

ADAPTING STRATEGY AND CORPORATE GOVERNANCE



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We are convinced that qualified and competent corporate governance is a key element of a successful, efficient and consistently developing business, helping to secure the long-term leadership and growth of the company.

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In 2016, due to high market volatility and the renewed urgency of environmental issues and regulations, the Board focused closely on the company's development strategy with a view to ensuring the sustainability of our business for the short and long term.

The management and the Strategy Committee updated SUEK's ten-year consolidated strategy, refined the target vectors of our segment strategies, adjusted key investment projects due to changed market conditions, and determined our target operational values for strategic and budgetary planning.

The following principles are at the core of our updated strategy: the development of coal deposits with high calorific value and the optimal distribution of products across our target markets, based on effective supply chain management; enhancing our productivity and the environmental safety of our production and transportation activities. The Board has approved the updated strategy.

During the year, we also implemented a number of special measures to reduce the negative impact of the macroeconomic

situation, including strict control of investments, further enhancing operational efficiency, reducing costs (including production costs), and developing our own logistics capacity and sales network.

In 2016, we continued to strengthen and improve SUEK's corporate governance system. Our Board of Directors welcomed two new Independent Directors – Olga Vysotskaya and Natalia Izosimova. In October, Kuzma Marchuk, who previously held the position of SUEK's Chief Financial Officer, also joined the Board. I believe that the current composition of the Board of Directors constitutes a very strong team of professionals with a wealth of expertise in mining, energy and finance, who are able to provide expert strategic leadership and are well placed to meet the challenges we face today, and those we may face in the future.

I am sincerely grateful for professionalism and outstanding contribution to the development of the company made by Richard Sheath, Kent Potter, Nicholas Page and Christakis Santis, who left the Board of Directors in 2016.

In order to further develop our corporate governance system, in 2016 SUEK introduced a new compliance system. This system aims to ensure the full compliance of our operations and employees with legal requirements and with SUEK's own internal standards. It will achieve this by implementing the necessary procedures and regulations, as well as promoting a culture of compliance, best practice and efficiency.

We have also completed the reorganisation of our company. Now, SUEK's headquarters in Moscow are the centre for our consolidation and the Group's corporate governance.

ANDREY MELNICHENKO,
CHAIRMAN OF THE STRATEGY COMMITTEE

Overview

SUEK's system of corporate governance is underpinned by the following set of principles:

- Protecting our shareholders' interests and rights, ensuring equal treatment for all shareholders;
- Ensuring efficient strategic and operational management, and efficient mechanisms of internal control and audit;
- Ensuring the company's informational and financial transparency by providing stakeholders with accurate information;
- Adhering to rigorous ethical standards in business;
- Providing a decent working environment for employees.

The key internal documents relating to SUEK's corporate governance are the Charter, Regulation on the Board of Directors, Regulation on the Management Board, Corporate Governance Code, SUEK's Code of Corporate Ethics and the Information Policy. The procedure for preparing, convening and holding the General Meeting of Shareholders is also governed by relevant regulations. These documents are available on the company's website.

In developing our system of corporate governance, we are guided by the provisions of the Corporate Governance Code recommended by the Bank of Russia, as well as the best international practices. The company has adopted a set of recognised international approaches:

- The Board's work is assessed on an annual basis;
- The positions of Board Chairman and CEO are separate;
- The company's Board of Directors consists mainly of Independent Non-Executive Directors;
- The status of Independent Director is confirmed by the Board of Directors;
- The Board includes the Strategy

Committee, the Audit Committee and the Nomination and Compensation Committee, which include Independent and Non-Executive Directors with relevant experience;

- When making decisions, Board members avoid potential conflicts of interest.

Governing bodies

SUEK's governing bodies are:

- General Meeting of Shareholders;
- Board of Directors;
- Executive bodies: Management Board and CEO.

General Meeting of Shareholders

The General Meeting of Shareholders is SUEK's highest governing body. It makes decisions on the most important issues relating to our business. These include: amendments to the Charter; any reorganisation of the company; the increase or decrease of authorised capital; the distribution of profit; and the selection of members of the Board of Directors and external auditors.

Throughout 2016, the company's sole shareholder took decisions relating to the competence of the General Meeting. In the reporting period, the General Meeting of Shareholders approved a new version of the Charter, revised the composition of the Board and approved a liability insurance agreement for Directors and Officers. At the Annual General Meeting of Shareholders, the 2015 Annual Report and financial statements were approved, the members of Internal Audit Commission were elected and JSC KPMG was re-appointed as SUEK's external auditor for 2016.

Board of Directors

The Board of Directors is a key element of SUEK's corporate governance system. The legislation of the Russian Federation and internal documents of the company vest the Board with authority to ensure the efficient management of the company. The key objectives of the Board include the long-term increase in value of the company's assets, the protection of shareholders' rights and legitimate interests, and ensuring the completeness,

reliability and objectivity of public information about the company. The Board of Directors is entitled to make decisions on priority issues for the company's development.

SUEK seeks to maximise the efficiency of the Board of Directors' activities. This is ensured by the high proficiency of its members, the personal responsibility of each Board member and the collective responsibility of the Board as a whole for its decisions.

The Board of Directors consists of competent professionals with extensive experience. Most members are Independent Directors, whose experience in the mining, power-generation and financial sectors promotes a high-quality strategic view.

The Board of Directors runs three Committees:

- Strategy Committee;
- Audit Committee;
- Nomination and Compensation Committee.

The activities of all Committees are aimed at improving the efficiency and quality of decisions made by the Board of Directors.

Composition of the Board of Directors

On 12 October 2016, we revised the membership of the Board of Directors of SUEK. Now it includes nine members. Five of the nine Board Directors are Independent Non-Executive Directors: Klaus-Dieter Beck, Natalia Izosimova, Stefan Judisch, Iain Macdonald and Olga Vysotskaya. Three of the nine Board Directors are Non-Executive Directors: Alexander Landia, Andrey Melnichenko and Kuzma Marchuk. The Board also includes SUEK's CEO Vladimir Rashevsky. Alexander Landia serves as the new Chairman of the Board.

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BIOGRAPHICAL DETAILS OF THE MEMBERS OF THE BOARD ARE AVAILABLE ON PAGES 86-87.



The criteria that Independent Directors must satisfy are defined in the Regulation on the Board of Directors and comply with the Corporate Governance Code recommended by the Bank of Russia. Board members are elected for the period up until the next Annual General Meeting, with the possibility of re-election.

Board members regularly communicate with the company's management teams. Between meetings, Non-Executive Directors receive monthly management reports, notifications about significant events and overviews of the coal-mining industry. Members of the Board also regularly consult industry experts and visit the company's production sites. During these visits, Directors can personally evaluate the state of our assets, communicate with regional managers and assess our corporate culture and safety systems at first hand.

Members of the Board have access to information on the activities of all Board Committees and can attend any Committee meeting at any time. Directors often exercise this right, meaning that, typically, reviews of complex issues are attended by the majority of Board members, with relevant members of the Management team also taking part.

Board meetings

The Board's schedule and work plan are approved for the following year, with adjustments every six months. In 2016, the Board of Directors held nine meetings (six in-person meetings, two in-absentia meetings and one conference call), at which decisions were taken on issues affecting different areas of the company's operations. All in-person meetings benefited from full attendance, while the conference call meeting was attended by the majority of members.

The Corporate Secretary supports the work of the Directors and Board Committees. The Corporate Secretary and CEO provide Board members with the materials for meetings in advance.

Board effectiveness and evaluation

The Board's effectiveness is assessed on a regular basis. In 2016, the annual assessment was overseen by the Nomination and Compensation Committee. This took the form of a questionnaire in which each Director assessed various aspects of the Board's activities.

The Directors expressed their general approval of the Board's effectiveness, but also suggested specific improvements. For Directors to have better awareness of the company's business and its subsidiaries, the induction policy for new Directors was updated, promoting the most efficient performance of their roles and functions by Non-Executive Directors on the Board. In the near future, the Board will focus on issues related to legal and organisational changes in the company, to make sure that structural reforms are aimed at the development and growth of the business.

Board report

In 2016, the Board's work included the review of strategic initiatives, the approval of major transactions and the analysis of the business short- and long-term financing to ensure the company's overall debt portfolio remains manageable. In addition, it included regular issues, such as the revision of strategy, budget and investment planning, setting objectives for top managers and assessing their accomplishments. Board members also considered other matters that require Board approval in accordance with the Charter.

In light of the volatile market situation, the Board focused during 2016 on maintaining business stability and responding effectively to changes in the economic environment. Board members supported management proposals to reduce the impact of negative market conditions.

These measures included stringent investment discipline, further improvement of operational efficiency, the reduction of costs, and the development of the company's own logistics and sales networks.

Production safety issues remained a top priority for the Board. Safety performance, causes of incidents, production stoppages and accidents were reviewed in detail, as

were those actions taken to prevent such incidents in the future. It was noted that general injury rates decreased year-on-year. The company maintained a low injury rate while hitting production targets in 2016, which exceeded the levels of the previous year.

A substantial part of the Board's work was dedicated to the strategic development of SUEK as a whole and of the company's individual business segments. The Board updated the ten-year consolidated strategy, refined target vectors of segment strategies, adjusted key investment projects due to changes in market conditions, and determined target operational values for strategic and budgetary planning.

The Board took into account the need to adapt the company's communication processes to the updated corporate strategy. As a result, it approved SUEK's communication strategy, which is aimed at developing current information activities, including those in the field of international communications.

During the year, the Board oversaw the intragroup restructuring programme, which resulted in making JSC SUEK the centre of consolidation and corporate governance.

The Board also carried out its regular work on assessing the progress of senior managers towards their goals set in 2015. It set the senior management targets for 2017 as part of the company's strategic objectives.

Additionally, the Board updated a number of internal documents that regulate the corporate governance of the company, including the Corporate Governance Code of SUEK. The updated Corporate Governance Code sets out general standards and principles of corporate governance adopted by SUEK. It also formalises the recommendations of the Russian Corporate Governance Code, making them mandatory for the administration and management of the company.

FOR MORE DETAILS, SEE BOARD COMMITTEES' REPORTS ON PAGES 88-90.



Board remuneration

The remuneration paid to Board members is based on how they perform their general functions, and their membership and chairmanship of the Board Committees. They also receive reimbursement of all reasonable expenses they incur in relation to their work as Directors.

On-site Board meetings

Board members visit the company's production units to understand better the challenges these units face and the progress being made in introducing new production methods and safety standards.

In September 2016, Directors visited SUEK's mining and service units in the Krasnoyarsk region, and held a Board meeting at the site. They saw how the unit's development strategy was being implemented and visited the Berezovsky and Nazarovsky open pits among other facilities.

During the on-site meeting, members of the Board spoke with regional managers. They heard first-hand about operational issues affecting the production unit and congratulated the managers on their record production achievements. They discussed plans for developing the production facilities and infrastructure, paying particular attention to safety aspects, working conditions and the environment. They also considered the HR policy and assessed measures for the development of local communities. Such trips help the Board assess opportunities to implement advanced international technologies and understand the issues arising from the regulatory environment and specific characteristics of the Russian coal industry.

Management Board

The activities of SUEK are managed by executive bodies – the Chief Executive Officer and the Management Board. The CEO is elected for an indefinite period. Vladimir Rashevsky has been the CEO of SUEK since 2004, and Chairman of the Management Board since 2005.

The Management Board reports to the Board of Directors and the General Meeting of Shareholders. According to SUEK's corporate Charter, committees and panels may be established under the Management Board.

Participation of Directors in Board meetings in 2016

Director	Board meetings	Audit Committee	Nomination and Compensation Committee	Strategy Committee
Total number of meetings	9 ¹	6	7	6
Klaus-Dieter Beck	9	–	7	6
Natalia Izosimova	7 ⁴	–	5 ⁵	–
Stefan Judisch	9	–	–	6
Alexander Landia	9	–	7	6
Iain Macdonald	9	6	–	–
Kuzma Marchuk	4 ⁶	2 ⁷	–	–
Andrey Melnichenko	9	–	–	6
Nicholas Page	4 ⁸	2 ⁹	–	–
Kent Potter	3 ¹⁰	2 ¹¹	–	–
Vladimir Rashevsky	8 ¹²	–	–	6
Christakis Santis	5 ¹³	–	–	–
Olga Vysotskaya	7 ²	4 ³	–	–

- Including six in-person meetings, two in-absentia meetings and one conference call.
- Olga Vysotskaya joined the Board of Directors on 12 April 2016.
- Olga Vysotskaya joined the Audit Committee on 16 April 2016.
- Natalia Izosimova joined the Board of Directors on 12 April 2016.
- Natalia Izosimova joined the Nomination and Compensation Committee on 16 April 2016.
- Kuzma Marchuk joined the Board of Directors on 12 October 2016.

- Kuzma Marchuk joined the Audit Committee on 19 October 2016.
- Nicholas Page left the Board of Directors on 11 August 2016.
- Nicholas Page joined the Audit Committee on 05 March 2016.
- Kent Potter left the Board of Directors on 18 April 2016.
- Kent Potter left the Audit Committee on 18 April 2016.
- Vladimir Rashevsky did not attend the conference call meeting on 12 February 2016.
- Christakis Santis left the Board of Directors on 12 October 2016.

The primary responsibilities of the CEO and the Management Board are to ensure development of production, commercial and other operational plans and improvement programmes, as well as their implementation. They are also responsible for the timely and effective coordination of the executive bodies' resolutions.

Composition of the Management Board

As of 31 December 2016, the Management Board was comprised of the following four members:

- Vladimir Rashevsky – Chief Executive Officer;
- Vladimir Artemiev – Chief Operations Officer;
- Igor Gribanovsky – Chief Commercial Officer;
- Nikolay Pilipenko – Chief Financial Officer.

During the year, nine of our non-Management Board senior managers regularly attended Management Board meetings.

Meetings of the Management Board

In 2016, there were 16 meetings of SUEK's Management Board: 12 in-person and four in-absentia.

The main areas of the Management Board activities in 2016 were:

- Development and implementation of SUEK's joint and segmented strategies, and functional strategies (sales strategy, logistics strategy, HR strategy, and IT strategy);
- Fulfilment of approved budget and production targets in adverse market conditions and against the persistent weakening of coal prices;
- Systematic monitoring of major risk management actions;

SEE BIOGRAPHIES OF THE MEMBERS OF THE MANAGEMENT BOARD ON PAGE 91.



- Support of activities aimed at reducing industrial injury rates and developing a strong safety culture;
- Integrated optimisation of all production and business processes developed by the company, its subsidiaries and associates, with a focus on improving labour productivity in all areas;
- Improvement of the company's managerial, operational and legal structures;
- Implementation of our investment programme, including major investment projects, investment process improvement, and the introduction of effective project management standards;
- Improvement of the company's HR strategy and social policy.

Some items relating to operational management and current activity were reviewed at meetings of specialised committees, which were established in line with the company's Charter. There are six special-purpose committees under the Management Board: the Industrial Safety Committee, Risk Management Committee, Investment Committee, Procurement Committee, Information Technology Committee, and Budget Committee.

Management Board remuneration

The remuneration of members of the Management Board and the CEO of SUEK consists of a fixed basic salary and bonus elements, as well as long-term incentives for the completion of specific strategic projects. The fixed element is based on the official duties of the relevant manager, while the variable part provides an incentive to accomplish SUEK's strategic objectives and helps to attract and retain key managers. The amount of annual bonus paid is based on the achievement of KPIs, which are set annually for each member of the Management Board and the CEO on an individual basis. The KPIs are based on a detailed analysis of SUEK's strategic objectives. In 2016, the total remuneration paid out to the members of the Management Board and the CEO of SUEK, based on their performance during the year, was \$5.6m.

Compliance system development

In June 2016, the Board of Directors reviewed and approved Management's proposals to develop a company-wide compliance system. Our main compliance objective is to ensure our business processes correspond to external and internal regulations and to a clearly defined list of risks. To achieve this goal, we are introducing compliance procedures and implementing measures to control their performance.

Following the approval of the Board of Directors and SUEK's Management, the company implemented the following basic measures aimed at creating a single compliance system:

- Creation of a vertically integrated Compliance Officer service (within the Legal function);
- The preparation, approval and introduction of a Compliance Policy, covering all SUEK's companies. This document determines the company's compliance principles and objectives and identifies 12 major compliance areas:
 1. SUEK's Code of Corporate Ethics;
 2. Anti-corruption compliance;
 3. Compliance in the field of covenants/limits on facility agreements and international sanctions;
 4. Anti-monopoly compliance;
 5. Tax compliance;
 6. Compliance in the field of licensed activities and natural-resource management;
 7. Compliance in the field of land and property matters;
 8. Counterparties' compliance;
 9. Corporate management compliance;
 10. Fraud-prevention compliance;
 11. Health and safety compliance;
 12. Exchange regulation compliance.

- Approval of local acts and policies in each area of compliance;
- Identification of dedicated units in charge of satisfying applicable requirements in each area of compliance.
- After completion of training, employees' responsibilities to observe the compliance standards are fixed in labour contracts, internal labour regulations and job descriptions;
- As part of the development of compliance at company-wide level, the Compliance Officer position in SUEK AG filled, as well as the Compliance Code, the SUEK's Code of Corporate Ethics were approved, the Contracts Security Policy and the Standard for working with IT infrastructure and information were updated. The employees' awareness with the basics of compliance was carried out in an interactive mode through software called 'Compliance Shield'.

Across the company, SUEK personnel have studied necessary compliance documents. Over 90% of our employees have received training in the fundamentals of compliance through face-to-face seminars and sessions at our headquarter and regional offices. We have also launched a compliance portal and made other communication tools available.

Within the compliance procedures, we have singled out three lines of interaction: dedicated unit; Compliance Officer; and the Internal Control and Audit Service. The Compliance Officer is responsible for the interaction of these three lines.

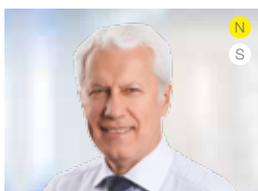
In some areas, the necessary level of compliance has already been achieved. In other areas, we need to develop, organise and introduce control measures to enable first-line employees to comply with the relevant requirements. Irrespective of the current situation in particular areas, the primary task of the Compliance Officer is to ensure system coherence by introducing uniform policies, standards and procedures in all of the above areas.

We plan to have completed the introduction of these compliance system procedures in all areas by June 2017.

BOARD OF DIRECTORS

(as at 31 December 2016)

SUEK's Board of Directors is balanced and experienced. It provides leadership to the company and guidance for its long-term success.



ALEXANDER LANDIA, 54
CHAIRMAN
NON-EXECUTIVE DIRECTOR

Education and qualifications

Alexander graduated from Tbilisi State University, and has a Candidate's Degree (PhD) in Mathematics from the Institute of Mathematics of the National Academy of Sciences of Belarus.

Career

Alexander has extensive management experience, leading and advising various organisations. Between 1993 and 2001 he worked at Dresdner Bank in Frankfurt as First Vice President, Oil & Gas Global Debt. Until 2004, he was General Director of Accenture Russia and was subsequently appointed as Global Gas Lead Partner.

In 2006, Alexander joined SUEK's Board of Directors, which he chaired between 2006 and 2010. In October 2016, he was reappointed Chairman of the Board.

From 2013 to 2015, Alexander was a Board member of JSC EuroChem. Since April 2015, he has been Chairman of the Board and a member of the Strategy Committee of EuroChem Group AG. He is Chairman of the Board of Directors of Siberian Generating Company LLC (Russia) and a member of the Board of Lambert Energy Advisory Ltd (UK) and Barloworld (South Africa). Alexander is a co-founder and Managing Director of Bernotat & Cie (Germany), and is a Director of The Mobility House AG (Switzerland).

Appointment to the Board
December 2006.



ANDREY MELNICHENKO, 45
NON-EXECUTIVE DIRECTOR

Education and qualifications

Andrey studied physics at the Lomonosov Moscow State University and graduated from the Plekhanov Russian Academy of Economics, majoring in Finance and Credit.

Career

Over the past 20 years, Andrey has co-founded a number of successful Russian corporations including one of Russia's largest private banks, MDM Bank, EuroChem, SUEK, Siberian Generating Company (SGK) and TMK. Andrey was Chairman of the Board of SUEK from 2004 to 2006 and from 2011 to 2016.

From 2007 to 2015, he was Chairman of the Board of Directors of JSC EuroChem. Since April 2015, he has been a member of the Board and Chairman of the Strategy Committee of EuroChem Group AG. Andrey is the main beneficiary of EuroChem, SUEK and SGK. He also sits on the Board of the Russian Union of Industrialists and Entrepreneurs.

Appointment to the Board
March 2004.



VLADIMIR RASHEVSKY, 43
CHIEF EXECUTIVE OFFICER

Education and qualifications

Vladimir graduated from the Finance Academy under the Government of the Russian Federation, majoring in Global Economics. He holds a Candidate's Degree in Economic Science.

Career

Vladimir began his career in 1992, holding various positions in banking, including Vice-Chairman of the Management Board of Avtobank. In 2000, he joined MDM Bank, where he was appointed Deputy Chairman of the Management Board and then, in December 2001, Chairman of the Management Board.

In 2004, Vladimir became President of SUEK, and was appointed CEO of the company at the end of that year.

Vladimir is a member of the Board of Directors of Interregional Distribution Grid Company of Siberia.

Appointment to the Board
June 2011.



KLAUS-DIETER BECK, 62
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Education and qualifications

Klaus-Dieter holds a PhD and an MSc in Mining Engineering from Rheinisch-Westfälische Technische Hochschule in Aachen, Germany.

Career

Klaus-Dieter joined RAG (Germany) in 1981 and worked in a variety of technical and operational roles. He became Chief Engineer of the company's subsidiary RAG Niederrhein in Germany, and between 1996 and 1998 was General Manager of Friedrich/Rheinland mine. He then joined RAG's Riverton Coal subsidiary in the US, and between 2004 and 2007 served as Senior Vice President, Planning, Engineering & General Equipment Management, at Foundation Coal Holdings (formerly RAG's American coal business).

Klaus-Dieter was Chairman and CEO of the Czech coal producer OKD between 2007 and 2012, during which period he was also an Executive Director of NWR NV. He was a Non-Executive Director of NWR until March 2013, and has served as a member of the Supervisory Board of TUEV-Nord/Hannover in Germany since 2008.

Appointment to the Board
June 2012.



NATALIA IZOSIMOVA, 59
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Education and qualifications

Natalia graduated from Moscow State Pedagogical University, and holds a Master's degree in English and German. Natalia also holds an Advanced Diploma from the Oxford School for Coaching and Mentoring and is a member of the European Mentoring and Coaching Council.

Career

Natalia joined McKinsey in 1994, where her roles included Head of Professional Development in Eastern Europe. In 2005, she joined System Capital Management in Ukraine as Head of HR, becoming Director for Corporate Restructuring later that year. Between 2007 and 2013, she served as Managing Director of the Foundation for Effective Governance in Ukraine.

Natalia launched her own consultancy business in January 2014, working with companies to implement and develop corporate governance systems and improve their managerial processes, HR and communications strategies.

Between 2007 and 2013, Natalia was an Independent Director of DTEK and Metinvest, where she chaired the Remuneration Committee. She was also Head of the Remuneration Committee at FESCO between 2014 and 2016.

Appointment to the Board
April 2016.



STEFAN JUDISCH, 58
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Education and qualifications

Stefan holds a degree in Business Administration from Frankfurt.

Career

Throughout his professional life, Stefan has been involved in commodity-trading and risk-management activities, predominantly focused on energy-related commodities and non-ferrous metals.

Stefan began his career in 1981 at Metallgesellschaft's central controlling department in Frankfurt. While with Metallgesellschaft, he worked in London, New York and Hamburg where he served as CEO of the company's non-ferrous metal trading and brokerage subsidiary. In 1992, he was hired by the Swiss bank UBS to develop their commodity-trading business.

Following the deregulation of Germany's electricity market in 1999, he moved to German utility RWE. He helped to build RWE's global energy and commodity-trading and wholesale-supply business over a period of 16 years. He retired as the company's CEO in February 2015.

Stefan is a Non-Executive Director of Trimet SE – the largest aluminium producer in Germany.

Appointment to the Board
June 2015.



IAIN MACDONALD, 59
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Education and qualifications

Iain holds a BSc (Eng) from University College London. He also attended the Programme for Management Development at Harvard Business School.

Career

Iain joined BP in 1979 as a chemical engineer. Over a 30-year career there, he progressed through a variety of technical, operational, marketing and business-management roles before moving into finance management during his last ten years with the company. He was Head of Planning for the Group, then Group Controller, finally becoming Deputy Group Chief Financial Officer in charge of the integrated finance function. He was a member of the Board of TNK-BP, and a BP Pension Trustee.

Iain retired from BP in 2010 and took up a position as Chief Financial Officer of Fairfield Energy Ltd, an independent North Sea oil and gas producer. He remained in charge of finance at Fairfield until the end of 2014.

Iain is currently a Non-Executive Director of Premier Oil plc, where he is the Audit and Risk Committee Chairman designate, and a Non-Executive Director of Skills for Health Ltd.

Appointment to the Board
April 2015.



KUZMA MARCHUK, 43
NON-EXECUTIVE DIRECTOR

Education and qualifications

Kuzma graduated in 1995 from Plekhanov Russian Academy of Economics. The following year he graduated from Lomonosov Moscow State University's Department of Physics.

Career

Between 1995 and 1997, Kuzma held several financial positions at Deloitte & Touche, Rosexpertiza and Norilsk Nickel.

In 1997, he joined the Protek Group and in 1998 he was appointed Vice President for Finance and a member of the Management Board.

Between 2004 and 2010, Kuzma was Chief Financial Officer at Uralkali, where he was a member of the Board of Directors from 2007. He oversaw Uralkali's IPO on the London Stock Exchange in 2007, and led the sale of the company's strategic stake to a group of investors in 2010.

From 2011 to 2016, Kuzma was Deputy CEO and Chief Financial Officer of SUEK.

Appointment to the Board
October 2016.



OLGA VYSOTSKAYA, 56
INDEPENDENT NON-EXECUTIVE DIRECTOR

Education and qualifications

Olga graduated with Honours in Economics and Mathematics from St. Petersburg State University. She also holds a degree in Mathematical Cybernetics and has completed MBA programmes in Bristol and Paris. She is a Certified Public Accountant (USA) and holds a Diploma in Directorship from the Institute of Directors in the UK.

Career

Olga was a Partner, and has held prominent roles, with KPMG, PwC and Deloitte. The experience gained there, and in companies including YUKOS, KIT Finance, EMAliance and the Baltika Brewery PLC, has given her significant expertise in corporate governance, strategy planning, finance, operations, internal and external auditing, risk management and internal control.

Olga has been a member of the Russian Federation Independent Directors' Association since 2002. Between 2013 and 2015, she was an Independent Non-Executive Director and Audit Committee Chair at NefteTransService. She has held the same positions at INK-Capital since 2014.

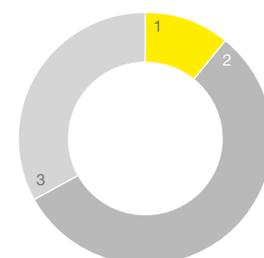
In 2016, Olga was included in the '50 best independent directors – 2016' list.

Appointment to the Board
April 2016.

Key to committee membership

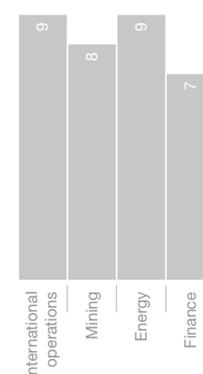
- S Strategy Committee
- N Nomination and Compensation Committee
- A Audit Committee
- Committee's Chairman

Board composition as of 31 December 2016



1. Chairman **11%**
2. Independent Directors **56%**
3. Non-Independent Directors **33%**

Board members experience



BOARD COMMITTEES

STRATEGY COMMITTEE

Members of the Committee

as at 31 December 2016

ANDREY MELNICHENKO,
CHAIRMAN

KLAUS-DIETER BECK

STEFAN JUDISCH

ALEXANDER LANDIA

VLADIMIR RASHEVSKY

Areas of responsibility:

The Strategy Committee is responsible for reviewing management's proposals, assessing associated risks and developing recommendations to support the Board's decision-making in the following key areas:

- Defining the operating priorities of the company;
- Developing the company's overall strategy, strategic plans for business segments and strategies by functional area;
- Developing the company's strategies and goals in target markets;
- Implementing major investment projects;
- Defining the company's operating priorities and evaluating the operational efficiency of management;
- Carrying out investment planning, project management and capital management;
- Improving key business processes.

Activities in 2016

- Responded to difficult market conditions and the urgent nature of environmental issues by reviewing the SUEK's strategy for the next ten years and addressing specific strategic objectives by segment and area. Adjusted key priorities of the following strategies: logistics, the Kuzbass and Khakasia mines, the development of the Tugnuisky open pit and the Urgal mines. Updated the consolidated sales strategy, taking into account the optimal distribution of products across target markets based on effective supply chain management;
- Analysed investment initiatives that remain attractive despite current macroeconomic conditions. Adjusted key investment projects for expanding capacity at the Kotinskaya and Yalvskogo mines;
- Considered strategic initiatives offered by management to expand the resource base, taking into account long-term market recovery forecasts, and evaluated investment opportunities in international markets.
- Specified market parameters and operating performance targets for strategic and budgetary planning in order to improve the planning function; supervised budgeting, accounting, reporting and investment processes;
- Monitored the implementation of the Management Development Programme and measures aimed at improving business processes. Set tasks to further develop sales, logistics and procurement processes;
- Coordinated a comparative analysis of the operating performance of SUEK's units against the leading coal producers.
- Proposed a number of measures aimed at improving productivity and considered measures to enhance operational efficiency and, in particular, made decisions regarding the management of coal warehouses and the quality of transported coal. Approved the programme for improving the efficiency of drilling and blasting operations;
- Together with the Nomination and Compensation Committee, reviewed key approaches to SUEK's communication, activities and analysed their main elements, given the importance of communications in a changing economic and political situation.

6
IN-PERSON
MEETINGS
IN 2016

SEE BIOGRAPHICAL DETAILS OF MEMBERS OF THE STRATEGY COMMITTEE ON PAGES 86-87.



FOR DETAILS ON ATTENDANCE OF STRATEGY COMMITTEE MEETINGS, SEE PAGE 84.



NOMINATION AND COMPENSATION COMMITTEE

Members of the Committee as at 31 December 2016

ALEXANDER LANDIA,
CHAIRMAN

KLAUS-DIETER BECK

NATALIA IZOSIMOVA

Areas of responsibility:

- Making recommendations to the Board of Directors regarding HR strategy, nominations and compensation, corporate governance and social policy;
- Ensuring the continuity of senior management and developing a succession pool and talent pipeline; designing and assessing programmes for developing managers;
- Ensuring compliance with industrial and environmental safety standards at our enterprises; monitoring our system of key performance indicators in this area;
- Assessing the compliance of our industrial safety system with regulatory and corporate requirements; assessing the efficiency of controls in this area;
- Analysing the causes and consequences of emergencies and developing recommendations on their future prevention.

Activities in 2016

- Reviewed the management of human resources in 2015-2016. Appreciated the fulfilment of tasks and supported management's resourcing initiatives at production facilities. Throughout the year, monitored the reorganisation of human resources management as part of the company's transition to a divisional model;
- Monitored the measures for improving industrial safety and the occupational health and safety system, including those relating to the development of existing and new automated safety systems at our facilities. Analysed the causes of accidents in other companies in the industry in order to avoid similar occurrences at SUEK's mines. Approved new management initiatives for the prevention of accidents at the production units;
- Assessed the current state of human resource capacity. Developed measures to support management continuity at various levels;
- Reviewed employee motivation programmes in relation to important tasks and projects. Adjusted and refined a methodology for calculating the incentive system parameters for the programme to develop international trading. Assessed the payment schemes that are linked to our current motivation programmes;
- Assessed the performance of managers in 2016 and approved new performance targets for 2017. Agreed the method of calculating adjustments to production plans, according to external factors;
- Supervised an annual assessment of the Board's performance, identifying areas that require further attention. Reviewed the possibilities for Directors' professional development. Confirmed the status of the company's Independent Directors. Improved the policy for introducing new Directors into the business;
- Defined the foundations of the company's communications activities and developed SUEK's communications strategy in close cooperation with the Strategy Committee;
- Prepared the Corporate Social Responsibility Report in conjunction with the Audit Committee.

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IN-PERSON
MEETINGS
IN 2016

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CONFERENCE
CALL IN 2016

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FOR DETAILS ON ATTENDANCE OF NOMINATION AND COMPENSATION COMMITTEE MEETINGS, SEE PAGE 84.



AUDIT COMMITTEE

Members of the Committee as at 31 December 2016

IAIN MACDONALD,
CHAIRMAN

KUZMA MARCHUK

OLGA VYSOTSKAYA

Areas of responsibility:

- Ensuring the completeness and accuracy of the published financial statements;
- Guiding the development of management reporting with regular reviews of performance reports;
- Overseeing the implementation of budget-planning policies and evaluating the effectiveness of budgeting systems;
- Evaluating the performance of the external auditor and the effectiveness of the external audit process;
- Assessing the effectiveness of internal control and risk management;
- Supervising the work of the Internal Control and Audit Service (ICAS), including the quarterly analysis of audit findings and annual analysis of audit effectiveness.

Activities in 2016

- Addressed the scheduled tasks of preparing reports, controlled the quality of IFRS financial statements. Assessed audit risks and the scope of information disclosure. Considered regular issues relating to the evaluation of the external auditor's effectiveness, remuneration and independence;
- Held meetings with the auditor's representatives, without the management team being present, to freely discuss issues that arose during the audit;
- Having evaluated the effectiveness of the external auditor, the Committee noted general satisfaction with the audit process and the absence of significant differences and remarks. The auditor, in turn, noted constructive cooperation with SUEK managers, which was largely due to the rules agreed to define the interaction process and when information was provided;
- Paid particular attention to valuation of the rights for subsoil use in order to ensure the sufficiency of management approaches to modelling the revaluation process and methodology documentation;
- Supervised the specification of measures for development of the company's compliance system. Approved the Compliance Policy as a fundamental document setting forth the key principles and main areas of development;
- Monitored the information campaign promoting the SUEK's Code of Corporate Ethics, aiming to make it more attractive in the eyes of the company's employees and explain its basic ideas and corporate values;
- Further improved the company's Annual and Corporate Social Responsibility reports, in cooperation with the Nomination and Compensation Committee;
- Analysed the main mitigation measures for the risks defined as key in 2016, as part of the efforts to improve SUEK's risk management system. Together with management, identified target approaches to minimise the company's key risks and to evaluate how effectively they are managed;
- Ensured the implementation of activities planned for 2016 to automate business processes as part of the IT strategy. Considered alternative options for the implementation of SAP-based systems. Analysed the company's information systems to identify opportunities for their gradual integration with SAP;
- Reviewed the internal procedure for checking customers' trustworthiness. Assessed existing procedures designed to ensure necessary and sufficient level of diligence and prudence in choosing counterparties in accordance with applicable law;
- Analysed on a regular basis our fraud and corruption investigations;
- Reviewed reports of the Internal Control and Audit Service (ICAS) on a quarterly basis. Approved internal audit plans and the ICAS budget. Held regular meetings with the head of ICAS without management.

6
IN-PERSON
MEETINGS
IN 2016

2
CONFERENCE
CALLS IN 2016

FOR BIOGRAPHICAL DETAILS OF
MEMBERS OF THE AUDIT
COMMITTEE, SEE PAGES 86-87.



FOR DETAILS ON
ATTENDANCE OF AUDIT
COMMITTEE MEETINGS,
SEE PAGE 84.



MANAGEMENT BOARD

(as at 31 December 2016)



VLADIMIR RASHEVSKY, 43
CHIEF EXECUTIVE OFFICER
CHAIRMAN OF THE MANAGEMENT BOARD



VLADIMIR ARTEMIEV, 51
CHIEF OPERATIONS OFFICER
MEMBER OF THE MANAGEMENT BOARD



IGOR GRIBANOVSKY, 44
CHIEF COMMERCIAL OFFICER
MEMBER OF THE MANAGEMENT BOARD



NIKOLAY PILIPENKO, 51
CHIEF FINANCIAL OFFICER
MEMBER OF THE MANAGEMENT BOARD

FOR BIOGRAPHY,
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Education and qualifications

Vladimir graduated from Novocherkassk Polytechnic Institute as a Mining Engineer and has a PhD in Engineering Science.

Career

Vladimir worked for Gukovugol Industrial Association for over 15 years, beginning his career as an Overman at the Zapadnaya underground mine. In 1998, he was appointed General Director of Gukovugol, a position which he held for four years. He was appointed Head of the Coal Industry Department at the Russian Ministry of Energy in 2002, and Head of the Mines Inspectorate for the Federal Administration of Environmental, Technological and Nuclear Supervision (Rostekhnadzor) in 2004.

In 2006, Vladimir became Chief Operations Officer of SUEK and in 2007 he was appointed to the company's Management Board. He has been awarded the Order of Courage for a mine rescue operation, and holds all three degrees of the Miner's Glory medal.

Education and qualifications

Igor graduated from the Moscow State Institute of Steel and Alloys, where he studied Metal Forming. His postgraduate studies were at the Faculty of Economics of Lomonosov Moscow State University, where he majored in Public Sector Economics.

Career

Between 1996 and 2001, Igor worked at the Moscow office of the Japanese Nichimen Corporation in its Department of Coal and Metals. From 2001 to 2005, he headed the export divisions of Vostsibugol, Rosuglesbyt and SUEK.

In 2005, Igor was appointed Managing Director of SUEK AG, and has been SUEK's Chief Commercial Officer since 2007.

Education and qualifications

Nikolay graduated from Moscow State University in 1989, where he studied Political Economy. He also holds a PhD in Economics.

Career

From 2006 to 2008, Nikolay was Chief Financial Officer of EuroChem. Before joining EuroChem, he held several management positions at ABB Group in Russia, Spain and Switzerland.

Between 2009 and 2015, Nikolay was a member of the Board of Directors, Audit Committee and Nomination and Remuneration Committee of JSC EuroChem. From 2015 to 2016, he was a member of the Board of Directors, Audit Committee and Nomination and Remuneration Committee of EuroChem Group AG.

Since 2012, Nikolay has been a member of the Board of Directors of the Siberian Generating Company, where he chairs the Audit Committee. He was appointed Chief Financial Officer of SUEK in October 2016.

EXECUTIVES

(as at 31 December 2016)



ALEXANDER
DOLGOPOLOV, 37
CHIEF AUDIT EXECUTIVE

Education and qualifications

Alexander is a graduate of the Moscow State Institute of International Relations (MGIMO), where he studied International Economic Relations. He is also a member of the Institute of Internal Auditors (IIA, US).

Career

From 2000 to 2005, Alexander worked as Assistant Manager in the Energy and Mining Department at PwC.

In 2005, he joined SUEK as Head of Audit Unit and was subsequently appointed Head of Internal Control and Audit Service in May 2011.



SERGEI GRIGORIEV, 60
PUBLIC RELATIONS
AND COMMUNICATIONS
DIRECTOR

Education and qualifications

Sergei is a graduate of the Institute of Asian and African Countries at Lomonosov Moscow State University. He holds a Master of Public Administration degree from Harvard's John F. Kennedy School of Government.

Career

Sergei's early career was spent with the Soviet Union Association of Friendship Societies. From 1984 to 1990, he worked for the International Department of the Central Committee of the Communist Party, subsequently joining the USSR President's Press Office. He was later a political consultant and commentator. His roles also included adviser to the Chairman of the All-Russian State Television and Broadcasting Company and, in 2001, Chief of Staff of the Department of Presidential Affairs of the Russian Federation.

Between 2004 and 2006, Sergei was Vice President of the National Reserve Bank. He was then appointed Deputy General Director of the National Reserve Corporation.

Sergei was appointed Public Relations and Communications Director at SUEK in February 2007.

In 2014, he was elected to the Civic Chamber of the Russian Federation. He was also appointed Chairman of the Commission on Development of the Real Sector of the Economy of the Civic Chamber of the Russian Federation.



DENIS ILATOVSKY, 45
DIRECTOR OF LOGISTICS

Education and qualifications

Denis graduated from the Moscow State Institute of Steel and Alloys in 1994. He also obtained an Executive MBA from Antwerp Management School, Belgium, and from the Institute of Business Studies in 2011.

Career

In 1994, Denis began working for the MAIR Industrial Group and in 1996 was appointed Export Director. In 2000, he worked as General Director of Saratov Metalware factory. In 2002, he was appointed Vice President of the Group, where he was responsible for investments, IT and logistics.

From 2008, he worked for United Metallurgical Company (OMK), where he was simultaneously Director of Logistics and General Director of the Baltic Metallurgical Terminal (Ust-Luga).

In 2012, Denis joined SUEK as Director of Logistics.



ANDREY MIRONOV, 51
GENERAL AFFAIRS
DIRECTOR

Education and qualifications

Andrey is a graduate of the Leningrad Higher Military Commanders' Training School, the Academy of Federal Security Service and the Academy of National Economy.

Career

Andrey spent the early part of his career in the Federal Security Service. In 2007, he began working in the oil industry as a Security Director.

He joined SUEK in 2011 as General Affairs Deputy Director, and was promoted to General Affairs Director in July 2012.



ALEXANDER
REDKIN, 55
GENERAL COUNSEL

Education and qualifications

Alexander graduated from the Saratov Law Institute in 1986.

Career

Between 1986 and 2001, Alexander worked in the Public Prosecution Department. He subsequently joined SIDANCO – TNK-BP Management, where he held several positions including General Counsel of SIDANCO's branch in Saratov and Head of Legal Department.

Alexander joined SUEK in 2005, initially as Deputy General Counsel, and then was appointed General Counsel in January 2008.



DMITRY
SYROMYATNIKOV, 50
DIRECTOR OF HR AND
ADMINISTRATION

Education and qualifications

Dmitry is a graduate of Saint Petersburg State Paediatric Medical University. In 2005, he attended a Human Resources Management course at the Management Centre Europe (MCE) in Belgium.

Career

In his early career, Dmitry spent more than six years working as a doctor. Between 1997 and 2004, he worked for Bristol-Myers Squibb, a US pharmaceutical company, where he started as a Medical Representative and then held the positions of Regional Manager, Training Manager and Sales Efficiency Manager.

In 2004, Dmitry joined the Russian Aluminium and Magnesium Institute as HR Director. In 2005, he transferred to the RUSAL Management Company, where he worked in a number of roles including Head of Recruitment and Director of Compensations. From 2007 to 2008 and 2012 to 2014, he was HR and PR Director at Kirovsky Zavod.

From April 2008 to February 2012, Dmitry was Director of HR and Administration at SUEK, a role he returned to in September 2014.



VLADIMIR TUZOV, 40
CHIEF STRATEGY
OFFICER

Education and qualifications

Vladimir graduated from Bauman Moscow State Technical University, majoring in Biomedical Engineering. He holds a Master's degree in Industrial Management from Ecole Centrale Paris and an MBA from Wharton Business School (University of Pennsylvania).

Career

Vladimir began his career in 2001 as a Production Planning Engineer for Pechiney, an aluminium company in France. Over the next five years he held various managerial roles in production, marketing and supply chain management for non-ferrous and ferrous metallurgical companies in France, Russia, Guinea and Ukraine.

Between 2007 and 2013, Vladimir worked for The Boston Consulting Group (BCG) in Russia and the US. At BCG, he provided consultancy services to financial institutions, heavy industry, mining, automotive and processing companies.

From 2013 until 2015, Vladimir worked at pulp and paper company Ilim Group as Deputy CEO for Strategy and Product Management, and served on the Board of Directors of Ilim Gofra.

Vladimir has been SUEK's Chief Strategy Officer since August 2015.



IRINA ZAYTSEVA, 40
PROCUREMENT
DIRECTOR

Education and qualifications

Irina graduated from Perm State University, Faculty of Law, in 1998 and from the National Research University Higher School of Economics, Moscow, in 2001.

Career

Between 2002 and 2011, Irina worked at Uralkali, a potash mining company, where she held a number of senior positions including Director of Inventory and Logistics.

Irina was appointed Procurement Director at SUEK in May 2011.