;

- matters related to consistent employee training and development;
- current and future HR focus areas, development of professional standards, assessment of working conditions, organisation of the youth scientific and technical conference;
- activity planning of TMK's corporate governance bodies, preparation and organisation of the Annual General Meeting of Shareholders.

* NGS companies are oilfield service companies

Additionally, the Committee presented to the Board of Directors recommendations on electing the Chairman and members of the Board and its Committees for the corporate year, as well as on the affirmation of the CEO's authority for a new period and on electing the members of the Management Board.

The Committee carried out comprehensive assessment of the corporate governance framework and outlined its development objectives. The Committee's recommendations aided the Board of Directors in making well-balanced decisions supported by effective implementation and control tools.

In the reporting period, the Committee followed the approved Regulations on the Nomination and Remuneration Committee and the Action Plan, which was duly amended on an as-needed basis to match the Company's priorities.

The Committee meetings were regularly attended by TMK's top executives and top managers, which facilitated efficient communication and resulted in more thought-out and constructive recommendations.

STRATEGY COMMITTEE

A. Shokhin	Chairman of the Audit Committee, independent director
O. Schegolev	Committee member, independent director
A. Shiryaev	Committee member, CEO, Chairman of the Management Board

The Strategy Committee's duties are to develop recommendations on the Company's business priorities and its growth strategy and present these to the Board of Directors.

In 2014, the Committee reviewed and presented to the Board of Directors recommendations on the following key matters:

- implementation of TMK's 2020 Business Plan;
- analysis and monitoring of TMK's target markets through 2017;
- TMK's investment programme for 2014;
- TMK's technical sales system;
- TMK's budget for 2014;
- recommendations on M&A transactions, asset disposal and joint ventures;
- risks map for 2014 and measures to mitigate key risks in 2014;
- dividend payout recommendations based on the Company's dividend policy.

6.6

ASSESSMENT OF THE BOARD'S PERFORMANCE

The Nomination and Remuneration Committee meeting held in late April 2014 assessed the performance of the Board of Directors and the status of TMK's corporate governance in 2013-2014 as follows.

The Company has all the key elements of efficient corporate governance in place and functioning in concert: the Board with a considerable number of independent directors, proactive Board Committees, efficient internal audit function, independent external audit, disclosure procedures. The performance of the Board on the whole and the Board's Chairman personally has been deemed satisfactory.

The Board of Directors performance has been regularly assessed since 2006. The composition of the Board and its procedures meet the requirements of the modern corporate practices, which helps its members to make constructive and balanced decisions in a timely manner.

Based on the available information, the independent directors have been deemed compliant with the specified requirements, and their performance in the Board of Directors and its Committees – effective.

In the reporting period, non-executive directors were generally provided with adequate payments within the remuneration and cost compensation framework.

The matters reviewed by the Board's Committees during the reporting period were aligned with TMK's development priorities and fell within the Committees' scopes of competence.

The Corporate Secretary's performance was in line with the existing good corporate practice and can be deemed satisfactory.

Communications of the Board of Directors and its Committees with the Management Board and other top managers has been deemed effective. Prompt information sharing allowed the management to make constructive decisions in a timely manner and efficiently oversee their implementation.

6.7 EXECUTIVE MANAGEMENT

TMK's day-to-day operations are managed by the CEO and the Management Board. The CEO also acts as the Chairman of the Management Board.

COMPOSITION OF THE MANAGEMENT BOARD

There were no changes in the Management Board in 2014. As at 31 December 2014, the Management Board consisted of eight members:



Alexander
SHIRYAEV

Chairman of the Management Board.
See the Board of Directors section for a detailed biography.

Principal place of employment:
CEO of TMK



Sergey
BILAN

Born in 1962. Graduated from the Rostov Institute of Railway Transport Engineers in 1984 and from the Budget and Treasury Academy of the Russian Finance Ministry in 2004. Has been conferred an Honorary Metallurgist title and was awarded a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation.

Principal place of employment:
TMK Deputy CEO for Oilfield Services.

Relevant experience:
Deputy CEO of TMK and TMK Trade House for Premium Products and Services, CEO of TMK NGS and member of the Board of Directors of Orsky Machine Building Plant. Formerly, TMK Deputy CEO for Marketing.

Holds 0.005% in the authorised capital of TMK.



Andrey
KAPLUNOV

See the Board of Directors section for a detailed biography.

Principal place of employment:
First Deputy CEO of TMK.



Alexander
KLACHKOV

Has been with TMK since 2002. Born in 1957. Graduated from the Moscow Institute of Steel and Alloys in 1979. PhD in Technical Sciences. Mr Klachkov is a Russian Government prize winner in Science and Technology also awarded with a Certificate of Merit from the Ministry of Industry and Energy of the Russian Federation and conferred a Honorary Metallurgist title.

Principal place of employment:

Deputy CEO and Chief Engineer of TMK.

Relevant experience:

Head of the Technological Development Directorate at TMK, member of the Board of Directors of the Institute for the Tube and Pipe Industries (RosNITI) and Seversky Tube Works; used to hold management positions at Oskol Electrometallurgical Plant

Holds 0.003% in the authorised capital of TMK.



Alexander
LYALKOV

Has been with TMK since 2003. Born in 1961. Graduated from the Volgograd Polytechnic Institute in 1989. Mr Lyalkov is a Russian Government prize winner in Science and Technology also awarded with a medal for the construction of the Baikal – Amur Mainline and an Honour and Benefit medal of the International Welfare Fund; he was conferred a Honorary Metallurgist title and a Russian Quality Leader title of the Russian Organisation for Quality.

Principal place of employment:

First Deputy CEO of TMK.

Relevant experience:

member of the Board of Directors of Tagmet and Sinarsky Pipe Plant. Formerly, Deputy CEO for Operations, Deputy CEO for Operations, Technology and Quality at TMK, Managing Director and subsequently member of the Board of Directors at Volzhsky Pipe Plant, where he has held various positions since 1980.

Holds 0.0037% in the authorised capital of TMK.



Vladimir
OBORSKY

Has been with TMK since incorporation. Born in 1961. Graduated from the Mikhail Frunze Higher Combined-Arms Command Academy in Kiev in 1982 and the Mikhail Frunze Military Academy in 1994. Obtained an MBA from the International University in Moscow in 2009. PhD in Economics. Was awarded a Medal for Battle Merit, an Order of Military Merit and a Certificate of Merit from the Ministry of Industry and Energy of the Russian Federation.

Principal place of employment:

CEO of TMK Trade House. Executive Director — First Deputy CEO at TMK.

Relevant experience:

Member of the Board of Directors at TMK Trade House and TMK-CPW. Formerly, First Deputy CEO and Executive Director at TMK Trade House, Head of the Transneft and Gas Producers Customer Service Department at TMK Trade House, Head of the Strategic Customer Service Directorate and the Gas Producers Customer Service Directorate at Volzhsky Trade House.

Holds 0.0008% in the authorised capital of TMK.



Tigran
PETROSYAN

Has been with TMK since 2001. Born in 1968. Graduated from Yerevan State University in 1993. Has been conferred a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation.

Principal place of employment:

Chief Financial Officer at TMK.

Relevant experience:

Board member at TMK's Russian pipe plants, Orsky Machine Building Plant, TMK-INOX and TMK Trade House. Formerly, Deputy CEO for Economy at TMK and TMK Trade House, Head of the Economic and Planning Directorate at TMK, Head of the Economic and Planning Department of Volzhsky Pipe Plant, Deputy CEO at Volzhsky Audit, officer at the Armenian Ministry of Economy.

Holds no shares in TMK.



Vladimir
SHMATOVICH

Has been with TMK since 2005. Born in 1964. Graduated from the Moscow Finance Institute in 1989 and the University of Notre Dame USA (MBA) in 1993. Has been conferred a Certificate of Merit from the Ministry of Industry and Trade of the Russian Federation and awarded with a Tsiolkovsky Gold Medal. Has been conferred Udmurtneft's Honorary Oil Worker title and an Honorary TMK Employee title.

Principal place of employment:

Deputy CEO for Strategy and Business Development at TMK.

Relevant experience: Board member of Lhoist — TMK B. V. and OFS Development SARL, Chairman of the Board of Directors of TMK GIPI, Class A Manager at Completions Development S.a r.l., Director at TMK Completions Ltd. Formerly, Board member of SKB-bank, CFO of TMK, Deputy CEO, CFO at various companies (Udmurtneft, Sidanco, RusPromAvto), CEO of Interros.

Holds no shares in TMK.

As at 31 December 2014, the members of the Management Board held no interests in companies under control and did not enter into TMK shares acquisition/disposal transactions.

EXECUTIVE MANAGEMENT REMUNERATION

The remuneration paid to the CEO and the members of the Management Board consists of:

- fixed salaries determined in accordance with their employment contracts and payable on a monthly basis;
- variable part (bonuses), based on individually established KPIs and approved by the Board of Directors each year. This bonus is paid to the CEO and the members of the Management Board if they deliver their KPIs, and subject to the approval of their performance reports by the Board of Directors.

In 2014, the aggregate remuneration of the CEO and the members of the Management Board amounted to USD 6.83 m, including insurance premiums paid.

6.8 INFORMATION POLICY AND DISCLOSURE

As an issuer of securities, the Company is required to disclose information under the Russian law, security market regulations and listing rules of the stock exchanges where the Company's securities are traded. Information is disclosed in Russian and English.

TMK publishes quarterly IFRS consolidated financial statements (<http://ir.tmk-group.com/results-center/financial-results/>) and press releases describing its financial, operating and market performance on its corporate website. On the top of that, the Company provides market reviews and forward-looking statement. Conference calls for investors, analysts and media organised by TMK are attended by the Company's senior executives.

In line with the international best practices, we conduct Capital Markets Days where the Company's top management present TMK's results and outlook, with webcasts available on the corporate website. The site's section for investors features an IR calendar, presentations, reports, financial news and FAQ.

In January 2015, TMK launched its upgraded corporate web site featuring a new user-friendly interface and a mobile version to facilitate the search for and download of essential information. The new site offers a wide range of information on the Company, its divisions and plants and includes a quick data analyzer.

Disclosure and interaction between the Company's divisions and entities in this process are governed by its Regulations on the Information Policy (http://www.tmk-group.ru/media_ru/files/51/info/pol0612.pdf) and other internal regulations drafted on its basis. The Company has dedicated units to monitor the development of and pursuance of a uniform information policy and control compliance with insider dealing laws and regulations.

6.9

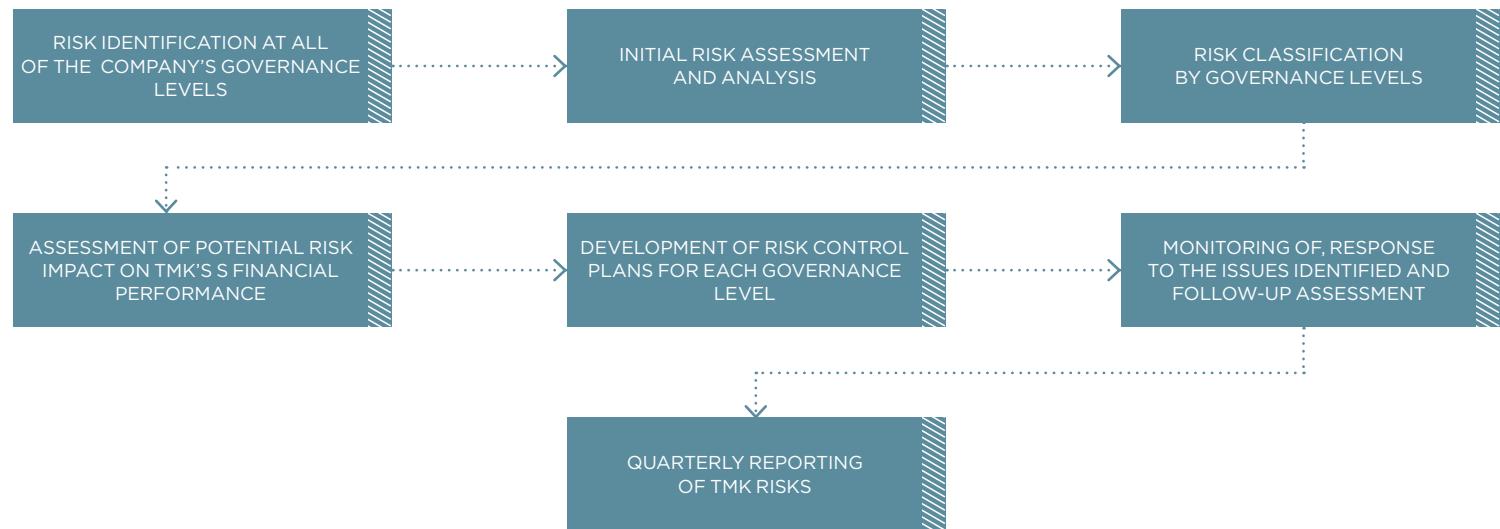
RISK MANAGEMENT AND INTERNAL CONTROL

TMK's risk management and internal control framework is a set of procedures exercised by the Board of Directors, executive and supervisory bodies, officers and employees to ensure a true and fair view of its state of affairs and prospects, risk exposure, reliability of all types of reporting, and compliance with laws and internal regulations.

The Board of Directors has approved the Regulations on Internal Control laying out principles and approaches to building a risk management and internal control framework and exercises control over financial and economic activities at the operational and organisational levels.

The Audit Committee assesses the effectiveness of internal control and risk management framework and develops recommendations on its improvement. In the reporting year, the Audit Committee gave a positive assessment of the current risk management and internal control framework.

TMK employs a two-level risk management approach, identifying risks at its corporate center and controlled entities and integrating them to assess their overall impact on the Company.

SCHEME 6.2**TMK's Integrated Risk Management Framework**

To manage risks, the Company has set up a dedicated risk management unit whose responsibilities are fully in line with TMK's Corporate Governance Code. It also has the Risk Management Committee reporting to the CEO and in charge of mitigating risks by drafting and implementing a uniform risk management policy and risk identification, assessment and management methodology. Its Chairman reports to the Board's Audit Committee at least once a quarter.

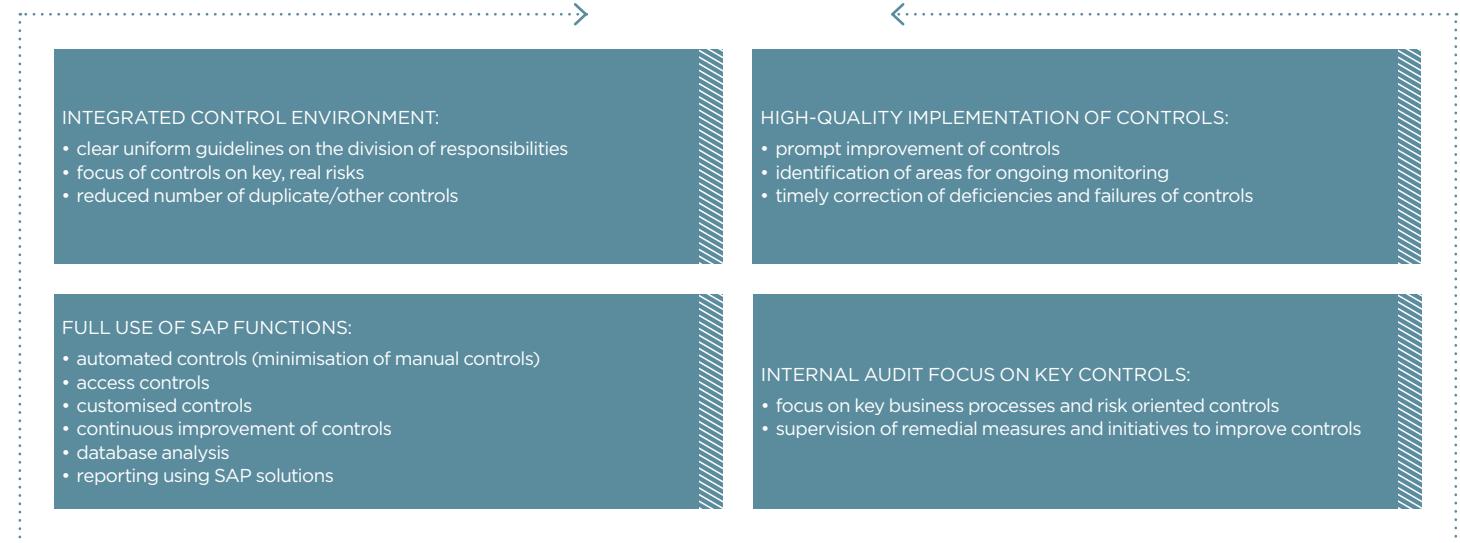
TMK seeks to mitigate risks through an adequate control over all of its operations. In order to do that:

- the Company implements controls based on its policies, regulations and standards, at all governance levels;

- CEO sets goals for the Company's senior executives and oversees their activities aimed at maintaining proper internal controls across the units they supervise;
- TMK's senior executives delegate responsibilities to implement specific control policies and procedures to the heads of business units whose responsibilities include, inter alia, assessing control processes within the scope of their competence;
- TMK employs the principle of segregating responsibilities: there are no officers combining authorisation, accounting, storage and control functions.

SCHEME 6.3

Key Elements of TMK's Risk-Focused Internal Control Framework

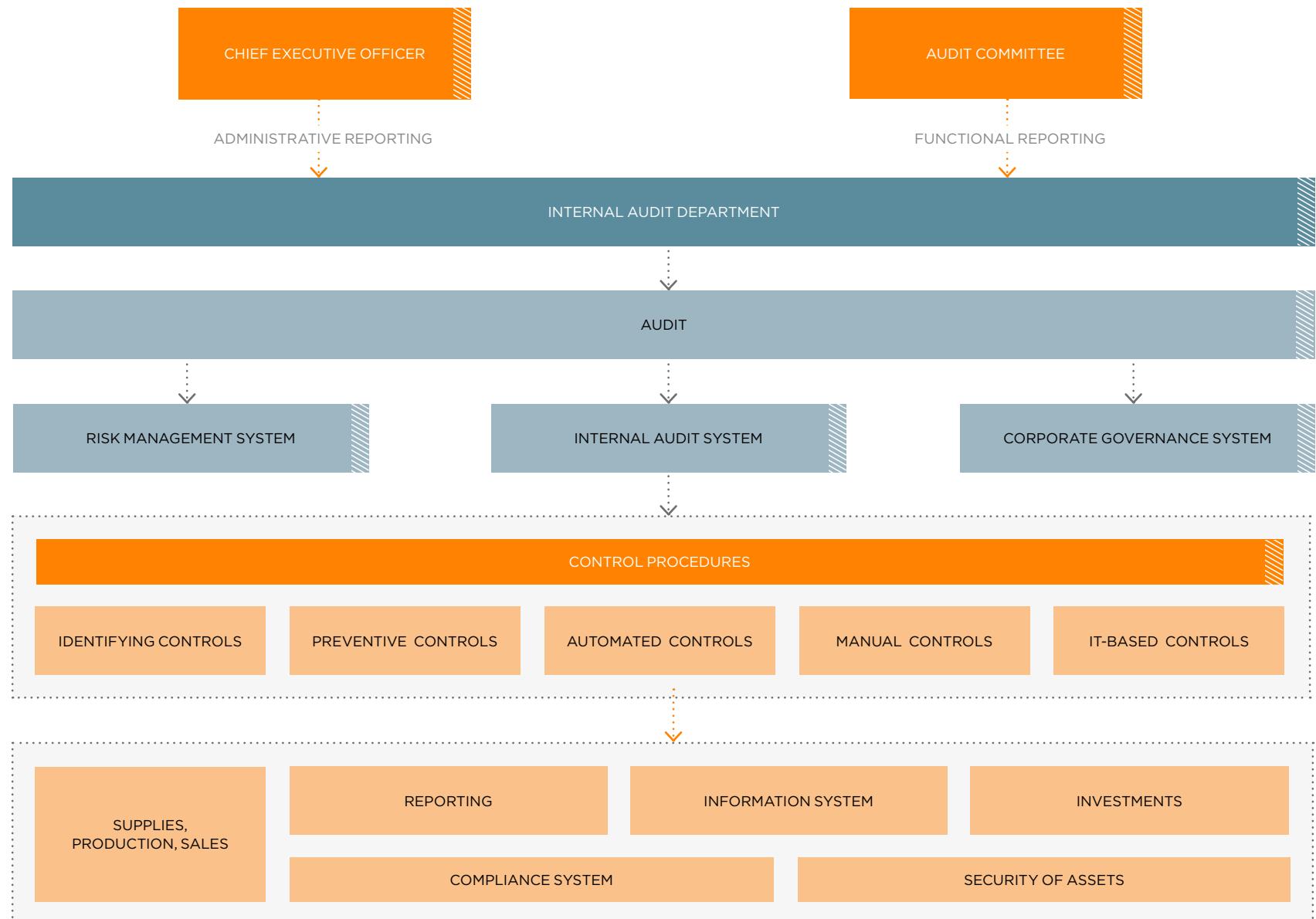



In 2014, the Company fully integrated the compliance function into the overall framework of risk management and internal control as well as of corporate governance and corporate security. This process was coordinated by the CEO's Committee on Regulating Compliance Risks and its regional subcommittees at TMK plants governed by the Company's Key Compliance Risk Principles and Anti-Corruption Policy.

TMK operates a hotline as a public control instrument using a full range of communication channels for the Company's employees, investors, clients and other stakeholders to report any known abuse or violations.

The Company has an internal audit system in place to assess the adequacy and effectiveness of risk controls pertaining to corporate governance, operations at TMK's entities and divisions and their information systems.

SCHEME 6.4
TMK's internal audit



The Company has established the Internal Audit Department (IAD), a standalone function operating under the IAD Regulations approved by the Board of Directors. The IAD's independence and impartiality are ensured through its reporting directly to the CEO and functionally to the Board of Directors via the Audit Committee. Its head reports to the Board of Directors, which appoints and removes him/her from office and decides on his/her remuneration. The IAD operates in compliance with regulations on and international professional standards of internal audit.

It has regional units across TMK's geographies, which use a single planning and reporting system and functionally report to the head of TMK's (the Holding Company's) IAD. The IAD's regional units ensure a prompt response to any changes in business processes and operations at TMK entities.

The Department develops an annual risk-focused audit plan based on priority business processes subject to audit, and on risk ranking and assessment (by probability and potential impact). The plan is discussed at the Audit Committee's meetings and approved by the Board of Directors and TMK's CEO.

The IAD also oversees compliance by the Company's governance bodies, officers and employees with insider dealing laws and regulations and regularly reports to the Audit Committee as well as to the Board, at the year-end.

TMK's management promptly responds to gaps in controls identified by internal audit, introducing the required changes to the risk management and internal control framework, which help streamline the corporate governance processes and quality.

INTERNAL CONTROL OVER FINANCIAL REPORTING

TMK's management is responsible for implementing and maintaining adequate internal control over financial reporting to provide reasonable assurance as regards the reliability of financial statements and their conformity with the RAS and IFRS.

Throughout 2014 and to date, TMK has been operating an internal control framework, which reasonably assures the effectiveness of all controls, including financial and operational controls, as well as compliance with laws and regulations.

The Revision Committee controls the Company's financial and economic activities on behalf of shareholders and reports to the General Meeting of Shareholders on the reliability of the reporting data and deficiencies or violations identified.

The External Auditor verifies and confirms that the Company's financial statements are in line with the applicable accounting rules and national and international financial reporting standards (RAS and IFRS) and expresses its opinion on the reliability of the financial statements following their audit.

In selecting an external auditor to audit the Group's IFRS consolidated financial statements and assessing its performance, we adhere to the Policy on Selection of TMK Group's External Auditor, as approved by the Board of Directors (http://www.tmk-group.ru/media_ru/files/51/tmk_pol_vyb_aud14.pdf).

The following procedures are in place to ensure the auditor's independence and impartiality:

- Every decade the Company holds a tender to select an auditor under the terms and conditions approved by the Board of Directors based on the Audit Committee's recommendations. The Committee organises the tender and announces its results.
- It is also entitled to request an early tender following the assessment of the auditor's performance quality and its compliance with the independence requirement.
- The auditor is selected from among internationally recognised independent audit firms and approved by the Board of Directors.

To mitigate the risk of long-term relationship compromising the external auditor's independence and impartiality, members of audit teams and the lead partner responsible for the audit are subject to rotation.

TMK appointed Ernst & Young, a member of the Self-regulated Non-Profit Partnership «Audit Chamber of Russia», as the external independent auditor of its FY 2014 and interim consolidated and separate financial statements.

In 2014, the auditor's remuneration for auditing the annual financial statements and reviewing interim financials (including audit of separate financials at some TMK's entities) was USD 2.86 m, for other audit-related services — USD 0.03 m, and for non-audit services — USD 0.26 m.