

## 7.

CORPORATE  
CITIZENSHIP THE PRINCIPLE  
OF EFFECTIVENESS

We can increase productivity of our employees by continuously raising their qualification and professional level while eliminating inefficient functions and reducing non-production losses.



TMK'S AVERAGE  
HEADCOUNT » P. 84

TMK  
CORPORATE  
CITIZENSHIP

# 7.1

## HUMAN RESOURCES AND SOCIAL POLICY

**Goals of TMK's HR Strategy for 2011-2020 are as follows:**

- recruiting and retaining top quality personnel whose productivity matches the best industry and international practices;
- promoting employees' professional competencies;
- implementing social programmes to improve living standards of employees and their families, maintain stable and long-term employment relationships at our enterprises.

**Key priorities of TMK's HR Strategy in 2014:**

### CORPORATE DEVELOPMENT AND HR MANAGEMENT

In 2014, our focus was on streamlining business processes and governance system and standardising the organisational structure at TMK's entities. Thus, we:

- standardised organisational structure of the production, sales, financial and economic and technical units at TMK's Russian pipe plants;
- finalised the structure of the governance, reporting and workflow systems for the four divisions, with TMK being the core management center;

- restructured the Company's sales units;
- introduced the Regulations on TMK Project Management and established the Project Database in order to encourage our employees to participate in initiating and developing new projects;
- launched a pilot project for TMK's Romanian plants to build a pool of young talents holding qualifications rare in the local labour market.

Improved productivity is a key tool to fine-tune headcount at our enterprises. We can increase productivity of our employees by continuously raising their qualification and professional level while eliminating inefficient functions and reducing non-production losses. Despite the growing number of TMK's entities, the average total headcount goes down.

## TMK'S AVERAGE HEADCOUNT

	2012	2013	2014
AVERAGE TOTAL HEADCOUNT	44,266	44,025	43,373
including:			
Russian Division	39,569	39,097	38,473
European Division	1,998	2,019	2,049
American Division	2,699	2,909	2,851

## EMPLOYEE COMPENSATION AND INCENTIVES

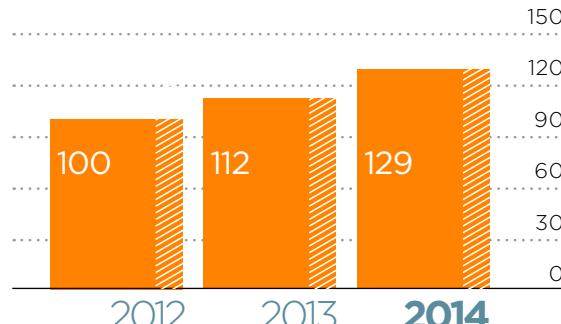
In 2014, we continued improving our remuneration system to make it even more competitive and motivating. We went on implementing a bonus system based on the Management by Objectives (MBO) method at TMK's plants. This system proved efficient at TMK's enterprises since we began rolling it out in 2013.

In 2014, wages and salaries at TMK grew by an average of 15.1% year-on-year. We compensated for inflation losses in the regions and countries where we operate and enabled the Company to live up to its commitments. Efficient headcount management helped us adjust our employees' salaries for inflation without increasing the Company's payroll.

### GRAPH 7.1

Average wages and salaries at TMK

• 2012-2014  
/ % vs 2012 /





**AWARD CEREMONY**  
of winners of the tenth  
TMK Youth Scientific and  
Technical Conference

## EMPLOYEE DEVELOPMENT AND TRAINING

Modern pipe production sets even higher standards of employee qualifications and skills. To meet these standards, we keep improving our employees' professional competencies systemically and systematically, developing and rolling out corporate training programmes. In 2014, TMK invested about USD 3.5 m in corporate training programmes, which enabled us to:

- achieve the target of 70% for training the Company's top executives under the Efficient Manager Programme in line with TMK's 2014 HR Strategy;
- develop the TMK IPSCO Way remuneration and reward programme for employees of the American division, the programme relies on assessment of the expected results achievement and the analysis if performance quality exactly matches the requirements and parameters;
- introduce a training course for a group of in-house business trainers to master the Six Sigma training programme designed to roll out quality management methods across the Group;
- arrange about 200 internships for our employees to facilitate sharing best manufacturing practices between TMK's facilities; more programmes were introduced and more facilities were invited to take part in the internship initiative.

The Company actively participates in national educational programmes across Russia, developing Russian professional standards and WorldSkills Competitions:

- we invested USD 5.5 m (82% of the total investments in the programme) under the agreement between TMK and the Government of the Sverdlovsk Region for the construction of training grounds and development of vocational training programmes for the colleges in Polevskoy (the Seversky Tube Works) and Kamensk-Uralsky (the Sinarsky Pipe Plant);
- TMK's working group drafted Russian professional standards to the following jobs essential for TMK: hot rolling mill operators, cold rolling mill operators and heat-treaters for rolled steel and pipe;
- teams of the Sinarsky Pipe Plant, the Seversky Tube Works and TAGMET for the first time took part in the national WorldSkills Competition for staff holding qualifications widely required in high-tech industries.
- the tenth TMK Youth Scientific and Technical Conference held by the Company and attended by recent graduates employed by TMK's Russian, European and American divisions.



**THE STUDENTS OF THE MISIS UNIVERSITY —**  
participants of TMK's scholarship program

We lay emphasis on developing our new employees' professional skills and encouraging best graduates to start their career with TMK. TMK closely cooperates with universities located in the regions where TMK operates, including:

- the Ural Federal University named after B. N. Yeltsin, the first President of Russia (UrFU) and the National University of Science and Technology (MISiS) in Russia;
- with the University Of Applied Sciences – Sohar (the Faculty of Engineering: Electrical and Information Technology), Shinas College of Technology (Engineering Faculty: Electrical and Mechanical Engineering), Sohar University (Engineering Faculty: Electrical and Mechanical Engineering) in the Middle East (Oman);
- with the Massachusetts Institute of Technology, the Colorado School of Mines, the University of Oklahoma, the University of Pittsburgh, the University of Iowa, Missouri University of Science and Technology, Texas A&M and Texas Tech University in North America.

Since 2013, TMK has been awarding A.D. Deineko scholarship to top students of the Piping Engineering and Equipment Department of the MISiS University. The scholarship was established to encourage students to pursue a career in production and attract them to TMK's facilities.



**A TOTAL OF 152 EMPLOYEES** and members of their families visited the Sochi Winter Olympics in early 2014

## SOCIAL PARTNERSHIP

The Company's sustainable and successful development relies heavily on social partnership, including cooperation with trade unions as well as participation in regional economic development and social programmes.

We take an active part in negotiating on new legislative initiatives and key provisions of the Branch Tariff Agreement as part of cooperation with the Russian Mining and Metallurgical Trade Union (GMPR), Russian Metallurgists Association (RASMET) and Russian Union of Industrialists and Entrepreneurs (RSPP). This cooperation enables us to balance the interests of the social partnership members.

In 2014, TMK IPSCO and the US United Steelworkers Union (USW) signed a collective bargaining agreement for its Ambridge and Koppel plants, while TMK-ARTROM entered into a new collective bargaining agreement for years 2015-2016 adjusted for the region's economic development and based on the social partnership principles.

To promote health of its staff, the Company co-finances their recreation and treatment. In 2014, over 2,200 employees and members of their families spent their holiday at the Burgas Resort in Sochi and 450 employees received health resort treatment at the Westend Resort in the Czech Republic.

A total of 152 employees and members of their families visited the Sochi Winter Olympics in early 2014, and 51 employees were rewarded with a free trip to this spectacular sports event.

TMK attaches a great importance to the various forms of non-financial motivation, such as corporate awards to the best employees as well as government and industry awards.

In 2014, 16 employees were conferred government awards, with 91 employees receiving industry awards, including 27 Honorary Metallurgist titles. A total of 286 employees were recognised with corporate awards, including Honorary TMK Employee title conferred to 54 employees, TMK badge of merit awarded to 29 employees and TMK Certificate of Merit presented to 203 employees.

In the reporting period, TMK conferred Badges and Certificates for Business Cooperation with TMK to 32 employees of its partners, including technological solution providers, transport and media companies in recognition of their active participation in promoting stable, reliable and mutually beneficial relationship with the Company.

## 7.2 OCCUPATIONAL SAFETY

TMK's occupational safety policy promotes health and safety of the Company's employees, mitigates risks of emergencies which might have an adverse effect on the employees' health and occupational safety.

TMK complies with any applicable laws and international health and safety standards.

Our occupational safety and health management systems are OHSAS 18001 certified, and their efficiency is acknowledged by annual audits conducted by the world's leading audit firms, such as Bureau Veritas Certification, SAI Global and Lloyd's Register.

Pursuant to the amendments to the occupational safety laws of the Russian Federation effective since 1 January 2014, we have worked out and begun deploying a phased implementation plan for a new occupational safety system providing for a Special Health and Safety Assessment and ensuring guarantees and benefits for employees in accordance with the amended law.

We strive to continuously improve working conditions, with our facilities enjoying a stable low rate of workplace injuries and occupational diseases. In 2014, we invested over USD 28 m in occupational health and safety initiatives. Our key focus is on prevention of accidents and emergencies, including:

- planning measures to ensure occupational health by eliminating adverse factors and preventing occupational diseases;
- reducing the number of hazardous and harmful operational factors;

- training personnel to comply with health and safety rules and meet strict requirements for personal responsibility with further certification.

In 2014, TMK's Russian plants received the following awards for health and safety excellence:

- the Sinarsky Pipe Plant became the winner in the category of the Occupational Health and Safe Working Environment of the Mining and Metallurgical Enterprise of High Social Efficiency, a Russian industry contest;
- the Seversky Tube Works ranked second in the industrial standards and occupational health and safety contest held in the Sverdlovsk Region.

In 2014, TMK IPSCO facilities demonstrated excellent industrial safety performance:

- Blytheville and Koppel logged 2.4 m man hours without an accident leading to disability;
- Ambridge and Brookfield were recognised the best in class in terms of accident rate and operating safety;
- Baytown and Odessa recorded a more than 70% accidents reduction coupled with a 22% increase in output;
- Geneva enjoys eight years without any reportable accidents;
- Houston ULTRA sees a reduction in reportable accidents by more than 70%.



## 7.3 ENVIRONMENTAL MANAGEMENT

Pursuant to TMK's environmental policy aimed at maintaining environmental safety of the rapidly growing production, our efforts during the year were traditionally focused on improving the environmental efficiency of production processes and reducing water consumption.

In its operations, TMK follows international environmental protection initiatives and treaties and complies with national environmental standards and regulations. We continue focusing on systemic environmental activities. Eleven plants of the Company have been ISO 14001:2004 certified (Environmental Management System standard). International auditors once again confirmed continuous improvement of environmental management in the reporting period.

### ENVIRONMENTAL INVESTMENTS: TRANSITION TO THE BEST AVAILABLE TECHNOLOGIES

Environmental issues are an essential component of all strategic documents of the Company, including the Strategic Investment Programme in effect. In 2014, TMK invested USD 20.8 m in a range of initiatives designed to ensure legal compliance and environmental protection, such as reducing pollutant emissions, noise level and waste water disposal as well as improving waste management and soil reclamation.

Key activities and results:

- the Seversky Tube Works completed a modern gas cleaning system and a treatment facility for the continuous rolling mill;
- TAGMET commissioned a highly efficient gas cleaning system for the EAFs;
- the Volzhsky Pipe Plant reconstructed the conditionally clean water discharge pipeline of the storm water pumping drainage system and eliminated leakages;
- the Sinarsky Pipe Plant completed a local water recycling system for its gas processing shop.

## EMISSIONS CONTROL

We use advanced technologies ensuring a high-degree treatment of industrial emissions to reduce negative impact on the atmosphere. Measures in this area are annual, including routine maintenance and overhaul of treatment facilities to improve the efficiency of gas cleaning, which helps the Company meet the approved standards. The total atmospheric emissions control expenses were USD 6.4 m. In 2014, the treatment facilities of TMK's Russian Division captured and neutralised 1.7 times more pollutants year-on-year.

Key activities and results:

- the Volzhsky Pipe Plant ensured a continuous operation of the gas cleaning system for EAF-150 and replaced 8,100 bag filters;
- TAGMET eliminated 48 pollution sources as part of an upgrade programme;
- Koppel (TMK's American division) rehabilitated its dust control system.

## WATER MANAGEMENT

Pursuant to TMK's Environmental Policy, the Company's water management strategy focuses on reducing water consumption and mitigating negative impact on water bodies. TMK's plants are implementing an integrated approach to water resource management, which, over time, results in optimised consumption, distribution and sustainable use of water and reduced sewage. A recycling water supply system is essential for any of TMK's new, upgraded or reconstructed facilities.

In 2014, consistent water management activities enabled TMK to reduce (year-on-year):

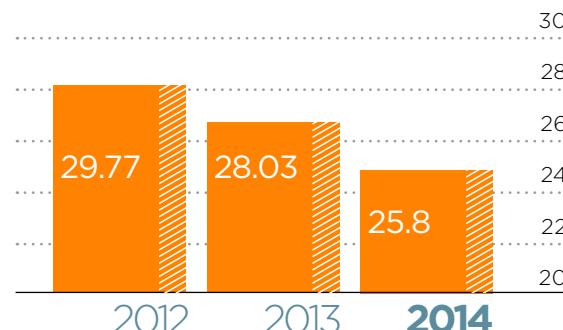
- water intake from surface water bodies by 8%
- industrial water consumption by 6.3%
- concentration of pollutants in industrial effluents discharged to open water bodies by 1.6%
- waste water by 3.6%
- the share of recycling water supply amounted to 95.28%

GRAPH 7.2

Water intake from surface water bodies at TMK

• 2012-2014

/ mcm /

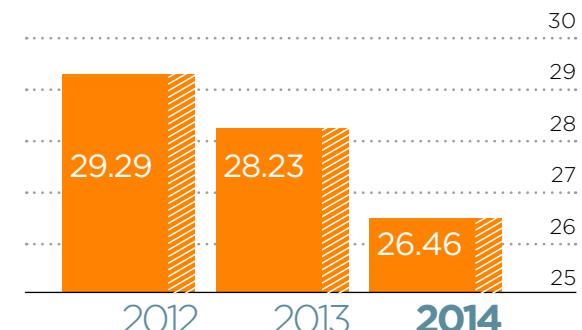


GRAPH 7.3

Industrial water consumption at TMK

• 2012-2014

/ mcm /

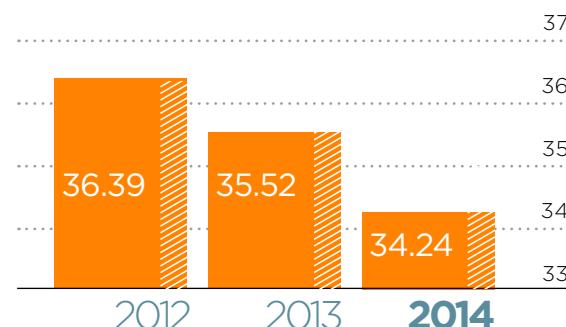


### Key activities and results:

- the Sinarsky Pipe Plant took actions to minimise losses of water during transportation, which enabled the plant to reduce water consumption by 339 thousand cu m (3.3%);
- TAGMET installed a recycling water supply system for the EAF. This increased water volume in the recycling water supply systems by 8.5%;
- the Volzhsky Pipe Plant cleaned waste water pits at ENTs-2 (energy shop) and the scale pit of the recycling water supply system of SR-9 TPTs-3 (tube rolling shop), reducing the level of oil sediment in the conditionally clean water discharge;
- the Seversky Tube Works reconstructed its aeration and biological treatment station and repaired the aeration tank;
- the Sinarsky Pipe Plant cleaned the settling pond at the Iset River;
- TAGMET repaired and cleaned the water intake screens of the Beregovaya pumping station and fish protection systems;
- the Orsky Machine Building Plant cleaned waste water wells, pipelines of the plant's waste water discharge system;
- Houston ULTRA (TMK's American division) completed upgrading its household waste water treatment facilities.

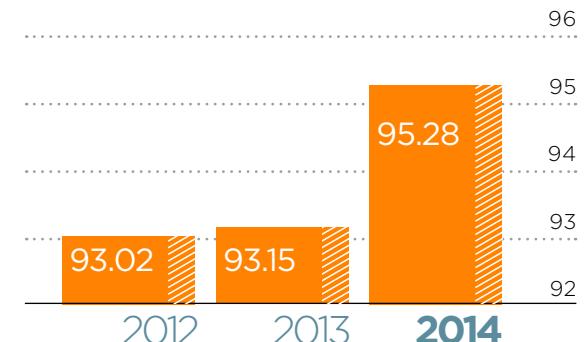
**GRAPH 7.4**

Waste water discharged into water bodies and to waste water collectors  
• 2012-2014 / mcm /



**GRAPH 7.5**

Share of recycling water supply at TMK  
• 2012-2014 / % /



## WASTE MANAGEMENT

In line with its environmental policy, TMK implements initiatives to reduce, recycle, reuse and neutralise waste and reduce its disposal, as well as land reclamation initiatives.

Key results of TMK's consistent environmental activities in 2014:

- total waste decreased by 7.5%;
- only 6.8% of the total waste was positioned in the designated facilities, which clearly demonstrates high efficiency of TMK's waste management strategy;
- 1.8 million tonnes was recycled;
- recycled waste utilisation by TMK's facilities went up by 30%;
- sales of waste as a raw material to other industries increased 4.2 times.

Throughout the reporting period, we continued recycling previously accumulated waste. In 2012-2014, TMK recycled more than 1.4 mt of accumulated waste.

A total of USD 8.4 m was spent to minimise the impact of waste on the environment.

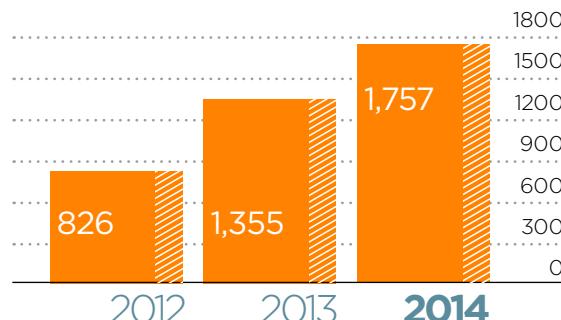
TMK's land protection expenses, including land reclamation, amounted to USD 1.29 m.

Activities and results:

- the Volzhsky Pipe Plant commissioned and registered a new landfill site;
- the Seversky Tube Works constructed a site for processing oily scale for sales;
- the Sinarsky Pipe Plant reclaimed basins 2 and 3 of its sludge collector and industrial waste landfill;
- TMK-ARTROM increased reusing recycled paper by 30%;
- TMK IPSCO implemented an enterprise-wide waste reporting and management information system.

GRAPH 7.6

Reuse of industrial waste at TMK  
• 2012-2014  
/ thousand tonnes /



## 7.4 SPONSORSHIP AND CHARITY

Through sponsorship and charity, TMK seeks to foster a favourable social climate and to create an environment for sustainable development of the regions hosting our plants.

TMK implements its Russian charity projects via the Sinara Charity Foundation, a professional operator. In 2014, 122 non-profit organisations benefited from the Company's financial support, with 33 of them winning various grant competitions. The Foundation has improved of project methods of career advising to attract students to be employed as engineers and workers: Tochka Opory (Foothold), a series of interactive events, including creative contests, a series of on-site natural science lectures and Bilet v Professiyu (Ticket to Vocation) television reality show were arranged for teenagers; a number of classrooms were equipped to host scientific and technical educational programmes for children and youth.

In 2014, as a trustee of the ISTOKI Endowment Fund, TMK supported Svyatost Materinstva (The Sanctity of Maternity), a nation-wide programme aimed at promoting family values in 21 Russian regions.

We take part in financing charity campaigns to support vulnerable social groups, such as veterans and disabled children. In 2014, TMK rendered financial support to social, medical, educational, cultural and children sports institutions, including the Taganrog orphanage and infant care center and the Volzhsky nursery school for children with special needs and the Volzhsky rehab center for disabled children.

To promote sports values, TMK renders sponsorship to the Russian Ski-Jumping and Nordic Combined Federation, the Russian Olympians Foundation and a number of professional sports clubs in the regions where TMK operates, including:

- the Ural Football Club of the Russian Premier League, based in Yekaterinburg;
- the Sinara Mini-Football Club, based in Yekaterinburg, a two-times Russian champion;
- the Dinamo Women's Handball Club, based in Volgograd, a twelve-times Russian champion;
- the TMK-TAGMET Tennis Club based in Taganrog; and
- the Sinara Rifle Club in Kamensk-Uralsky.

We also sponsor amateur teams representing TMK's entities competing in various sports, including children's and youth sports.

TMK's American Division was a major corporate sponsor for the Age of Impressionism: Great French Paintings from the Sterling and Francine Clark Art Institute, an exhibition hosted by the Houston Museum of Fine Arts from December 2013 to May 2014. The exhibition ran for five months and was visited by over 75 thousand people. On top of that, the Company sponsored an art educational programme for 1,000 primary school students. TMK IPSCO's employees and members of their families take an active part in sponsoring local communities, collecting Christmas presents and food for economically disadvantaged families and supporting disabled children.

In 2014, TMK's European Division became the general sponsor of a series of events to mark 100th anniversary of Nikolas II's last visit to Romania. The National Historic Museum of Romania in Bucharest hosted an exhibition bringing together unique video materials and photographs from St Petersburg's state archives. The exhibits were used to create photo albums telling the reader a story of the Russian-Romanian relations of those times.

TMK GIPI sponsors Al Wafa volunteer center (Oman) holding charity events to support economically disadvantaged people. TMK GIPI also supports educational institutions, including primary schools in Sohar and Liwa, and provides scholarship to university graduates. Employees of TMK GIPI traditionally participate in blood donation campaigns in support of cancer and HIV sufferers.

## REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS SET OUT IN THE CORPORATE GOVERNANCE CODE (AS PER MICEX GUIDANCE DATED 13 MARCH 2015)

No.	Corporate governance principle(s) or key criterion (recommendation)	A brief description of non-compliance with the corporate governance principle or key criterion	Explanation of the key reasons, factors and circumstances due to which the principle or key criterion is not complied with or is complied with in part; a description of alternative corporate governance mechanisms and instruments. Planned actions and measures
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## I. RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

1.1.	The company should ensure equitable and fair treatment of each shareholder exercising their right to take part in managing the company. Corporate governance framework and practices should ensure equality for the shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equitable treatment by the company.		
1.1.1.	<p>The company should approve an internal regulation setting forth key procedures to prepare for, convene and hold general meetings of shareholders in compliance with recommendations of the Corporate Governance Code, including the company's obligations to:</p> <ul style="list-style-type: none"> <li>● notify shareholders of general meetings and provide access to the relevant materials, publish the notice and materials on the corporate website, at least 30 days prior to such meeting, unless required to do so earlier by the Russian law;</li> <li>● announce the record date at least 7 days prior to such date;</li> <li>● provide supplementary information and materials on the general meeting agenda as recommended by the Corporate Governance Code.</li> </ul>	<p>The Company's practices comply with these recommendations.</p>	<p>The Company announces the record date as required by the Russian law. Supplementary information is included in the notice of the General Meeting of Shareholders published on TMK's website.</p> <p>As part of the preparation for the annual General Meeting of Shareholders, the Company strives to provide shareholders with relevant notices and materials in soft copy.</p>
1.1.2.	The company should undertake to enable its shareholders to put questions on the company's operations to members of the management and control bodies, audit committee, chief accountant, company's auditors, and nominees to the management and control bodies, during the general meeting and in the course of relevant preparations. The said obligations should be set forth in the company's articles of association or internal regulations.	<p>The Company's practices comply with these recommendations.</p>	Shareholders are free to put questions on the Company's operations to members of the management and control bodies during the General Meeting.
1.1.3.	The company should observe the principle of preventing any action that may result in an artificial redistribution of corporate control (for example, voting with quasi-treasury shares, decision to pay dividends on preferred shares regardless of limited financial capacities, decision not to pay dividends on preferred shares as required by the articles of association regardless of sources being sufficient for payment). The said obligations should be set forth in the company's articles of association or internal regulations.	<p>The Company's practices reflect the principle of preventing artificial redistribution of corporate control.</p>	The Company has neither quasi-treasury nor preferred shares.

1.2 Shareholders should be given equal and fair opportunities to receive a share of the company's profit in the form of dividends.

1.2.1.	The company should approve an internal regulation on its dividend policy compliant with recommendations of the Corporate Governance Code, including, inter alia:	Complied with.
	<ul style="list-style-type: none"> <li>• procedures to determine a portion of the company's net profit (for companies issuing consolidated financial statements, a minimum portion (share) of consolidated net profit) to be distributed in the form of dividends, and conditions to declare dividends;</li> <li>• minimum dividends payable on different types (classes) of shares;</li> <li>• mandatory disclosure of the document governing the company's dividend policy on its corporate website.</li> </ul>	

## II. THE COMPANY'S BOARD OF DIRECTORS

2.1 The board of directors' core responsibilities should include determining the company's long-term strategic targets, key performance indicators (KPIs), key risk governance and internal control principles and approaches, and remuneration paid to directors and executive body members, performing strategic governance, exercising control over the company's executive bodies, etc.

2.1.1.	The company's board of directors should:	Complied with.
	<ul style="list-style-type: none"> <li>• determine the company's long-term strategic targets and KPIs;</li> <li>• control the company's executive bodies;</li> <li>• determine the company's risk governance and internal control principles and approaches;</li> <li>• articulate the company's policy on remunerating its directors, executive body members and other key managers.</li> </ul>	

2.2.	The board of directors should manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders. The chairman of the board of directors should ensure that the board of directors discharges its duties efficiently and effectively by conducting meetings attended by its members and making relevant preparations.		
2.2.1.	The board should be chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the board's chairman should be appointed from among the elected independent directors.	In accordance with the Company's Articles of Association, independent directors are free to interact with the Chairman of the Board of Directors on any matters related to the Company's business. All Committees of the Board of Directors are chaired by independent directors.	The Board of Directors is going to consider whether it may be reasonable to follow this recommendation.
2.2.2.	The company's internal regulations should stipulate the procedure to prepare for and hold the board's meetings, enabling the directors to make proper preparations, including, <i>inter alia</i> : <ul style="list-style-type: none"> <li>● meeting notice period;</li> <li>● deadlines for circulating voting ballots and submitting the completed ones in case of meetings held in absentia;</li> <li>● a possibility of submitting and taking into account a director's written opinion on the agenda items in case they are not present at an in-person meeting;</li> <li>● a possibility of participating in the meeting and voting via audio or video conferencing.</li> </ul>	Complied with.	
2.2.3.	Resolutions on the most important matters should be passed at the board's in-person meetings. The list of such matters should be compliant with recommendations of the Corporate Governance Code.	Complied with.	

2.3.	The board of directors should include a sufficient number of independent directors.		
2.3.1.	Independent directors should make up at least one third of the elected board members.	Complied with.	
2.3.2.	Independent directors should fully meet the independence criteria set forth in the Corporate Governance Code.		
2.3.3.	The board of directors (nomination/HR committee) should verify a board nominee's compliance with the independence criteria.		
2.4.	The board of directors should set up committees for preliminary consideration of key matters related to the company's operations.		
2.4.1.	The board of directors should establish an audit committee made up of independent directors. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code.	The Audit Committee includes two independent directors, one of them chairing the Committee.	The Committee is responsible for combating misconduct of the Company's employees and third parties, including as regards insider information, by means of reviewing reports from the heads of the Internal Audit Department and Committee on Regulating Compliance Risks.
2.4.2.	The board of directors should establish a remuneration committee made up of independent directors, which may be combined with the nomination/HR committee. Its responsibilities should be compliant with recommendations of the Corporate Governance Code.	The Committee for Appointment and Remuneration includes two independent directors, one of them chairing the Committee.	
2.4.3.	The board of directors should establish a nomination/HR committee predominantly made up of independent directors, which may be combined with the remuneration committee. Its responsibilities should be compliant with recommendations of the Corporate Governance Code.		
2.5.	The board of directors should provide for assessing its own, along with its members' and committees', performance.		
2.5.1.	The board's performance should be assessed regularly at least once a year, and at least once in three years the company should engage an external advisor to conduct such assessment.	Complied with.	The Company plans to keep engaging external advisors to assess the Board's performance.

### III. THE COMPANY'S CORPORATE SECRETARY

3.1	The company's corporate secretary (or a dedicated business unit headed by such) should ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests and support the board's activities.		
3.1.1	The corporate secretary should report to the board of directors and should be appointed or removed from office by the board's resolution or approval.	Complied with.	
3.1.2	The company should approve an internal regulation setting forth the corporate secretary's rights and obligations (Regulation on the Corporate Secretary) as recommended by the Corporate Governance Code.	The rights and obligations of the Secretary of the Board of Directors (Corporate Secretary) are set forth in the Regulations on the Board of Directors.	The Board of Directors plans to approve the Regulations on the Corporate Secretary.
3.1.3	The corporate secretary should hold no concurrent positions in the company. Their responsibilities should be compliant with recommendations of the Corporate Governance Code. The corporate secretary should have sufficient resources to discharge their duties.	Complied with.	

### IV. REMUNERATION OF DIRECTORS, EXECUTIVE BODY MEMBERS AND OTHER KEY MANAGERS

4.1	Remuneration paid by the company should be sufficient to attract, motivate and retain persons that have competencies and qualifications required by the company. Directors, executive body members and other key managers should be remunerated as per the company's remuneration policy.		
4.1.1	Payments, benefits and privileges available to directors, executive body members and other key managers should be specified in the company's internal regulations.	Complied with.	
4.2	Directors' remuneration should ensure that their financial interests are aligned with long-term financial interests of shareholders.		
4.2.1	A fixed annual compensation should be the preferred form of cash remuneration for directors.	Complied with.	
4.2.2	Directors should not be entitled to participate in the company's stock option plans, and their right to dispose of the company's shares owned by them should not be linked to their performance targets.	Independent directors do not participate in the Company's stock option plan.	

4.3.	Remuneration of executive body members and other key managers should be linked to the company's results and their personal contribution to those.		
4.3.1.	The company should implement a long-term incentive programme for executive body members and other key managers.	The Company is running an annual incentive programme based on the Company's long-term strategy.	The Company is running an incentive programme for executive body members and other key managers using KPIs, which are set and reviewed by the Board of Directors on an annual basis. Proposals for a new incentive programme based on strategic objectives are being developed.

## V. RISK GOVERNANCE AND INTERNAL CONTROL

5.1.	The company should implement effective risk governance and internal control to guarantee, to a reasonable extent, fulfilment of the company's goals.		
5.1.1.	The board of directors should determine the company's risk governance and internal control principles and approaches.	Complied with.	
5.1.2.	The company should establish a standalone risk management and internal control unit.	Complied with.	
5.1.3.	The company should draft and implement an anti-corruption policy specifying measures to bring its culture, organisational structure, relevant rules and regulations to prevent corruption.	Complied with.	
5.2.	The company should arrange for internal audits, to assess reliability and performance of the risk governance, internal control and corporate governance framework, on a regular and independent basis.		
5.2.1.	The company should set up a standalone internal audit unit functionally reporting to the board of directors. The said unit's functions should be compliant with recommendations of the Corporate Governance Code and include: ● assessing internal control performance; ● assessing risk governance performance; ● assessing corporate governance framework (in case there is no corporate governance committee).	Complied with.	
5.2.2.	Head of internal audit should report to the board of directors and should be appointed or removed from office by the board's resolution.	Complied with.	
5.2.3.	The company should approve an internal audit policy (Regulation on Internal Audit) specifying internal audit goals, objectives and functions.	Internal audit goals, objectives and functions are specified in the Regulations on Internal Control and Regulations on the Internal Audit Department.	The Company plans to approve its Internal Audit Policy in 2015.

## VI. INFORMATION POLICY AND DISCLOSURE

6.1. The company and its operations should be transparent for its shareholders, investors and other stakeholders.

6.1.1. The company should approve an internal regulation on its information policy as recommended by the Corporate Governance Code. The company's information policy should provide for the following ways of communication with investors and other stakeholders:

- a dedicated page on the corporate website featuring FAQs from investors and shareholders with respective answers, a regularly updated corporate calendar, and other useful information;
- regular meetings of executive body members and other key managers with analysts;
- regular presentations, including via teleconferences and webcasts, and meetings attended by governance body members and other key managers, including those related to releases of financial statements or the company's key investment projects and strategic plans.

Complied with.

6.1.2. The company's executive bodies should be in charge of implementing its information policy, while the board of directors should oversee proper compliance therewith and information disclosure.

Complied with.

6.1.3. The company should implement procedures to align all its functions and structural units whose activities are related to or may require information disclosure.

Complied with.

6.2.	The company should ensure timely disclosure of up-to-date, complete and reliable information on its operations to enable its shareholders and investors to make informed decisions.		
6.2.1.	If foreign investors hold a substantial share of the company's capital, the company should, along with disclosure of information in Russian, disclose key information (including notices of general meetings and annual reports) in a foreign language generally accepted in the financial market.	Complied with.	
6.2.2.	The company should disclose information about both itself and legal entities controlled by and material to the company.	Complied with.	
6.2.3.	The company should disclose annual and interim (semi-annual) consolidated or individual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The company's annual consolidated or individual financial statements should be disclosed together with the auditor's report, while its interim (semi-annual) consolidated or individual financial statements should be disclosed together with the auditor's review report or the auditor's opinion.	Complied with.	
6.2.4.	The company should disclose a special memorandum setting out the controlling person's plans for the company. The said memorandum should comply with recommendations of the Corporate Governance Code.	Complied with as required by the applicable law.	The Company discloses information on its governance bodies, capital structure, and persons controlling or having significant influence on the Company.
6.2.5.	The company should ensure disclosure of detailed biographies of its directors, including information as to whether they are independent directors, and timely disclosure of information as to whether a director has lost their independent status.	Complied with.	
6.2.6.	The company should disclose information on its capital structure in compliance with recommendations of the Corporate Governance Code.	Complied with.	

<p>6.2.7. The company's annual report should include the following additional information recommended by the Corporate Governance Code:</p> <ul style="list-style-type: none"> <li>• a brief review of the most significant transactions entered into by the company and by legal entities controlled by it, including associated transactions, during the past year;</li> <li>• a report by the board of directors and its committees for the year, containing, inter alia, information on the number of meetings held in person (in absentia), attendance of each director, the most important and complicated matters discussed by the board and its committees, and principal recommendations by the committees to the board;</li> <li>• information on shares in the company directly or indirectly owned by its directors and/or executive body members;</li> <li>• information on whether the company's directors and/or executive body members have conflicts of interest (including those linked to their membership in competitors' governance bodies);</li> <li>• a description of remuneration of directors, including the amount of individual remuneration payable to each director based on annual performance (broken down into the base fee, additional remuneration for the chairing of the board of directors and chairing of / membership in its committees, the extent of participation in a long-term incentive programme, the amount of each director's participation in an option plan, if any), reimbursement of related expenses, and costs incurred by the company in connection with liability insurance for its directors in their capacity of governance body members;</li> <li>• information on the total remuneration for the year: <ul style="list-style-type: none"> <li>a) in respect of a group of at least five top paid executive body members and other key managers of the company, broken down by type of remuneration;</li> <li>b) in respect of all executive body members and other key managers covered by the company's remuneration policy, broken down by type of remuneration;</li> </ul> </li> <li>• information on the sole executive body's remuneration for the year, which they have received or are to receive from the company (legal entity from a group that includes the company), broken down by type of remuneration, both for performing their duties of the sole executive body and on other grounds.</li> </ul>	<p>Complied with subject to the applicable law, including the Federal Law on Personal Data.</p>	<p>Information on transactions entered into by legal entities controlled by the Company is published on both TMK's website and Interfax information disclosure website as corporate action notices, and summarised in annual reports of legal entities controlled by the Company, also published on TMK's website. Information on remuneration of governance bodies is disclosed in annual reports in full compliance with the Russian law.</p>
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6.3. The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.

6.3.1. In accordance with the company's information policy, shareholders with an equal number of the company's voting shares should be given equal access to the company's information and documents.

Complied with.

## VII. MATERIAL CORPORATE ACTIONS

7.1. Actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms, ensuring that the rights and interests of the shareholders and other stakeholders are observed.

7.1.1. The company's articles of association should include a list (criteria) of transactions or other actions deemed to be material corporate actions, the consideration of which should be referred to the jurisdiction of the board of directors, including:

- reorganisation of the company, acquisition of at least 30% of its voting shares (takeover), increase or reduction of the company's authorised capital, listing and delisting of its shares;
- sale of shares (interests) in legal entities controlled by and material to the company, as a result of which the company loses control over such legal entities;
- transactions, including associated transactions, with the property of the company or legal entities controlled by the company, where the value of such assets exceeds the amount specified in the company's articles of association or is material to the business of the company;
- creation of a legal entity controlled by and material to the business of the company;
- disposal by the company of its treasury or quasi-treasury shares.

Complied with.

7.2.	The company should establish a procedure for taking material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and also would guarantee that shareholder rights are observed and duly protected when such actions are taken.	
7.2.1.	<p>The company's internal regulations should provide for equitable treatment of all the shareholders of the company when taking material corporate actions affecting their rights and legitimate interests, and establish additional measures to protect rights and legitimate interests of the company's shareholders stipulated by the Corporate Governance Code, including:</p> <ul style="list-style-type: none"> <li>● engagement of an independent appraiser with an impeccable reputation and relevant experience, or justification of otherwise, to estimate the value of the property disposed of or acquired pursuant to a major transaction or a related-party transaction;</li> <li>● valuation of the company's shares at their repurchase or redemption by an independent appraiser with an impeccable reputation and relevant experience, taking into account the weighted average share price over a reasonable period of time, ignoring potential effect of the transaction (including potential changes in the share price resulting from the relevant information disclosure), and ignoring minority discount;</li> <li>● introduction of additional related party criteria for the company's directors and other persons as per the applicable law, to assess their actual relationships.</li> </ul>	Complied with as required by the applicable law.