

# OUR PEOPLE

Our people are our most important asset, and we strive to create the most favourable conditions for them. We continually work to improve health and safety, promote personal and professional development, and provide social support to all employees and their families.



## OUR PRIORITIES:

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Ensure a high level of industrial safety and labour protection;

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Improve quality of life for all employees, creating favourable conditions at work and at rest;

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Improve our professional training and development system, and enhance career opportunities across the company;

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Recruit qualified employees to meet the company's needs;

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Develop the internal communications system and promote our corporate culture.

**2016 achievements:**

**Headcount planning and staff expenses**

- Further development of labour standards for personnel operating our main production equipment;
- Further development of automation of staff budget and actual expenses calculation.

**Recruitment and retention**

- Increased staff mobility between the company's units and regions. By managing internal resources through the redeployment of employees, we retained qualified staff and harnessed their skills to focus on priority goals and objectives;
- Development and implementation of a comprehensive housing programme for employees;
- Implementation of a programme aimed at attracting talented young people into the company.

**Assessment, development and training**

- Further development of a training system for various staff categories (from Mine Foremen to Unit Directors);

- Continued development of 'HiPo' programme for talented employees;
- Ongoing creation of a succession pool for key management positions. Assessment of current level of employees' competency versus existing competency models. Realisation of individual development plans.

**Internal communications and corporate culture**

- Introduction of new internal communications tools providing better transparency (bulletin boards, plasma displays, information desks etc.);
- Rollout of internal information campaigns and other activities to support SUEK's corporate values;
- Further SUEK's Code of Corporate Ethics promotion.

**HR administration**

- Refinement of internal processes to reflect changes in labour laws;
- Introduction of changes within our HR administration processes;
- Updated regulations on units and job descriptions.

**Overview**

SUEK operates in eight regions of Russia and is the largest employer in the Russian coal industry. It is also represented in ten other countries and territories around the world – Poland, China, Japan, South Korea, Indonesia, the US, Taiwan, Cyprus, Switzerland and Lithuania.

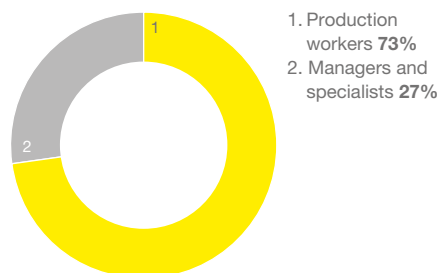
Our average headcount is 33,429<sup>1</sup> employees, 73% of whom are production workers and 27% are managers, specialists and administration staff. The socio-demographic characteristics of our workforce remain consistent. In 2016, the average age of our employees was 40.2, while the ratio of men to women remained practically unchanged from 2015, with men making up 75% and women 25% of our workforce. Staff turnover has also decreased steadily over the past three years.

Human resources management is regularly reviewed by the Nomination and Compensation Committee of the Board of Directors (for details see page 89).

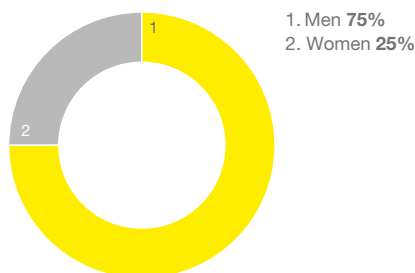
**Assessment, remuneration and social support**

SUEK regularly analyses the labour market and participates in annual salary surveys, which allows the company to make flexible and fair decisions related to pay and remuneration, taking into account the dynamics of salaries and trends in the

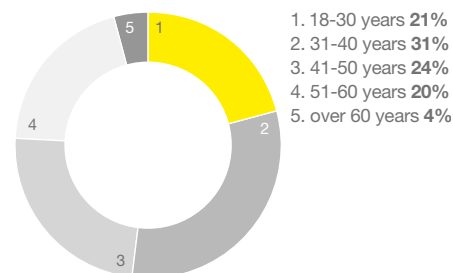
**Composition of employees by personnel categories**



**Gender diversity of employees**



**Composition of employees by age**



<sup>1</sup> The average number of SUEK personnel in 2016 increased following the consolidation of Murmansk Commercial Seaport by SUEK in December 2016.

provision of social benefits. SUEK regularly adjusts employees' salaries in response to the data provided by the Russian Federal State Statistics Service. As of the end of 2016, indexation of tariff rates and fixed salaries amounted to 12.9%.

Our remuneration system for production workers and specialists includes fixed and variable elements. The former is paid for the performance of professional duties at the required level. The variable part is an incentive to improve working efficiency. The ratio of the fixed to the variable elements is set at 70/30. Among other criteria, the variable part consists of bonuses for basic production and commercial operations, and for compliance with industrial and technical directives, safety rules and rules of the operation of machinery.

SUEK also applies a system of annual incentives for its management staff, based on compliance with key performance indicators (KPIs) and on the achievement of individual and company goals. This system focuses employees' efforts on key objectives and contributes to the implementation of the company's strategy in various functional areas.

We have also developed a special bonus system for employees participating in projects. The system includes long-term strategic projects, operational improvements and business-development programmes. As of 2016, 426 specialists

and managers participated in this long-term motivation programme as part of their involvement in one or more projects.

The following benefits extend to all employees within our production units. They are based on current legislation, industry agreements with trade unions and collective arrangements:

- Voluntary medical insurance;
- Payment upon retirement of 15% of an employee's average salary for each year of employment in the coal industry;
- Payment for travel to holiday resorts for employees and their families;
- Financial aid for pensioners, parental leave, high-priced medical treatment or for the funerals of company employees;
- Supply of coal to miners for domestic heating;
- Compensation for energy and other expenses;
- Compensation for the medical treatment and rehabilitation of employees and their children;
- Christmas gifts for children of employees.

One of the most important aspects of our social support for employees is our health promotion programme. Since 2014, we have extended voluntary medical insurance<sup>1</sup> to all employees at our production sites and facilities.

In 2016, total expenditure linked to benefits prescribed in collective arrangements amounted to \$21m.

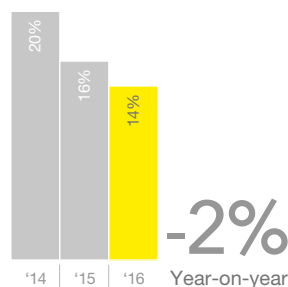
SUEK also actively cooperates with trade unions, in keeping with the principles of social partnership and constructive dialogue. This cooperation helps us to avoid or diffuse any tensions or grievances among our workforce, to respond quickly to changes in social climate and to resolve any problems quickly and efficiently. SUEK's social commitments are also enshrined in bilateral regional agreements with trade unions and collective arrangements regulating social and labour relations between employer and employees. To date, 94% of our employees are covered by such collective arrangements.

As well as financial incentives for employees, SUEK makes extensive use of non-material incentive schemes. As part of this approach, the best employees receive state, departmental and corporate awards. In 2016, the following awards were granted for exceptional work:

- According to the Russian Presidential Decree, 27 SUEK employees received state awards, including the highest state awards for seven senior managers in recognition of their effective management of one of Russia's largest companies;

### Staff turnover rate

(%)



<sup>1</sup> Medical insurance is among the highest-priority benefits for employees, according to SUEK's surveys.

### Housing for employees from Chegdomyn

As part of our commitment to enhancing quality of life through local development, in 2016 we began building a new residential area for employees at Urgal, Khabarovsk region. A pilot project, the 'Miner' residential complex is being developed as part of our efforts to improve living conditions in Chegdomyn, a town with 12,200 inhabitants. It will include 180 apartments, each fully refurbished, and will feature a large recreation area with a playground, sports facilities and a sports field, as well as onsite parking. The complex is due to be completed in the first half of 2017.

SUEK employees who choose to buy an apartment in the 'Miner' complex will receive an advantageous mortgage offer based on the lowest interest rates. They will also receive a soft loan from the company to help pay their first instalment, which can be written off at a later date. SUEK is also engaging with the relevant local authorities to facilitate additional subsidies for individual employees.

- 135 employees received awards from the Ministry of Energy of Russia;
- Over 1,000 SUEK employees were granted corporate awards.

### Training and staff development

When implementing our approved HR management strategy, we focus closely on improving our training and development system for our employees, both at local and corporate level.

The key areas of staff development are:

- Professional training, retraining and qualification enhancement;
- Training in new occupations, and the development of talent for key positions at different levels.

Professional training at SUEK (training, retraining and development) is carried out at our 17 training centres. We are actively upgrading and improving our training facilities and materials, and we continually update our training programmes in line with company requirements. Training centres now feature a mentoring system designed to enable the sharing of knowledge and experience, and to improve the process of induction and adaptation for younger staff. In 2016, SUEK's training centres provided training for over 30,000 employees.

### Working with young staff

SUEK is committed to the ongoing recruitment of young specialists. Targeted education for students, especially those from the regions where the company operates, improves our selection process and accelerates the integration of new recruits. In 2016, more than 400 students participated in our targeted education programmes at seven vocation-oriented universities in Russia.

SUEK has been involved in the Applied Science Youth Forum 'Mining School' since 2012. In 2016, 120 young specialists took part in its activities, and half of them (students from technical colleges in the Kemerovo and Khabarovsk regions) expressed a desire to work for SUEK. Each year, the Forum winners receive training under the Presidential Programme for the Training of Engineers.

This includes education at the country's leading mining universities and internships at production facilities in Japan, during which they study the principles of lean manufacturing and general management. In 2016, the Applied Science Youth Forum 'Mining School' won the 'HR Leader of the Year' award at the XII Russian Mining Forum.

Since 2014, SUEK's production facilities have also hosted youth councils comprising over 800 members. The youth councils' members develop projects aimed at improving production efficiency. They also participate in training programmes devoted to the development and career growth of young professionals.

### Corporate culture and internal communications

We introduced an updated edition of our SUEK's Code of Corporate Ethics<sup>1</sup> at the end of 2015, as part of our efforts to develop our system of internal communications and improve staff loyalty.

We currently employ over 40 Ethics Coordinators and run Ethics Commissions with the involvement of our enterprise heads. Employees can put questions about the Code to their Ethics Coordinator (anonymously if they prefer) via special messaging boxes, either via an electronic form on the corporate portal or by using a multi-channel hotline.

During 2016, we received more than 500 messages from employees through our system for enforcing the Code. These messages were mainly concerned with health and safety, technical devices and personal protective equipment, voluntary medical insurance and holiday and treatment centres. All messages were recorded and analysed, and mandatory feedback was provided to the senders (if not anonymous).

In 2017, we will roll out initiatives and activities to help further implement the SUEK's Code of Corporate Ethics. These will include photo exhibitions at the company's production units, thematic contests, newsletters and meetings with managers.

<sup>1</sup> THE FULL VERSION OF CODE OF CORPORATE ETHICS IS AVAILABLE ON OUR WEBSITE: [WWW.SUEK.COM](http://WWW.SUEK.COM)

