



TMK

ENVIRONMENTAL POLICY OF TMK GROUP

General provisions

TMK Group, one of the world's largest producers of tubular products, recognizes its responsibility towards the society to preserve a favorable environment and biodiversity in the regions where it operates, and pursues an effective and transparent environmental policy.

TMK Group's mission is to ensure stable economic growth both in the short and long term, while reducing its environmental footprint and enhancing the efficiency of its environmental policy.

The environmental policy of TMK Group is based on the legislation of the Russian Federation and on generally accepted international regulations in the field of environmental protection. It is an official public document regulating the Company's overall development strategy in the area of improving the environmental impact management system.

The stated policy again underlines the commitment of TMK Group to the principles of environmentally responsible business conduct in the regions where it operates. The Company takes into account the environmental component in its long-term strategic planning, which contributes to the implementation of modern technologies and equipment with a view to reduce the environmental impact.

In addition, the Environmental Policy is brought to the attention of each employee and must be complied with regardless of the position. The Company is building a feedback system that enables employees to express their proposals aimed at the reduction of the environmental impact at different stages of production and encourages environmentally responsible behavior.

Purpose of the Environmental Policy of TMK Group

Minimize the environmental footprint while preserving and enhancing the quality of the environment and biodiversity in the regions of operation as an integral part of the common corporate culture and environmentally conscious management.

Basic principles:

- rational and economical use of resources and energy at all stages of production;
- implementation of state-of-the-art technologies to reduce the environmental impact;
- use of a risk-based approach in environmental impact management;
- accessibility and transparency of the environmental policy.

Objectives of TMK Group defined in accordance with the principles of environmental responsibility:

- carry out production activities in accordance with the requirements of the environmental legislation of the Russian Federation, international laws and regulations related to the environmental aspects of work of the enterprises of TMK Group, and require contractors working at the enterprises of TMK Group to comply with these regulations;
- continuously monitor and manage environmental risks at all stages of the product life cycle;
- implement state-of-the-art technologies to reduce the environmental impact;
- apply best environmental practices and initiatives to ensure environmentally friendly production;
- in planning and implementing investment projects, provide for the reduction of the environmental footprint;
- efficiently manage production waste, striving to minimize its generation and increase the share of recycled waste;
- make rational and economical use of natural resources and energy, enhance energy efficiency of the production processes;
- continuously monitor greenhouse gas emissions and take measures to reduce emissions;
- continuously improve the environmental management system based on the results of control, monitoring of completed audits and efficiency review;
- improve environmental protection indicators;
- maintain an open and objective dialogue with internal and external stakeholders on matters related to the impact on the natural environment;
- continuously improve environmental awareness of the employees.

Chief Executive Officer, PAO TMK

Igor Korytko

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CONCEPT FOR IMPLEMENTATION OF THE ENVIRONMENTAL POLICY OF TMK GROUP

Modern market mechanisms for the development of an investment-attractive business in a globally competitive environment show a clear need for TMK's favorable positioning in the steel industry. Corporate social and environmental responsibility has become an essential element for the Company's good image and reputation.

This Concept defines the direction of the Company's development with respect to the fulfilment of our commitments to improve the level of environmental safety at the enterprises of TMK Group and minimize the negative environmental impact by using state-of-the-art technologies in the production of tubular products in strict compliance with generally accepted principles of sustainable development, legal requirements, industrial and environmental standards, and by improving corporate governance.

With the development of our production activities, the man-caused impact in the areas where TMK enterprises operate is increasing. We are striving to increase the economic performance of our business and the Company's capitalization in combination with a significant improvement in the quality of natural systems in the areas where we operate, which is done through the implementation of a sound Environmental Policy. In order to reduce the resource intensity of our operations, we have set priorities aimed at maintaining a stable and long-term pipe business with account of the rational use of natural resources and respect for the natural environment.

Our priorities

- **eco-technologies**

In its product design, selection of the production technology, raw materials and partners for industrial cooperation TMK is guided by environmental benchmarks.

- **eco-processes**

TMK integrates into its production processes technologies and equipment that, among other technological advantages, make it possible to relieve the burden on the environment and cut down resource consumption through rational use.

- **eco-products**

TMK strives to ensure environmental safety throughout the entire life cycle of its products – from the selection of raw materials, research activities, development of new products, production, storage, and transportation to the disposal (recycling) of products.

Guided by TMK principles of environmental responsibility that are focused on the parity of the Company's economic development in the conditions of environmentally safe production aimed at preserving the well-being of the environment and natural resources in order to meet the needs of the present and future generations, we have highlighted the key elements of TMK environmental protection activities, and basic approaches and mechanisms for implementation of the undertaken commitments.

Key elements of TMK environmental protection activities

- **Atmospheric air protection**

Focus of activity:

- implementation of technologies and measures ensuring compliance of the emission level with the established maximum permissible limits and reduction of gross emissions of pollutants into the atmospheric air;
- reduction of greenhouse gas emissions through implementation of power-saving measures;
- ensuring efficient operation of gas-treatment equipment;
- development and improvement of monitoring of the level of impact on the atmospheric air.

- **Water management and protection**

Focus of activity:

- implementation of technologies and measures ensuring compliance with regulatory requirements and improvement of the quality and quantity of wastewater discharge;
- ensuring efficient operation of treatment plants;
- implementation and increase of the capacity of closed-circuit water systems and water reuse systems that contribute to the reduction of water consumption and minimize or discontinue discharges of polluted wastewater;
- reduction of the volume of off-balance water;
- reduction of the volume of fresh water used for the main technological processes (steelmaking and pipe production);
- development and improvement of monitoring of water consumption and water disposal.

- **Rational use and protection of land, reduction of the negative impact on soil**

Focus of activity:

- effective management of storage and disposal of industrial and domestic waste;
- prevention of soil pollution;
- elimination of environmental damage from past economic activities.

- **Industrial and consumption waste management**

Focus of activity:

- effective management of collection and disposal of industrial waste;
- implementation of methods and technologies for recycling and utilization of waste and use of waste as raw materials in own production and in other industries;
- recycling of waste where possible and economically feasible.

- **Management of physical effects**

Focus of activity:

- ensure that the noise level is in line with current regulations.

Improvement in environmental performance in the key elements of TMK environmental protection activities involves balanced implementation of a set of stated basic approaches that need to be unconditionally complied with as part of the Company's regular business activities.

Basic approaches to TMK environmental protection activities

Protection of the environment

Focus on the application of advanced scientific developments, technological innovations and state-of-the-art technologies as the main means of minimizing the negative impact of activities of our enterprises on the environment with an emphasis on preventive measures aimed at preventing environmental pollution and possible environmental risks.

Compliance with mandatory requirements

Ensuring compliance of the Company's activities with legislative and other mandatory requirements in the field of environmental protection and environmental safety.

Operation of equipment and production facilities in accordance with the requirements of environmental legislation and other regulatory industry and corporate standards and practices that we have committed to comply with.

Process safety

Enhancement of the level of environmental safety through the improvement of technological processes, technical equipment, and development of the capacity of personnel to ensure that the negative impact of TMK enterprises on the environment is minimized.

Integration of the assessment of environmental safety of processes at the production facilities of TMK, including the stages of planned activities, production functioning, routine maintenance and, if needed, subsequent decommissioning.

Prevention of environmental risks

Organization of safe planned and current production at TMK enterprises based on the initial identification of potential and existing hazards and analysis and management of possible and actual industrial environmental risks, in order to prevent possible events that could adversely affect the environment and ensure a continuous production process with an acceptable level of impact on natural components. In relation to the planned activities, a strong emphasis is made on assessment of new industrial sites that are planned to be acquired in the context of the history of environmental pollution and environmental damage that might have been caused by the operation of the facility in the past periods.

Improvement of environmental protection activities and the environmental management system

Maximize the efficiency of environmental protection management through the introduction of uniform corporate approaches, principles and practices of environmental governance in the Company corresponding to the relevant local environmental legislation and the current version of ISO 14000 international standard in the following areas:

- assessment of environmental safety of investment projects;
- enhancement of efficiency of environmental protection activities;
- creation of a single information system in the field of environment;
- development of the reputation of an environmentally responsible Company and improvement of the level of cooperation with external stakeholders;
- implementation of the corporate environmental training program.

Assessment of actions aimed at improvement of environmental protection activities is based on the review of the following indicators:

- total expenditures on environmental protection and implementation of environmental measures;
- water consumption;
- share of recycled and reused water in the total volume of consumed water;
- pollutant emissions;
- wastewater discharges;
- greenhouse gas emissions;
- share of waste released into the environment;
- implementation of environmental initiatives;
- implementation of training programs raising environmental awareness.

Key indicators used for management and decision-making in the field of environmental protection:

- compliance with established targets and requirements;
- percentage of achievement of the goals and objectives;
- dynamics of changes in the amount of payments for negative impact on the environment;
- use of fresh water for production needs;
- share of recycled and reused water in the total volume of consumed water;
- gross volume of pollutant emissions;
- volume of effluent disposal;
- volume of pollutants discharged into natural water bodies;
- volume of production waste generation;
- volume of waste released into the environment;
- share of reused waste;
- number of significant incidents or violations of environmental legislation, under which penalties or other types of administrative responsibility have been imposed;
- share of employees trained in environmental protection;
- volume of collected funds (environmental damage), due to violation of environmental legislation.

Implementation of modern methods of environmental governance will make it possible to ensure environmental sustainability and safety of production activities. This will require shaping of uniform mechanisms for implementation of undertaken commitments and their reflection in all components of the environmental protection activities of the enterprises of TMK.

Mechanisms for implementation of the undertaken commitments

- ensure compliance with the requirements of legislation and regulations in the field of environmental protection and compliance with the provisions of internal environmental standards applicable to specific operations, which are related to the environmental side of production activities;
- regular monitoring of the regulatory framework of environmental legislation and participation in the review of environmental legislation, and promotion of business initiatives aimed at reducing administrative barriers and excessive financial risks;

- compliance with the requirements of national legislation in the area of climate protection and implementation of corporate initiatives in the sphere of monitoring of greenhouse gas emissions and limitation of the impact on the climate change;
- implementation of state-of-the-art technologies, modernization of production facilities, installation of equipment and use of materials ensuring resource saving and reduction of pollutant emissions into the atmospheric air and water bodies;
- preventive actions aimed at mitigation of the risks of negative environmental impact during production and operation of products;
- implementation of uniform standards aimed at minimizing waste generation that set out identical requirements for contractors in terms of waste management; development and implementation of mechanisms for environmentally safe waste disposal;
- implementation of environmentally safe production facilities, technological processes and equipment;
- environmental review of feasibility studies, expansion and reconstruction projects of existing production facilities, as well as newly created technologies and equipment and development of measures for implementation of new equipment;
- effective operation of environmentally protected sites, facilities and equipment;
- research and experimental work on treatment of industrial wastewater, prevention of pollution of the environment, emission of harmful substances into the atmosphere, reduction or complete elimination of process waste and rational use of water resources;
- maintenance and continuous improvement of environmental management systems used at the enterprises with account of the current requirements of ISO 14000 standard;
- assessment of environmental safety and analysis of environmental risks of investment projects planned for implementation;
- creation of a modern environmental monitoring system and implementation of a single information and analytical system in the field of environmental protection;
- installation of continuous environmental monitors on the sources of emission/discharge in accordance with the requirements of the legislation;
- rehabilitation of lands disturbed as a result of production activities;
- promotion of environmental protection among suppliers and subcontractors;
- ensure transparency of information related to the Company's environmental protection activities when cooperating with shareholders, customers, state authorities, representatives of public organizations, local communities, etc.;
- development of environmental culture in the Company and in the areas where the Company operates;
- enhancement of the competence and motivation of the Company's employees in relation to ensuring environmental safety in order to perform the tasks in accordance with the principles of environmental responsibility.