RESILIENCE THROUGH DIVERSIFICATION
In recent years, SUEK has evolved from a single-product company into a diversified organisation. Our energy, logistics and commodity businesses now operate as independent profit centres, whilst benefitting from the functions the Group’s platform offers. By identifying new products, services and markets, and developing internal synergies, we have ensured the business resilience and profitability and our ability to create sustainable value for our stakeholders.

Our performance this year has been a testament to the strength of this diversified business model. Faced with COVID-19, we prioritised the health of our employees and their families and supported our local communities’ most vulnerable members. Despite the significant challenges presented by the pandemic, we ensured business continuity. In doing so, we provided vitally necessary, affordable heat and electricity to millions of our domestic customers, kept our logistics running efficiently to support the critical transportation of goods and maintained supplies of premium fuels to our export customers.

To support our new model, we enhanced our leadership teams with the expertise to unlock further opportunities across our business sectors. We will continue to embrace the benefits of digital technologies and embed sustainability into our culture and commitment as a responsible, best-in-class company.

Despite the ongoing global uncertainties, the future for our Group is bright. SUEK, Siberian Generating Company and the newly created National Transportation Company have strengthened their positions as the business partner of choice, a responsible employer and corporate citizen.
We provide high-quality utilities and transportation services as well as a range of commodities to millions of consumers and enterprises in Russia and globally.

**ENERGY**
Siberian Generating Company (SGC) provides millions of households and enterprises from the Urals to the Russian Far East with co-generated heat and electricity.

**LOGISTICS**
National Transportation Company (NTC) transports bulk and specialised loads in a speedy, cost-efficient and environmentally safe way using higher-capacity railcars and modern ports.

**COAL**
Our mining and processing facilities with state-of-the-art equipment and health and safety controls supply high-quality coal-based products, including low-sulphur thermal, metallurgical, sized and smokeless coal.
DIVERSIFYING
ENERGY BUSINESS

BUILDING
LONG-TERM TRUST
WITH CUSTOMERS

MEETING HEAT CUSTOMERS’ NEEDS
Transfer to long-term tariff will enable us to invest $800m in renovation of central heating by 2025

CARING FOR ENVIRONMENT
1 Mt CO₂ annual emissions savings from 2025 by substituting standalone boilers with co-generated heat

DRIVING INNOVATION
SUEK is expanding turbine generator production for hydro, nuclear and thermal power plants

ELECTRICITY OUTPUT (TWH)

<table>
<thead>
<tr>
<th>Year</th>
<th>Output</th>
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<tbody>
<tr>
<td>2016</td>
<td>36.0</td>
</tr>
<tr>
<td>2017</td>
<td>46.2</td>
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<tr>
<td>2018</td>
<td>51.5</td>
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<tr>
<td>2019</td>
<td>63.7</td>
</tr>
<tr>
<td>2020</td>
<td>81.0</td>
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VLADIVOSTOK, RUSSIA
In 2020, SUEK expanded its presence in the Far East, as we acquired the region’s leading power plant – Primorskaya GRES.

SEE PP. 82–83 FOR MORE DETAILS
SEE P. 32 FOR MORE DETAILS
SEE P. 43 FOR MORE DETAILS
DIVERSIFYING LOGISTICS BUSINESS

EXPANDING GEOGRAPHY AND SERVICE PROPOSITION

EXPANDING NON-COAL TRANSPORTATION

>20% non-coal transshipment

DRIVING INNOVATION

SUEK is implementing the best available technologies at our ports and using higher-capacity railcars to minimise our impact on the environment

PIONEERING HEAVY TRAINS

In 2020, SUEK became the first to send trains entirely comprised of higher-capacity railcars, which increased throughput

TUAPSE, RUSSIA

After acquiring Murmansk and Tuapse bulk terminals, SUEK is now Russia’s leading bulk stevedoring company, transshipping coal, iron ore, fertilisers and other loads to the Atlantic and Asia-Pacific markets.
PRIORITISING HIGH-QUALITY PRODUCTS FOR PREMIUM MARKETS

+16% sales to Asia by 2025

INTERNATIONAL SALES (MT)

TOKYO, JAPAN
SUEK’s sales to Japan increased by 28% in 2020 to 8.8 Mt, making it SUEK’s No. 1 importer. SUEK supplies high-quality coal for Japanese high-efficiency low-emission (HELE) power plants.

HIGH-QUALITY PRODUCTS FOR PREMIUM MARKETS

DRIVING INNOVATION
SUEK launched a world-class deep flotation unit at Kirov WP for converting fines into high-CV product

MEETING CUSTOMERS’ NEEDS
SUEK expands production of smokeless briquettes for private households

SEE P. 32 FOR MORE DETAILS

SEE P. 54 FOR MORE DETAILS

SEE P. 105 FOR MORE DETAILS
DEMONSTRATING RESILIENCE

A focus on business diversification and the development of synergies over the past five years has strengthened SUEK’s resilience to market bottoms.

<table>
<thead>
<tr>
<th>Financial highlights</th>
<th>Revenue ($m)</th>
<th>Net debt/EBITDA</th>
<th>EBITDA ($m) and EBITDA margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG emissions</td>
<td>4,002</td>
<td>6,939</td>
<td>8,374</td>
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<tr>
<td>of CO2e</td>
<td>+67%</td>
<td>+67%</td>
<td>+67%</td>
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<tr>
<td>GHG emissions per</td>
<td>2.9</td>
<td>2.0</td>
<td>1.6</td>
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<tr>
<td>unit of heat produced</td>
<td>(average through cycle)</td>
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<tr>
<td>Net debt/EBITDA</td>
<td>2.58</td>
<td>2.0</td>
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<tr>
<td>EBITDA margin (%)</td>
<td>+100%</td>
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SUSTAINABILITY HIGHLIGHTS

<table>
<thead>
<tr>
<th>Sustainability highlights</th>
<th>LTIFR</th>
<th>Total GHG emissions and GHG emissions per unit of heat produced</th>
<th>Community investment ($m) and % of net profit</th>
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<tbody>
<tr>
<td></td>
<td>1.00</td>
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NEW MANAGEMENT TEAM

Our new management team supports our purpose and values and is transforming the company to be closer to our customers, innovative and responsible.

STRONG FOUNDATIONS

Our new management team supports our purpose and values and is transforming the company to be closer to our customers, innovative and responsible.

SOCIAL RESPONSIBILITY

The health of our employees and local residents, and their trust in SUEK are of vital importance to us. We work closely with them to understand their needs and strive to find the best solutions.

Stepan Solzhenitsyn, CHIEF EXECUTIVE OFFICER

STABILITY AND DEVELOPMENT

M&A in recent years have expanded our offer, diversified revenue streams and enhanced our ability to generate strong cash flow and margins.

Andrei Vanyushin, CHIEF FINANCIAL OFFICER

SAFETY AND EFFICIENCY

Digital technologies enable us to optimise mine development plans, resource consumption, predict and prevent equipment failures and employee injuries.

Sergey Petrov, DIRECTOR OF COAL DIVISION

PROFESSIONALISM AND COOPERATION

One of the challenges of growth is talent management. We need the right people to help us build new assets, to ask new questions, and to make our corporate culture more customer-oriented.

Natalia Yamshchikova, HEAD OF HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT
Q: You took leadership of the Board of Directors at SUEK during the company’s transformation while facing the macro-economic and social challenges caused by COVID-19. What were your immediate priorities?

A: It was a few years ago that SUEK has evolved from a coal mining company into a diversified holding capable of generating a stable income from various economic segments. The company set itself ambitious but exciting targets: updating the strategy and management structure in line with the evolved business model, transforming employee incentivisation and nurturing a strong corporate culture that reflects business evolution.

Having assessed the global, national and corporate risks, SUEK’s Board of Directors initiated large-scale changes to the company’s management, a revision of its development strategy for the core divisions and measures to enhance the company’s corporate culture. SUEK’s strategic priorities, such as customer focus and innovation, leadership in cost reduction, social and environmental responsibility, remain unchanged.

We analysed our main business areas to ensure we maintain our key competitive advantages in a changing macro environment. Our three businesses—energy, logistics, and commodities—have turned into independent profit centres and strengthened their leading positions in their markets whilst benefitting from cost efficiencies and services that our Group function offers all of our businesses.

We also began to search for new business opportunities in related markets that offer synergies with our current assets and support future profitability. We continue to implement a significant modernisation programme to ensure uninterrupted power and heat supply to our millions of consumers, while also reducing our environmental and carbon footprint.

Our logistics segment is becoming a fully-fledged profitable business and a significant market player. The National Transportation Company that we founded at the end of 2020 combining SUEK’s and EuroChem’s logistics assets is now one of Russia’s TOP-5 bulk railcar and port operators. Furthermore, we aim to develop our capacities, range of services and operational efficiency.

The focus of our commodities business is on consolidating our position in both mature and developing markets, and broadening the product range to meet customer requests. To support this, we have updated our asset portfolio development programme, prioritising assets with an optimal quality-to-cost ratio, conveniently located for deliveries to our target markets, and expanding product R&D work.

Q: How did COVID-19 affect the company’s operations?

A: Fortunately, this impact was not as significant as we first expected, not least thanks to the timely measures put in place by the Group’s management. We established effective response centres for preventing the spread of COVID-19; they coordinated work in a safe and compliant manner at production assets and in the cities where we operate.

Key safety initiatives included quarantine measures at industrial and infrastructural facilities, disinfection of urban areas, a multi-million ruble aid package to medical institutions, and coordinating and supporting our volunteers who provided significant assistance to doctors and people with reduced mobility.

Stringent quarantine measures enabled us to work effectively and honour all of our commitments to consumers. At the same time, we did not reduce the number of staff.

Q: How did the company perform in such a difficult year?

A: This year presented a real test for all energy companies. We saw a decrease in demand, both globally and domestically, caused by reduced international trade and production declines due to the pandemic. Nevertheless, in these difficult conditions, SUEK showed resilience and provided consumers with high-quality and affordable products and even increased its presence in several markets.

While ensuring our employees’ safety and business continuity, we kept on executing our strategy of developing a stable energy business. After expanding the areas to which we supply electricity and heat, we increased capacity sales by almost 50% and electricity supplies by a quarter.

In the commodities business, a timely entry into emerging markets and expanding our logistics infrastructure towards high-margin growth markets boosted supplies to the Asia-Pacific region, to offset declining demand in Europe. By doing this, SUEK has strengthened its position in key export markets and is now one of the five largest coal exporters globally.

Q: What are SUEK’s strategic goals?

A: In the energy sector, we continue to expand our offer in terms of geography and capabilities and upgrade our fixed assets. Following the acquisition of assets in the Urals, Siberia and the Russian Far East, the installed capacity of SGC’s plants is now 17.5 GW. We are implementing a significant modernisation programme to ensure uninterrupted power and heat supply to our millions of consumers, while also reducing our environmental and carbon footprint.

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Q&A WITH CHAIRMAN / CONTINUED

The company’s EBITDA in this difficult year amounted to $2bn, a decrease of 9% year-on-year, whereas operating cash flow remained strong and sufficient for financing our major investment projects. Affected by foreign exchange rate costs, net income fell to $200m. Our solid performance helped us to maintain our Moody’s and Fitch credit ratings.

In 2020, SUEK initiated an independent ESG evaluation by S&P Global Ratings benchmarked to global peers and regional standards.

The analysts found SUEK to be in line with industry sustainability standards and highlighted outperformance in health and safety, workforce development and corporate governance. This was reflected by an ESG profile score of 51 out of 100.

S&P evaluated SUEK’s preparedness to a possible rapid energy transition scenario as ‘emerging’, and accordingly the long-term evaluation score was adjusted to 44.

In response, we introduced the following improvements:
• Established high-level ESG governing bodies to develop a comprehensive ESG strategy, including the Board HSE Committee and the role of the Group HSE Officer reporting to CEO
• Added climate-related disclosure to the Annual Report (see pp. 80-89)
• Intensified focus on business diversification

We will continue to have our ESG practices audited on a regular basis.

Of course, we are all waiting for life to return to normal after the pandemic and the revitalisation of manufacturing in various economic sectors. These processes will inevitably require a reliable and affordable energy supply, a need SUEK will undoubtedly be able to satisfy. This, combined with SUEK’s financial stability, business diversification and a growing presence in key markets allows us to look to the future with optimism.

In 2021, SUEK celebrates its 20th birthday. This is an important anniversary for us, as it marks a new page in the company’s history. Just like in previous years, we will focus on growth and creation, with these two words forming the motto of our anniversary. At the same time, we are looking forward to seeing the initial results of our evolved management model and strategy.

NEW HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

In February 2021, SUEK’s Board of Directors approved the creation of a Health, Safety and Environment Committee dedicated to sustainability issues.

Q: How do ESG principles influence SUEK’s managerial decisions?

A: Given our new strategy, sustainable development is even more important. We appointed the rating agency S&P to conduct an international audit of our environmental and social responsibility and corporate governance practices. The audit results stated that SUEK is more advanced in this area than its industry and regional peers.

However, we are not complacent and always aspire to improve our position. We consider strong ESG management to be of the utmost importance. In 2021, we established a dedicated board-level committee to oversee environmental and industrial safety.

We also pay special attention to the development of our corporate culture and governance improvements. Our management structure is being streamlined and will be more flexible and efficient with fewer levels. We significantly revised our risk management system and improved cooperation with international experts. We are also upgrading our internal communications and have improved staff engagement in all corporate processes, including at the level of the Board of Directors.

Q: What do you expect from the coming year?

A: In 2021, SUEK celebrates its 20th birthday. This is an important anniversary for us, as it marks a new page in the company’s history. Just like in previous years, we will focus on growth and creation, with these two words forming the motto of our anniversary. At the same time, we are looking forward to seeing the initial results of our evolved management model and strategy.

MEETING OUR SUSTAINABILITY CHALLENGES
A NEW APPROACH

Although SUEK has been in existence for 20 years, the company remains dynamic and focused on development and diversification. And, of course, SUEK makes a comprehensive contribution to improving the quality of life in the territories where we operate.

Stepan Solzhentynyn, Chief Executive Officer

Q: This is your first year as CEO of SUEK. You probably have a lot of plans, but do you feel your hands were tied due to COVID-19 restrictions?

A: I was appointed CEO in May, when the pandemic’s impact on the global economy was already clear. By this time, the company’s management had implemented decisive measures to protect personnel and production processes as far as possible. Due to the success of these measures, the infection rate was very low at SUEK, and only had a minor impact on our operational performance. The diversified structure of SUEK’s business and stable returns from previous CAPEX and M&A investments helped us progress with our plans, even in the context of the global economic crisis. We have significantly increased electricity and heat sales, along with cargo transportation, including non-coal products. In the future, the business will diversify further, enhancing the resilience of the Group. The growing share of logistics in the Group’s total revenue, increasing third-party cargo transportation and range of loads prompted us to set up a dedicated business unit within the SUEK Group, called the National Transportation Company (NTC). Given its scale and network, NTC’s high-capacity railcar and port infrastructure has good prospects and competitive advantages in the market. Globally, the average annual decline in energy commodities prices, partially offset in the fourth quarter, and lower demand in the European market had a clear adverse effect on many companies in this industry. Still, SUEK was not caught off guard. For some time our international sales focus has been on the Asia-Pacific markets. Accordingly, we have actively developed our port and railcar infrastructure, strengthening our service to eastern and Mediterranean markets. Of equal note is that our washing capacities enable us to process 100% of export coal, decrease the carbon footprint of our products and improve our supply margins across all major segments: thermal, sized and metallurgical coal. As a result, our international sales continue to make a significant contribution to the Group’s performance.

Q: Nevertheless, were there threats related to the pandemic that you had to respond to?

A: The pandemic is a critical reminder that there is nothing more important than our employees’ health and safety and the well-being of the communities in which we operate. We extend our condolences to the families of employees who died from COVID-19 and also those of the four employees who had fatal accidents at our production facilities. We remain committed to operating in a zero harm workplace and will continue to enforce the highest standards of health and safety training to ensure it is wholly embedded in our corporate culture. When assessing the impact of the pandemic on the Group’s businesses, we prioritised our commitments to supply consumers with heat, electricity and fuel, to protect employees and minimise the harmful consequences of the infection for local communities. Time has proven that this was the right strategy. To ensure uninterrupted supply of heat and electricity to the local population and medical institutions, it was vital that we limited COVID-19 infections at our power plants and mining assets, which supply fuel. We exercised stricter safety controls for our employees and ran regular COVID-19 testing programmes covering every single worker; we conducted over 100,000 tests. The company introduced stringent sanitary control measures and regular disinfection. We adjusted our canteen working hours, minimised face-to-face meetings and business trips and transferred employees from the high-risk group and most office staff to remote working. At the height of the pandemic, 6,000-7,000 employees were successfully working remotely.

We had the option of transferring employees to full quarantine, involving staff staying at our facilities around the clock, but this was not required. The measures we took ensured that the pandemic did not overly impact SUEK’s production processes. In February 2021, we began vaccinating our employees against COVID-19.

Q: What assistance did you provide to your partners and regions of operations?

A: We supplied or financed the purchase of personal protective equipment, sanitisers and medical equipment for municipal medical institutions, including lung ventilators, mobile X-ray machines and air disinfectants. We used SUEK’s dust suppression technology to disinfect municipal territories and public spaces. I am grateful to our volunteers who demonstrated great character helping those with limited mobility, doctors and vulnerable groups. We also provided support to our heating customers who were financially impacted by the pandemic. For households and small businesses, we introduced payment by instalments and expanded our online services. Through this important work, we gained valuable experience, which we used to make improvements to SUEK’s management structure and enhance the stress-resilience of our entire business.

We have raised the efficiency of our risk assessment system, made decisions to optimise the company’s debt portfolio and reduce non-core capital costs, optimised supply chains. We are emerging from the pandemic stronger than before.
Changes in the company’s management are related to its development into a diversified business, namely the growing B2C segment and the response to new challenges and risks. These changes will be made in several stages and will affect all aspects of our structure. New business units will be unified management; our customer focus will increase across all divisions, and more powers and functions will be delegated to local managers. We will be able to tell you more about the impact of these changes at the end of 2021.

At the same time, the evolution will also affect our corporate culture. We strive to increase the involvement of employees in discussions around operating procedures, including those related to occupational safety, and to enhance relations with trade unions. We pay special attention to finding talent and recruiting young employees, and are evolving how we drive career growth in talent and recruiting young employees, and safety, and to enhance relations with trade unions.

In the energy sector, we focus on reducing our environmental footprint and improving the efficiency and reliability of our generating facilities. This approach is praised by local environmentalists and enables us to get involved in solving environmental problems in the territories where we operate. The state is supporting this approach with its introduction of a new pollution tax model based on the long-term tariff and a programme intended to modernise thermal power plants called DPM-2.

In Krasnoyarsk, which is considered one of Russia’s most polluted cities, and in some cities in the Kuzbass and the Altai regions, we have a large-scale social and environmental programme. We are replacing polluting boiler houses with heat from our co-generation plants where we upgrade capacity under the DPM-3 programme and install over 99% efficient electrostatic filters. We have already replaced 50 boiler houses, with 120 more awaiting de-commissioning in the near future. Our programme also includes replacing ageing heating mains and connection of private houses to the district heating, which will significantly improve reliability of heat supply and energy efficiency and decrease heat losses, lessening the environmental and carbon footprint of the utility sector. In Krasnoyarsk, our comprehensive programme will reduce pollutant emissions by over 9% of the city’s total emissions. In total, the programme will reduce annual CO2 emissions by almost 1 Mt from 2025, in addition to current 9 Mt CO2 emissions savings on heat through co-generation. This will outperform by far the emissions saving effect from the Russian renewables programme from 2025, estimated at 5.5 Mt CO2.

In addition to the environmental benefits, participation in the DPM-2 programme will support the EBITDA of SGC upon completing DPM-1 programme revenues in 2025.

We are particularly focused on further developing our port facilities to meet Russia’s growing export needs. We have started projects to increase the capacity of the Vanino Bulk Terminal in the Russian Far East to 40 Mt in line with the expanding Russian railway infrastructure, and the capacity at the Murmansk Commercial Seaport to 28 Mt. We always ensure that our work is aligned with strict environmental standards and that we use the best available techniques to suppress dust and protect water areas. We also keep increasing the higher-capacity railcar share in our transportation to improve railway throughput and lessen carbon impact.

In the commodities segment, key projects are linked to the development of assets showing substantial export potential and low-emission technologies. This includes expanding the Pravoberezhny mine in the Khabarovsk region, commissioning a world-class flotation unit at the Kirov WP in Kuzbass, and developing mining and washing assets in Buryatia. All projects, in compliance with the ESG standards adopted by the company, go hand in hand with our large-scale land rehabilitation efforts, the introduction of state-of-the-art water treatment systems and bio-diversity enhancement. The best example of this is the construction of modern water treatment systems in Kuzbass. Five modular systems using German technology have already been put into operation, and two more will be installed this spring. After multi-stage treatment and disinfection, we return drinking-quality water to the environment. Furthermore, we efficiently re-use part of the service water for production needs.

Although we have been in existence for 20 years, SUEK remains a dynamic company focused on development and diversification.

Tell us more about the new management system.

You mentioned the optimisation of capital expenditure. What CAPEX projects do you consider a priority?

In the first place, these are projects of high social importance and environmental benefits as well as projects that increase our economic value.

In the energy sector, we focus on reducing our environmental footprint and improving the efficiency and reliability of our generating facilities. This approach is praised by local environmentalists and enables us to get involved in solving environmental problems in the territories where we operate. The state is supporting this approach with its introduction of a new pollution tax model based on the long-term tariff and a programme intended to modernise thermal power plants called DPM-2.

In Krasnoyarsk, which is considered one of Russia’s most polluted cities, and in some cities in the Kuzbass and the Altai regions, we have a large-scale social and environmental programme. We are replacing polluting boiler houses with heat from our co-generation plants where we upgrade capacity under the DPM-3 programme and install over 99% efficient electrostatic filters. We have already replaced 50 boiler houses, with 120 more awaiting de-commissioning in the near future. Our programme also includes replacing ageing heating mains and connection of private houses to the district heating, which will significantly improve reliability of heat supply and energy efficiency and decrease heat losses, lessening the environmental and carbon footprint of the utility sector. In Krasnoyarsk, our comprehensive programme will reduce pollutant emissions by over 9% of the city’s total emissions. In total, the programme will reduce annual CO2 emissions by almost 1 Mt from 2025, in addition to current 9 Mt CO2 emissions savings on heat through co-generation. This will outperform by far the emissions saving effect from the Russian renewables programme from 2025, estimated at 5.5 Mt CO2.

In addition to the environmental benefits, participation in the DPM-2 programme will support the EBITDA of SGC upon completing DPM-1 programme revenues in 2025.

We are particularly focused on further developing our port facilities to meet Russia’s growing export needs. We have started projects to increase the capacity of the Vanino Bulk Terminal in the Russian Far East to 40 Mt in line with the expanding Russian railway infrastructure, and the capacity at the Murmansk Commercial Seaport to 28 Mt. We always ensure that our work is aligned with strict environmental standards and that we use the best available techniques to suppress dust and protect water areas. We also keep increasing the higher-capacity railcar share in our transportation to improve railway throughput and lessen carbon impact.

In the commodities segment, key projects are linked to the development of assets showing substantial export potential and low-emission technologies. This includes expanding the Pravoberezhny mine in the Khabarovsk region, commissioning a world-class flotation unit at the Kirov WP in Kuzbass, and developing mining and washing assets in Buryatia. All projects, in compliance with the ESG standards adopted by the company, go hand in hand with our large-scale land rehabilitation efforts, the introduction of state-of-the-art water treatment systems and bio-diversity enhancement. The best example of this is the construction of modern water treatment systems in Kuzbass. Five modular systems using German technology have already been put into operation, and two more will be installed this spring. After multi-stage treatment and disinfection, we return drinking-quality water to the environment. Furthermore, we efficiently re-use part of the service water for production needs.

Although we have been in existence for 20 years, SUEK remains a dynamic company focused on development and diversification.

Tell us more about the new management system.

You mentioned the optimisation of capital expenditure. What CAPEX projects do you consider a priority?

In the first place, these are projects of high social importance and environmental benefits as well as projects that increase our economic value.

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Although we have been in existence for 20 years, SUEK remains a dynamic company focused on development and diversification.
**INVESTMENT CASE**

**COMPETITIVE COST-ADVANTAGE AND KNOWHOW MANAGEMENT**

SUEK is a leader in the resilient energy, logistics and premium coal markets.

**REINFORCING OUR LEADERSHIP POSITION**

**No. 6**
- electricity producer in Russia

**No. 3**
- heat producer in Russia

**No. 2**
- bulk port operator in Russia

**No. 4**
- gondola railcar operator in Russia

**No. 4**
- coal exporter globally

**MAINTAINING A LOW-COST POSITION THROUGH INTEGRATION**

Our coal producing assets are positioned at the lower end of the global cost curve due to economies of scale, highly efficient production and RUB denominated cost base.

**ROBUST CASH AND MARGIN GENERATION**

**UNDERPINNED BY A CULTURE FOCUSED ON SUSTAINABILITY**

We are committed to ensure that our ESG systems comply with the best international standards.
We have been expanding our operations in all three business segments to enhance the intragroup synergies and competitive advantages in external markets.

**ENERGY**
- In 2020, we expanded our power capacity by 19%, acquiring Krasnoyarskaya GRES-2 in the Krasnoyarsk region and Primorskaya GRES, the largest power plant in the Russian Far East.
- +19% power capacity

**LOGISTICS**
- In 2020, we diversified our logistics business into fertiliser and other bulk cargo transportation, acquiring terminals in Murmansk and Tuapse and taking under management 4,500 hopper railcars.
- +24% transshipment capacity

**COAL**
- In 2020, we expanded production in Buryatia and the Khabarovsk region to satisfy demand from target Asian markets.
- +7% washed coal

**OUR ASSETS**
- Coal assets
- Power and heat assets
- Ports where SUEK Group is SUEK Group’s major shareholder
- Scientific Research and Design Institute
- Machine building and service facilities
- New assets

17.5 GW POWER CAPACITY

>50 Mt TRANSHIPMENT CAPACITY

7.5 Bt COAL RESERVES

5 ports IN THE EAST, NORTH-WEST AND SOUTH-WEST OF RUSSIA

10 WASHING PLANTS

FOR DETAILS ON OUR ENERGY SEGMENT PERFORMANCE, SEE PP 38-43

FOR DETAILS ON OUR LOGISTICS SEGMENT PERFORMANCE, SEE PP 44-49

FOR DETAILS ON OUR COAL SEGMENT PERFORMANCE, SEE PP 50-57

OUR GLOBAL TRADING NETWORK

Northwich, UK
Gdansk, Poland
Vilnius, Lithuania
Beijing, China
Harbin, China
Moscov, Russia
Bialystok, Poland
Seoul, Korea
Tokyo, Japan
Shanghai, China
Duluth, USA
Moscow, Russia
Bialystok, Poland
Seoul, Korea
Tokyo, Japan
Shanghai, China
Hanoi, Vietnam
New South Wales, Australia
Jakarta, Indonesia
Zug, Switzerland

FOR DETAILS ON OUR ENERGY SEGMENT PERFORMANCE, SEE PP 38-43

FOR DETAILS ON OUR LOGISTICS SEGMENT PERFORMANCE, SEE PP 44-49

FOR DETAILS ON OUR COAL SEGMENT PERFORMANCE, SEE PP 50-57
**HOW WE CREATE VALUE**

Our multi-product, vertically integrated model ensures stable cash flows and value for all stakeholders at every stage of the market cycle.

**INPUTS**
- **WELL-INVESTED ASSETS**
  - 17.5 GW co-generation energy capacity
  - 110 Mt coal capacity
  - >55,000 managed gondola and hopper railcars
  - 50 Mt port transshipment capacity
  - Machine-building and service facilities

- **SKILLS AND EXPERIENCE**
  - >73,000 employees
  - 14 training centres
  - Own R&D

- **REGULAR INVESTMENT**
  - $4.5bn capital expenditure over five years

- **PROXIMITY TO CUSTOMERS**
  - 500,000 users at the Unified Heat Customer Portal
  - One of the largest coal sales networks

- **STAKEHOLDER ENGAGEMENT**
  - Equipment suppliers from 10 countries
  - Partnership with federal and regional authorities and NGOs

**OPERATIONAL MODEL**
- **ENERGY**
  - Co-generation of electricity and heat.
  - Supply to own power plants
  - Railcar and port transportation and port transshipment of SUEK’s coal

- **COAL**
  - Mining and washing of low-nitrogen, low-sulphur, high-CV coal.

- **LOGISTICS**
  - High-tech railcar transportation and port transshipment.
  - Deliveries to own power plants

- **R&D and Service**
  - Maintenance, repair, design, machine building including power turbines for hydro, nuclear and own power plants

**OUTPUT**

**Revenue ($bn)**

- International coal sales: 3.6
- Intragroup coal sales: 0.7
- Intragroup logistics sales: 1.7

**SUEK’s top international markets**

- **Japan**
  - Sales (Mt): 8.8
  - Share of international sales: 16%
- **China**
  - Sales (Mt): 8.4
  - Share of international sales: 15%
- **South Korea**
  - Sales (Mt): 5.9
  - Share of international sales: 11%
- **Germany**
  - Sales (Mt): 3.0
  - Share of international sales: 5%
- **Netherlands**
  - Sales (Mt): 2.8
  - Share of international sales: 5%
- **Morocco**
  - Sales (Mt): 2.6
  - Share of international sales: 5%

**EBITDA ($bn)**

- Energy: 0.75
- Coal: 0.5
- Logistics: 0.3

**OUTCOMES**

**OUR CUSTOMERS**
- >5.5 million people provided with central heating
- 49 countries supplied with high-CV coal
- 68.2 TWh electricity supplied from the Urals to the Far East

**EMPLOYEES**
- $1,008m employees’ remuneration

**OUR SUPPLIERS**
- $472m paid to local suppliers

**SOCIETY AND GOVERNMENT**
- $314m paid in taxes
- $14m invested in local communities, including response to COVID-19

**TOTAL ECONOMIC VALUE**
- $1.8bn
Global Energy Agenda

To meet the growing electricity demand, affordable, versatile and reliable energy sources are needed. At the same time, increased environmental and climate change scrutiny adds the requirement to reduce environmental impact.

The United Nations has set an objective of providing full access to electricity for over 850 million people who still do not have it. The planet’s population continues to grow and is increasingly urbanised. Despite the decline in electricity consumption in 2020 due to the coronavirus, global electricity demand will continue to grow by 0.7% every year until 2030.

The largest contribution to this growth will come from developing economies (3% CAGR), especially Asia where it will be driven by increased industrial production, use of electrical appliances and air conditioners. In developed countries, growth in electricity consumption amid the continued electrification of transport and heating will be constrained by improvements in energy efficiency.

Increased transport electrification could boost total electricity consumption by 6% in 2030. The rising number of electric vehicles can be explained by a reduction in costs associated with ownership, as a result of cheaper batteries and additional government incentives. By 2030, it will cost the same to own an electric vehicle as an internal combustion engine model, across all modes of transport and all key regions. There will also be a greater variety of models available and a well-developed charging infrastructure.

In terms of supply, the growth drivers will be solar and wind generation: these, according to the International Energy Agency’s outlook, will grow from 8 to 19% by 2030. At the same time, coal will remain one of the most important electricity sources, with a share of 28%.

Coal generation will address around 30% of additional demand for electricity from electric vehicles, which will total 90-180 billion kWh. Generating this amount of electricity will require from 175 Mt of coal, in the baseline scenario, to 240 Mt in the accelerated scenario by 2030.

Liquified natural gas (LNG) is one of the key fossil fuels that will compete with coal in the medium to long term. In this context, it is important to understand the potential imbalance in the global LNG market, i.e. the excess capacity that will directly compete with coal for energy markets against its potential cost.

As anticipated, in the late 2020s, demand for LNG will begin to exceed supply from existing or planned capacities, with the capacity deficit amounting to 125–175 Mt a year by 2035. With that, based on the cost curve of new projects, the incentive price for commissioning these capacities will be approximately $7/mmbtu, which corresponds to a price level for FOB Newcastle coal of around $100–110/tonne. Therefore, according to our estimates, in emerging markets coal will remain a more competitive fuel than gas until 2030–2035.
Our baseline scenario assumes slow growth in global steam coal trade at 0.1–0.2% a year.

Our baseline scenario assumes slow growth in global steam coal trade at 0.1–0.2% a year. Southeast Asian countries (Vietnam, Thailand, Malaysia, Philippines and others) developing coal-fired power industry, with an average annual demand growth rate of 5%, are becoming key drivers of consumption growth.

South Korea and Japan will remain important, as robust markets with attractive prices, but their consumption will slowly decline to reflect their decarbonisation plans.

Indian demand for imported coal is expected to grow further, supported by demand for electricity and from the cement industry.

China may reduce its coal imports, as the pace of its new coal-fired power capacity development slows down after 2025.

In the Atlantic market, consumption will continue to decrease in most of Western and Northern Europe due to regulatory restrictions on coal generation, while demand in North Africa and the Middle East will rise.

5% CAGR OF SOUTHEAST ASIAN MARKET BY 2030

Russian energy market fundamentals

In June 2020, Russia adopted its Energy Strategy to 2035. According to its assumptions and our estimates, the growth of electricity consumption in Russia is predicted to be 1.1% per year. In nominal terms, the additional consumption in 2035, as compared to 2019, will total 150–250 TWh (+14–23%), and 30–40 TWh (+5–19%) in Siberia, SUEK’s key domestic supply region.

Such growth in demand for electricity in Siberia and the Far East will mainly be triggered by new industrial facilities, the electrification and a railcar turnover increase on the Bайkal-Amur Mainline (BAM), as well as the electrification of heating in private homes. In the city of Krasnoyarsk the latter will add 0.1–0.2 TWh of consumption in 2022–2023. This growth will multiply as the heating electrification programme is replicated across other cities in Siberia, which face environmental challenges and have a large number of private households (primarily Abakan, Minusinsk and Novokuznetsk). Increases in data processing capacity will also contribute to growing power consumption.

Coal-fired power plants generate 17% of all of Russia’s electricity. This share rises to 48% in Siberia, where most of SUEK’s energy assets are located. This is a major industrial region with a good payment record and located near the main coal producing regions. Coal demand in Siberia and the Far East and capacity utilisation at coal-fired thermal power plants in those regions are influenced by hydroelectric output, which accounts for approximately 50% of electricity generation. In low-water years, hydropower plants produce less electricity, which has to be compensated for by coal-fired generation, while in years with high water levels, the opposite is true.

The aluminium industry is the major consumer of electricity in Siberia, accounting for 30% of demand. New aluminium smelters may increase Siberian electricity demand by 9% from 2025.

Increasing the lack of hydrogenation expansion projects, industrial and infrastructure projects in the region may trigger additional demand for coal-fired power.

In 2007–2016, Russia ran a state programme to support the upgrade and construction of new power capacities under capacity delivery agreements (DPD-1). In 2019, the Russian government adopted a new state support programme (DPD-2 or COMMod), which will enable power producers to upgrade 40 GW of capacity by 2031. COMMod projects are selected on a competitive (auction) basis. One of the key criteria is the lowest cost of future electricity supplies. In 2020, 15 projects with a total installed capacity of 4 GW were selected for COMMod 2026, including six SUEK’s plants.

Coal generation accounts for 95% of heat production in Siberia. The major driver of heat consumption is rising urbanisation. Under a state development programme, annual housing construction in the region will increase to 120 million m² by 2030. On the supply side, capacity development is restricted by the current tariff system based on actual costs, which makes long-term investment planning impossible. The planned transition to the long-term tariff will enable the government to increase tariffs above the rate of inflation to justify the costs of capacity upgrades and favour the co-generation of heat and power. This enables long-term investment planning for the modernisation of heat networks. Of the cities and towns supplied by SUEK,布瑞索夫 and Байкало-Амурская (in the Altai region and Krasnoyarsk and Kansk in the Krasnoyarsk region were the first to switch to the long-term tariff. In 2021, the city of Bljisk, Altai region, Abakan and Cherenogorsk in Khakassia will switch to long-term tariff setting, whereas a number of cities and towns in Kemerovo region have submitted documents to the Russian Ministry of Energy for transferring to a price zone.

The long-term heat tariff is a pricing method introduced in Russia in 2017 to calculate electricity prices, when only the maximum long-term level is set.

SUEK INTEGRATED REPORT 2020
FINANCIAL STATEMENTSADDITIONAL INFORMATION CORPORATE GOVERNANCE STRATEGIC REPORT
Russia plans to become one of the TOP-5 international exporters by 2035 and is actively developing its logistics infrastructure, including to support the growth of eastbound coal exports to 195 Mt by 2025.

In the cargo turnover structure at Russian ports, 10 key cargo items account for 95%.

The Development of Seaports federal programme assumes a 30% increase in the throughput of Russian seaports by 2030. The main goals of the project are:

- Accelerated development of terminals of paramount importance (container and coal)
- Fulfilment of the Russian transit potential
- Reorientation of Russian foreign trade cargo from the ports in neighbouring states to domestic seaports

The state programme for developing the Eastern Polygon of Russian Railways provides for increasing the throughput of the Trans-Siberian and Baikal-Amur Mainlines towards eastern ports by 55 Mt of coal by 2024.

Key Cargo Flows at Russian Seaports in 2020

The main constraint for port loading is still the throughput of Russian railways, mainly in the Far East. An increase in transshipment is possible through the capacity development of existing ports and the expansion of railway approaches. Therefore, the elimination of imbalances in the development of railway and road access routes to seaports is one of the key strategic activities.

Source: Rosmorport’s Strategy.

A 30% increase in the capacity of seaports by 2030 (Mt)

1,585

1,207

1,082

1,007

Asyo, Black Sea and Caspian

Baltic

Arctic

Far Eastern

2020

Capacity 2020

Dry cargo

Containers

Liquids

2030 capacity forecast

+378 Mt

1,207

1,082

1,007

1,207

1,082

1,007

Source: Rosmorport’s Strategy.
MEETING STAKEHOLDERS’ NEEDS

In 2020, we updated our 2023 strategy with 2025 ESG, financial and operational targets to incorporate the enlarged scale of our power and logistics businesses and an updated macroeconomic forecast.

In line with our stated Purpose, we aim to satisfy the everyday electricity and heating needs of people by producing top quality goods and services in each business segment with a particular focus on health and environmental safety.

Our KPIs enable us to measure our sustainable development, operational and financial performance. These KPIs are used to assess the performance of our people throughout the Group.

SUFFICIENT OF KEY ACTIONS

2020 PERFORMANCE

Electricity output (TWh)

PORT TRANSSHIPMENT (Mt)

INTERNATIONAL SALES (Mt)

Share of co-generated heat

Vanino capacity (Mt)

Share of washed hard coal

STAKEHOLDERS’ NEEDS

• Liquidity risk

+27%

Share of coal

+100%

Share of non-coal

+16%

Share of international sales

100%

Share of heat from co-generated heat

+67%

Share of Vanino capacity

+20%

Share of washed hard coal

We expanded our power terminals in Murmansk and Tuapse. We expanded volumes and diversity of transported loads through transporting and handling coal, ores, iron-ore concentrate. This was supported by high-CV project output of coal from high-grade Khabarovsk mines and washing plants.

We expanded sales to Asia by 3 Mt through higher supplies to Japan, Taiwan and other countries. We started stage 3 of Vanino Bulk Terminal expansion, aiming at 40 Mt. We commissioned a deep flotation unit at the Kirov WP. Tuapse WP 2, launched in 2019, reached its project capacity.

We substituted three old boilers in Krasnoyarsk and Barnaul became part of the long-term tariff, enabling us to modernise heat supply there. We managed to wash 100% of exported coal. We commissioned a deep flotation unit at the Kirov WP. Tuapse WP 2, launched in 2019, reached its project capacity.

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DELIVERING CONSISTENT RESULTS

SUEK continues to generate stable cash flow despite macroeconomic and social challenges.

Financial highlights

<table>
<thead>
<tr>
<th>Sr</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$5,063</td>
<td>$7,093</td>
<td>-34%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,169)</td>
<td>(2,927)</td>
<td>26%</td>
</tr>
<tr>
<td>Transportation costs</td>
<td>(1,183)</td>
<td>(2,719)</td>
<td>55%</td>
</tr>
<tr>
<td>Administrative and other expenses</td>
<td>(183)</td>
<td>(228)</td>
<td>24%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,273</td>
<td>2,168</td>
<td>-42%</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>30%</td>
<td>28%</td>
<td>2%</td>
</tr>
<tr>
<td>Net profit</td>
<td>194</td>
<td>749</td>
<td>74%</td>
</tr>
<tr>
<td>Net margin (%)</td>
<td>3%</td>
<td>12%</td>
<td>-9%</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>5,510</td>
<td>6,551</td>
<td>-16%</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,120</td>
<td>2,230</td>
<td>-5%</td>
</tr>
<tr>
<td>Net debt / bank EBITDA ratio</td>
<td>3.3x</td>
<td>3.1x</td>
<td>6%</td>
</tr>
<tr>
<td>Bank EBITDA/interest expense ratio</td>
<td>6.8x</td>
<td>5.5x</td>
<td>23%</td>
</tr>
</tbody>
</table>

Stable cash flow enables us to maintain our ambitious investment in capacity development and HSE, make strategic acquisitions and efficiently service our debt.

Greater diversification of cash flows and an increasing share of our stable energy business reduce revenue fluctuations and make it less dependent on volatile global coal prices. The Group’s 2020 revenue fell by 13% year-on-year on the back of a decline in Coal Segment revenue driven by low gas and coal prices for most of the year due to COVID-19 pandemic and weaker rouble. At the same time, this impact was partially offset by growth in revenue from electricity and capacity sales.

In 2020, EBITDA amounted to $1,973m, a 9% decrease year-on-year following a drop in coal revenue, which was partially offset by lower overall expenses (-16%).

The Group’s net profit fell by $555m year-on-year to $194m reflecting lower revenues and foreign exchange losses.

Investing in the Future

Over the past two years the company’s leverage has increased as a result of strategic acquisitions. What are the company’s plans in this regard?

A: M&A in recent years has expanded our offer, diversified our revenue streams and enhanced our ability to generate strong cash flow and margins. Therefore, we were able to maintain our credit ratings at BB level.

The new energy and logistics assets acquired in 2019-2020 contributed over $250m to our 2020 EBITDA. And we expect the cash flows from this investment to grow further.

What are the company’s debt financing plans?

A: We are continuing to use our traditional instruments — PXFs, Russian bonds and bilateral loans. 2020 was a challenging year as due to the pandemic most international banks did not increase their credit limits, and Chinese banks did not participate in new projects. But we continued optimising our debt portfolio — the issue of rouble bonds decreased the average portfolio rate and by refinancing part of our loans we prolonged the total debt duration. Entering the public debt markets also remains an option for us, though no decisions have been made so far.

What is the company’s capital expenditure plan for this year?

A: We are continuing to use the state supported COM/Mod (DPM-2) programme and the transfer of cities to the long-term heat tariff, which gives us assurance that our investments will pay off in ten years. In the mining segment, we use ECA secured financing to acquire mining equipment.

From EBITDA to net profit

<table>
<thead>
<tr>
<th>$m</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,273</td>
<td>2,168</td>
<td>-42%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,081)</td>
<td>(1,053)</td>
<td>3%</td>
</tr>
<tr>
<td>Income tax</td>
<td>(53)</td>
<td>(146)</td>
<td>64%</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(337)</td>
<td>(428)</td>
<td>26%</td>
</tr>
<tr>
<td>Foreign exchange profit (loss)</td>
<td>(306)</td>
<td>202</td>
<td>-54%</td>
</tr>
<tr>
<td>Net profit</td>
<td>194</td>
<td>749</td>
<td>74%</td>
</tr>
</tbody>
</table>

In total, these measures enabled SUEK to participate in the state supported programme and reduce our cost of capital.

Q: What is the company’s strategy to manage debt?

A: SUEK’s margins were sustained in 2020. How did the company manage to achieve this?

A: At the beginning of 2020, as we watched the worsening global markets situation caused by COVID-19 pandemic and declining coal prices, swiftly worked out an anti-crisis programme. We suspended the least efficient operations, optimised production plans, paid attention to the pace of priority development projects on schedule.

The new energy and logistics assets acquired in 2019-2020 contributed over $250m to our 2020 EBITDA.

$250m contribution from acquisitions in 2019-2020 to EBITDA in 2020

30% EBITDA margin

$1.7bn operating cash flow

Andrei Vanyushin,
CHIEF FINANCIAL OFFICER
Operating cash flow was $1,669m, which helped us maintain investment in key strategic projects.

The company’s net debt as at 31 December 2020 totalled $6,819m. Most of the debt was denominated in US dollars (57%); 39% was denominated in roubles and the rest in euros. The effective cost of borrowing, normalised to the rate in US dollars, was 3.1%.

The company’s key debt instrument remains dollar-nominated pre-export financing secured by international sales revenue. Additionally, in 2020, SUEK arranged a significant rouble bond programme raising RUB 44bn ($610m).

In 2020, we maintained credit ratings from international rating agencies: Moody’s confirmed its rating at Ba2, Fitch Ratings at BB with a ‘negative’ outlook, while Expert RA lowered SUEK’s rating to ruA+ with a ‘stable’ outlook. In April 2021, Moody’s returned its outlook to ‘stable’.

Moody’s Ba2

SUEK’s Ba2 rating factors in the company’s status as a global thermal coal producer; the company’s competitive operating costs on the back of the weak rouble and cost-efficiency measures as well as the ability to manage its capital spending needs; integration into power generation, which reduces volatility of financial metrics through the cycle; its vast coal reserves and high operational diversification; the company’s control over a considerable portion of its transportation infrastructure, which improves stability and reduces costs of coal deliveries; its high quality of coal products, and diversified domestic and international customer base; its sustainable revenue from domestic sales, which is not linked to seaborne benchmark prices.

FitchRatings BB

The rating affirmation reflects Fitch Ratings’ expectation that SUEK will be able to navigate through lacklustre thermal coal markets as its debt-funded recent acquisitions in energy and logistics are EBITDA-accrue.
**ENERGY SEGMENT**

**SECURE HEAT AND POWER SUPPLY**

**OUR PRODUCTS**
- **STABLE CAPACITY** provided by regularly upgraded plants
- **ELECTRICITY AND HEAT** supplied by co-generation plants
- **TURBINE GENERATORS** for nuclear, hydro and thermal power plants

**WHAT MAKES US DIFFERENT**
- 96% of our heat supply is generated by co-generation CHPPs
- Most of fuel supplies come from mines in proximity
- An increase in fuel savings and lower emissions of pollutants and CO2, when compared with the use of boiler houses
- Ensuring fuel security and stock optimisation

**KEY INDICATORS**

**PRICES IN THE RUSSIAN ELECTRICITY MARKET (RUB/MWH)**

**REVENUE ($M)**
- **Electricity**
  - 1,445
  - 1,695
  - 2,130
  - 2,189
  - 2,374
- **Heat**
  - 58
  - 70
  - 78
  - 81
  - 82

**CAPEX ($M)**
- 0.47
- 0.57
- 0.29
- 0.24
- 0.26

**LTIFR**
- 0.47
- 0.57
- 0.47
- 0.57
- 0.47

**STRATEGIC PRIORITIES**
- Increasing co-generation of electricity and heat
- Improving plant efficiency
- Renovating heat networks to reduce heat losses and the number of accidents

**RELIABILITY AND ENVIRONMENTAL FOCUS**

Q: Uninterrupted supplies of electricity and heat to homes and hospitals are vital. How did you ensure that all of your power plants continued to operate reliably during the COVID-19 pandemic?

A: We developed our ‘Ship’ plan, ensuring measures were in place to safely isolate operating personnel at the plants (or on the nearby premises) in the event of a substantial increase in the number of infections leading to the region being placed in a state of emergency. Fortunately, so far we have not had to activate this plan. The stringent disinfection measures we have put in place as well as our protocols for keeping shift workers apart have been sufficient in containing the infection rate.

Q: What are the Energy Division’s strategic goals?

A: Our key priority is to maintain an uninterrupted and high-quality supply of electricity and heat to all of our customers. Most of our plants operate within regions with extreme climates, where in summer it can be hotter than 35°C, and in winter the temperature often drops below -40°C. Therefore, we ensure regular upgrades of our equipment.

Another of our key objectives is the reduction of pollutant emissions. One way we are pursuing this is by further increasing the share of co-generated electricity and heat we produce, through the replacement of old boiler houses. The new, efficient CHPPs are equipped with electrostatic precipitators with efficiency levels of more than 99%, so will significantly reduce our air emissions within the next five years.

Q: In 2020, the DPM-2 programme was launched. What is its key objective?

A: COMMod or DPM-2 is a breath of fresh air for all of us. It creates opportunities for the large-scale modernisation of fixed assets in the energy sector, improving the efficiency and reliability of our operated facilities. In addition, we hope that the programme will act as a catalyst for domestic manufacturers: machine-engineering plants will receive new orders, since all participants in the programme are obliged to purchase locally manufactured equipment.

Upgrades will also make our generation much more environmentally friendly. For example, as part of the DPM-1 programme, we installed a boiler at our Abakan CHPP, which produces only 5 mg of solid particles per m³ of gas emitted. To put this into context, the EU standard is 20–30 mg per m³, meaning that we are able to outperform this by emitting five times less pollutants.

Oleg Petrov,
TECHNICAL DIRECTOR
OF ENERGY DIVISION
MARKET REVIEW

ELECTRICITY MARKET

2020 saw a year-on-year decrease in both the generation and consumption of electricity in Russia. This was mainly due to a general decline in production in all economic sectors caused by the outbreak of the COVID-19 pandemic and the global crisis that ensued, a decrease in electricity consumption by oil companies under the OPEC+ deal, and also higher ambient temperatures relative to 2019. According to the System Operator of the Unified Energy System of Russia, there was a 3% year-on-year decrease in electricity generation in Russia in 2020, slowing to 1,063 TWh. In Siberia, demand for electricity softened by 1% year-on-year, to 209.4 TWh. In European Russia and the Urals, electricity consumption declined by 3%, to 783.7 TWh.

Thermal power plant (TPP) output in Siberia decreased by 12% (to 89 TWh). The price of electricity in the competitive sector (day-ahead market, DAM) in Siberia increased by 0.6% year-on-year to 43.2 GW. The competitive price for capacity sales in Siberia decreased by 2.1% year-on-year to 209.202 RUB/MW/month. This was mostly due to lower demand for capacity in 2020 when compared to 2019, during the competitive capacity take-off. In 2020, capacity sales in European Russia and the Urals reached 147.4 GW, representing a 1% year-on-year increase. The competitive price for capacity sales in the reporting year rose by 2%, reaching 126,501 RUB/MW per month.

To the tariffs set by the Federal Antimonopoly Service of Russia.

CAPACITY MARKET

In 2020, capacity sales in Siberia increased by 0.6% year-on-year to 43.2 GW. The competitive price for capacity sales in Siberia decreased by 2.1% year-on-year to 209,202 RUB/MW/month. This was mostly due to lower demand for capacity in 2020 when compared to 2019, during the competitive capacity take-off.

In 2020, capacity sales in European Russia and the Urals reached 147.4 GW, representing a 1% year-on-year increase. The competitive price for capacity sales in the reporting year rose by 2%, reaching 126,501 RUB/MW per month.

Installed capacity structure by plant types (MW) as of 31 December 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Installed Capacity (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Russia</td>
<td>182,148 MW</td>
</tr>
<tr>
<td>Siberia</td>
<td>52,140 MW</td>
</tr>
<tr>
<td>Far East</td>
<td>11,116 MW</td>
</tr>
</tbody>
</table>

Source: statistical data from Russian government agencies, SUEK estimates.

+19% INSTALLED CAPACITY

BUSINESS REVIEW

SGC is one of the leading power producers in Russia, accounting for 6% of domestic electricity supply, including 20% of all electricity supplies to Siberia, and is the largest supplier of heat to the east of the Urals. The company supplies heat and electricity to over 6.5 million people in the Sverdlovsk, Novosibirsk, Kemerovo, Altai and Krasnoyarsk regions, as well as Khakassia, Tyva and Primorye.

In 2020, SUEK acquired Krasnoyarskaya GRES-2 and Primorskaya GRES, which is the largest power plant in the Far East. Including these new plants, the company’s total electric capacity now stands at 17.5 GW, while its heat capacity is 26,300 Gcal/h. The Group includes 26 coal-fired heat and power plants and one gas turbine power plant.

Most of the company’s plants are co-generation, being able to generate heat and electricity at the same time. They consume coal mined from nearby deposits. We supply heat to our consumers through our company-owned heat networks, spanning a total length of 11,000 km. SUEK’s ELSIB factory carries out the full cycle of development, manufacture and commissioning of generators and electric motors for hydroelectric, nuclear and thermal power plants.

2020 RESULTS

Our electricity sales in 2020 amounted to 88.2 TWh, representing a 24% year-on-year increase. Capacity sales totalled 14.7 GW, 47% higher than in 2019. This growth was caused by the expansion of SGC’s operations to the Urals and the Far East.

Heat sales remained at the same level as in 2019, at 35.4 million Gcal, as the decline in levels of production at our traditional assets due to weather conditions was offset by the expanded area of operations. In Krasnoyarsk, Kansk, Zelenogorsk, Kemerovo, Belovo, Barnaul, Novosibirsk, Luchegorsk and Rafsheyn, SGC gained new customers by partly as a result of replacing inefficient local boiler houses with CHPs. In 2020, the company replaced boiler houses in Krasnoyarsk, Kemerovo, Novosibirsk, Barnaul and Abakan.

In addition, in the cities of Krasnoyarsk and Belovo, SGC purchased four heat supply organisations, while in Kemerovo, Kansk and Blysk municipal boiler houses were admitted under concession agreements. The ultimate goal of this expansion is to ensure that consumers are able to switch from boiler houses to co-generation CHPs.

Energy revenue by product

- Energy sales revenue rose by 14% to $832m driven by revenue from new assets. Despite the weaker rouble, electricity sales revenue increased by 17% to $813m due to growing sales following the expansion of assets.
- Heat sales revenue decreased by 8% year-on-year due to the depreciation of the rouble.
- The cash cost of energy sold in 2020 totalled $1,884m, up 14% year-on-year due to the business expansion.
- The Segment’s EBITDA amounted to $759m, a 13% growth boosted by higher revenues.

Operational highlights

<table>
<thead>
<tr>
<th>Generation</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity (TWh)</td>
<td>65.7</td>
<td>51.5</td>
<td>24%</td>
</tr>
<tr>
<td>Heat (Gcal)</td>
<td>45.7</td>
<td>43.5</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity (TWh)</td>
<td>68.2</td>
<td>55.2</td>
<td>24%</td>
</tr>
<tr>
<td>Heat (Gcal)</td>
<td>4.5</td>
<td>3.7</td>
<td>20%</td>
</tr>
<tr>
<td>incl. reselling to the wholesale market</td>
<td>54.7</td>
<td>45.2</td>
<td>21%</td>
</tr>
<tr>
<td>Competitive market</td>
<td>13.5</td>
<td>10.0</td>
<td>35%</td>
</tr>
<tr>
<td>Regulated market</td>
<td>14.7</td>
<td>10.0</td>
<td>47%</td>
</tr>
<tr>
<td>Capacity sales</td>
<td>11.4</td>
<td>8.0</td>
<td>43%</td>
</tr>
<tr>
<td>Heat (Gcal)</td>
<td>3.3</td>
<td>2.0</td>
<td>65%</td>
</tr>
<tr>
<td>Heat (Gcal)</td>
<td>35.4</td>
<td>35.3</td>
<td>0%</td>
</tr>
</tbody>
</table>
In 2020, the company increased investment into upgrades and repairs of its heat networks by 46% year-on-year in order to reduce heat losses and improve the reliability of our heat supply. In Krasnoyarsk and Kemerovo, investment into the reconstruction and repair of heat networks was 2.5 times higher year-on-year. In 2020, the cities of Krasnoyarsk and Kemerovo, investment into the reliability of our heat supply. In Krasnoyarsk, Kemerovo, Novosibirsk, Barnaul and Abakan.

We maintained our focus on maximising co-generation, enabling us to reduce our fuel consumption and emissions per unit of energy. In 2020, we were able to combine the generation of 96% of heat and 32% of electricity.

In 2020, the company began the first phase of its projects under the ‘COMMod’ programme. In Krasnoyarsk, the company intends to improve the reliability of its heat and electricity supplies in a way that takes into consideration the city's growth potential and helps to improve 2020 environmental situation, so it has begun three key projects:

• Reconstruction of the Krasnoyarskaya CHPP-1 with a cleaning efficiency level of at least 98%.
• 14 modern electrostatic precipitators, with one also being tested.

At Tom-Usinskaya GRES, we started a DPM project for the modernisation of two boilers at Power Unit 7, the replacement of the generator, the expansion of ash dump capacity and the construction of a cooling tower with a circulation pumping station to reduce water consumption and partially switch to recirculation water supply.

In 2020, the company began design and ground preparation for the construction and installation work at Krasnoyarskaya CHPP-3 and Tom-Usinskaya GRES.

In 2020, the company increased electricity generation in 2020 by 24% to 63.7 TWh. Heat supply from all plants and boiler houses rose by 0.6% to 43.7 million Gcal, because of the expanded area of operations, namely with new consumers in Krasnoyarsk, Kand, Zelenogorsk, Kemerovo, Belovo, Barnaul, Novosibirsk, Luchegorsk and Reftinsky and the replacement of boiler houses with co-generation heat in Krasnoyarsk, Kemerovo, Novosibirsk, Barnaul and Abakan.

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LOGISTICS SEGMENT
HIGH-TECH ON-TIME DELIVERIES

OUR SERVICES
- TRANSPORTATION OF BULK CARGO in gondola cars and hoppers
- TRANSSHIPMENT OF COAL, IRON ORE, FERTILISERS, and other bulk cargo

OUR COMPETITIVE ADVANTAGES
- Own railcars and ports
- High-tech equipment
- Using the best available techniques
- Maximum control of the entire transportation cycle
- Performance leadership
- Minimising environmental impact

KEY INDICATORS

SEGMENT PRIORITIES
- Providing the shortest path to buyers
- Quick and environmentally friendly cargo shipment
- Increased railcar turnaround

DIVERSIFICATION AND OPERATIONAL EFFICIENCY

Q: Why was National Transportation Company (NTC) established?
A: The size and quality of SUEK’s and EuroChem’s transportation assets make them competitive service providers in the market. Services to third parties increasingly create value in the portfolio alongside services to SUEK and EuroChem. So we have decided to have a dedicated logistics brand.

Q: What are the strategic goals of NTC?
A: We seek to enhance our operational efficiency in order to smooth out market fluctuations and provide services to external customers. Therefore, we are increasing our fleet of gondola cars under management and exploring adjacent segments: mineral carriers, tanks with hazardous cargo and the transshipment of such cargo through ports. As for ports, to support growing exports of coal to Asia, we are contemplating a third construction stage for the Vanino Bulk Terminal (+16 Mt). In order to meet the growing demand for export of mineral fertilisers, we plan to expand the Murmansk Bulk Terminal by 5 Mt and the Tuapse Bulk Terminal by 2 Mt and we’ll operate the bulk terminal in Ust-Luga with a capacity of 7 Mt that EuroChem is now constructing. In total, our transshipment capacity will increase to 85–88 Mt by 2025, including 22 Mt of non-coal products.

Denis Ilatovsky,
CEO of National Transportation Company
MARKET REVIEW

The logistics market was affected by the impact of the OPEC+ deal on reducing oil production and lower loading due to economic slowdown.

PORT TRANSSHIPMENT

The cargo turnover at Russian seaports in 2020 totaled 821 Mt, which is 2% less than 2019 transshipment figures, primarily due to a reduction in the transshipment of bulk liquids. With that, the transshipment of dry cargo, and coal in particular, increased by 7%.

In January 2020, the Resolution of the Russian Government No. 1923 dated 27 November 2019 came into force and terminated the state regulation of prices (tariffs) for the services of natural monopoly entities at seaports. The deregulation of port tariffs allowed a flexibility and autonomy in making pricing decisions and minimised the risks of violating anti-monopoly legislation.

RAILWAY TRANSPORTATION

In 2020, total cargo loading decreased by 3% year-on-year amid a significant decrease in the domestic loading of oil (-13%) and coal (-6%). At the same time, coal shipments to premium Asian markets (-12%) and coal (-6%). At the same time, the decrease in the domestic loading of oil (-13%) and coal (-6%).

The average network performance of gondola cars fell by 3% due to the massive downtime of surplus cars, which lowered the market rate to a bottom of RUB 750 a day.

The resolution of the Russian Government No. 734 dated 22 May 2020 made amendments to the Rules of Non-Discriminatory Access for Carriers to the Infrastructure of Public Railway Transport and approved the Plan Development Rules for Export Transportation of Coal Products of Consignors (Coal Companies) by Public Railway Transport in the Eastern Direction for the Coming Month and Implementation Monitoring (hereinafter, the Rules).

The ‘fair planning’ algorithm, developed with the involvement of SUK’s experts, was the basis for the Rules prioritising cargo and distributing quotas for coal transportation to the East.

FREIGHT MARKET

In 2020, the dry cargo market was highly volatile. Having completely collapsed in the first half due to COVID-19, it rose to high figures in the second half. In the middle of the year, the recovery in global trade gave an impetus to all maritime transportation segments, and even the second wave of the pandemic and the traditional calm before the year’s end could not reverse the trend of increased transportation demand.

In 2020, SUK significantly grew its Logistics Segment and transformed it into a separate unit, National Transportation Company (NTC), as part of SUK Group. NTC is one of the TOP-3 Russian stevedoring companies.

Our ports have direct connections to the key Russian railways and boast one of the best railcar turnaround rates. Vanino Bulk Terminal (Daltransugol), a closed loading type specialised terminal in the Russian Far East, can handle the largest bulk carriers in the country. Capeolosse vessels. It is equipped with car dumpers and stacker reclaimers to unload over 1,000 railcars a day. The Murmansk Commercial Seaport, located in the northernmost ice-free seaport of Russia, is the loading port for Panamax carriers going through the Northern Sea Route. The Murmansk and Tuapse Bulk Terminals transship fertilisers and mining products.

Our ports are equipped with the latest dust suppression and water treatment systems. As for our railcar fleet, NTC is one of Russia’s TOP-5 gondola operators. We rank first in terms of daily performance, innovation, and, therefore, carbon footprint of transportation.
Over the past three years, the company has significantly increased the transportation and transshipment of third-party cargo, including iron ore, fertilisers, crushed stone and Arctic cargo. Moreover, more than 80% of the transportation of our resource and energy businesses’ needs are met by SUEK’s own railcar and port infrastructure.

Our loading and railway infrastructure gives us one of the best loading and unloading speeds in Russia. This infrastructure includes 746 km of railway tracks, 16 internal loading stations and approximately 190 locomotives, providing access to the national railway network. In 2020, we became leaders in dispatching heavy trains towards Far Eastern ports: they went along a shorter route, which reduced the load on the transport infrastructure, accelerated the rolling stock turnaround and decreased electricity use and CO₂ emissions.

2020 RESULTS
Cargo transportation in SUEK’s railcars through the Russian Railways network in 2020 increased by 5% to 109.8 Mt, including 27.3 Mt of non-coal products in the direction of export ports and back, to optimise empty mileage. This growth was facilitated by the diversification of transported goods.

Transshipment rose by 4% due to increased volumes at Vanino and Maly. The collapse of the railway bridge near Murmansk in June caused by flood resulted in a three-week suspension of the work of the Murmansk Commercial Seaport and a 1 Mt decrease of its transshipment volumes during the reporting year. The new bridge is now fully operated.

In 2020, the total revenue of our Logistics Segment amounted to $1,918m, including $252m in revenue from third-party cargo transportation and $1,666m from intragroup transportation. The 13% decrease in US dollar terms was due to the weaker rouble.

Logistics total cash costs decreased by 8% as the growth in volumes was compensated by the rouble devaluation. Specific rail transportation cash costs rose in RUB terms amidst the continued growth in operator tariffs. This was caused by a shortage of railcars against the backdrop of operational problems in the Russian railway system and rail restrictions in the eastern direction. The effect on the dollar costs was compensated by the rouble devaluation.

Specific port operating cash costs remained at $2 per tonne on average.

INVESTMENT PROJECTS
EXPANDING MURMANSK PORT TO 28 MT
We are planning to expand the Murmansk Commercial Seaport and Bulka Terminal to the annual capacity of 28 Mt by 2025 to satisfy the growing demand for transshipment of bulk loads to the Atlantic market, especially fertilisers.

In 2020, the port workers set a new daily record for railcar unloading: 508 units. In the reporting year, the Murmansk Bulka Terminal set a fertiliser transshipment record due to process optimisation. We continued to purchase high-performance equipment, including SENNIEBOGEN handlers.

2021 plans:
• Attracting additional cargo traffic (imported cargo, general cargo), analysing the prospects and the possibility of handling other cargo (including grain)
• Repairing berths and other investment projects to improve operational efficiency
• Continuing our long-term environmental programme, including using international experience in best available technologies
• Developing supplementary businesses, including bunkering and towing

EXPANDING VANINO BULK TERMINAL TO 40 MT
The expansion of the Vanino Bulk Terminal’s (Daltransugol) transshipment capacity to 40 Mt a year will be implemented in several stages in line with the development of the railway. In 2020, we began to prepare the necessary project documents. In 2021, we plan to receive an expert opinion and arrange the supply of primary equipment. The port continues its long-term environmental programme using the best available technologies, which is scheduled for completion in 2021.

We took actions to improve the existing process efficiency, maintain the quality of coal cleaning from magnetic inclusions to 10–40 kg per Panamax and reduce the fraction to 49 mm across all dimensions.

INCREASING MALY PORT TRANSSHIPMENT TO 4 MT
We will increase the transshipment through the Maly Port to 4 Mt in 2021–2023. The port is completing the construction of dust shields and its environmental programme to minimise negative impact on the environment.

In 2020, we finished dredging operations. Now the port is able to receive ships with a higher deadweight. The remaining stage is to finalise internal and external railway infrastructure to ensure uninterrupted capacity of 4 Mt a year. The prospects of further increasing the capacity to 6 Mt will depend on the initiatives by Russian Railways to expand access to the railway infrastructure.

OUR PRIORITIES FOR 2021
We plan to develop the transportation of third-party cargo using SUEK’s railcar fleet, expanding our customer base and our system of long-term contracts.

We will continue to optimise routes and railcar loading, including by transporting third-party products on circular routes to reduce empty mileage. We will further develop the technology to accelerate the turnaround of railcars together with Russian Railways, reduce downtime, use more high-capacity cars on routes to Far Eastern ports to maximise port loading and the utilisation of high-capacity cars.

We will continue to investigate possibilities for increasing the transshipment capacity of the Maly Port to 6 Mt a year with loading Panamax-class vessels. We also plan to develop a strategy for the Tsapse Port to unload at least 4 Mt a year and improve the quality of services.

One of our priorities is to contain the costs of railcar repairs by optimising planning and the selection of depots, and monitoring the wear of the main parts.

OUR PORTS ARE RECOGNISED AS INDUSTRY LEADERS
The Murmansk Commercial Seaport was recognised as the best environmental enterprise in 2020, according to the results of the annual Russian Industry Leader competition. The experts noted the successful implementation of the environmental programme, including the launch of the environmental dispatcher office, construction of dust and wind protection screens, water treatment facilities, introduction of irrigation systems, and other measures.

The Vanino Bulk Terminal became the ‘Industry Leader’ as the Marine Stevedoring Company.

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**COAL SEGMENT**

**PROVIDING HIGH-QUALITY CUSTOMISED PRODUCTS**

**OUR PRODUCTS**
- **HIGH-CALORIFIC VALUE COAL** with low sulphur and nitrogen content
- **METALLURGICAL COAL** for stable markets
- **LOW-ASH COAL** for local power plants
- **SMOKELESS BROQUETTES** for private households

**WHAT MAKES US DIFFERENT**
- >50% of high-quality coal is produced in close proximity to Asian markets
- Fleet of railcars and port infrastructures managed by SUEK
- One of the largest coal sales networks
- Ensuring SUEK is No. 1 Russian exporter to premium markets
- Ensuring control of route to market
- Ensuring we are always able to find the market with the highest net-back price

**KEY INDICATORS**

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE ($M)</strong></td>
<td>4,022</td>
<td>5,504</td>
<td>6,599</td>
<td>5,804</td>
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<tr>
<td><strong>CAPEX ($M)</strong></td>
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<td>6,599</td>
<td>5,804</td>
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<td><strong>LTIFR</strong></td>
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<td>0.72</td>
<td>0.74</td>
<td>0.69</td>
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</tbody>
</table>

**THERMAL COAL PRICE INDICES ($ PER TONNE)**

**Boosting Operational Efficiency and High-CV Coal Output**

**Q:** Which of SUEK’s products are in highest demand globally? What is being done to increase their production?

**A:** We are focusing on the production of high-CV low-emission coal, which is in high demand in the Asia-Pacific region (Japan, South Korea, and China). In 2020, hard coal output grew by 1% to 68 Mt, while the volume of coal washing increased by 7%, meeting our strategic goal of washing 100% coal for export. Khabarovsk operations, which are closest to Eastern ports, achieved a significant increase in production of 17% to 7 Mt. We extracted more coal in Buryatia, reaching our target of 15.5 Mt ahead of schedule, reflecting a 3 Mt growth in production from Nikolsky. The company also maintained high production rates in excess of 30 Mt in Kuzbass.

**Q:** To achieve this, what do you aim to do?

**A:** To achieve this, we aim to:
- Improve the transparency and accuracy of the end-to-end planning and accounting system across the business, from production units to the parent organisation, including developing a combined work schedule for key production and supporting processes and automating the collection and analysis of data from mining equipment.
- Boost the efficiency of dispatching offices; for example, optimising equipment during downtime and increasing the load and speed of dump trucks at open-pit mines.
- Improve the efficiency of repair work.

**Q:** What are you doing in terms of digitalisation of production processes?

**A:** SUEK has been engaged in production automation for more than ten years, being one of the leaders in the Russian market. Our goal is to create a uniform information landscape that ensures effective management of production processes, decision-making based on real-time data, and strict compliance with industrial and environmental safety requirements.

**Q:** What methods do you use to enhance the operational efficiency of production assets?

**A:** This is one of our priority areas. Our goals for 2021 are to reduce costs and increase production volumes through speeding up the work of sinking crews and relocation work, increasing the working face load during underground mining, and raising the efficiency of mining and transportation activities during open-pit mining.

**Q:** What are your plans for enhancing industrial safety?

**A:** To enhance industrial safety (personnel positioning and monitoring the health status of workers, forecasting and controlling gas pollution in underground mines, monitoring fire extinguishing systems in underground mines, preventing collisions and injuries by moving machinery at open-pit mines, and fatigue monitoring of dump truck drivers),
- Optimising production processes (projects such as ‘Overburden particle size control’, ‘Operational control systems for dump truck loading’, ‘Efficiency improvements for supervisory control at open-pit mines’).
- Robotising production processes (trailing the introduction of unmanned dump trucks and robotics-aided drilling rigs for open-pit mining).

Sergey Petrov, DIRECTOR OF COAL DIVISION
**MARKET REVIEW**

**INTERNATIONAL COAL MARKET**

In 2020, both international coal suppliers and importers faced challenges due to anti-pandemic lockdown measures and decreased electricity consumption caused by lower output in the industrial sector. Overall coal market sales volumes decreased by 11% to 885 Mt.

### Demand

**ASIA-PACIFIC**

Reduced electricity consumption due to COVID-19 lockdown measures and stricter environmental policies impacted Asian demand in 2020 (-9%, or -77 Mt, year-on-year), though between May and June many markets started to recover.

- **Japan, South Korea and Taiwan** accounted for 30% of the total thermal coal imports, amounting to 258 Mt. In South Korea, COVID-19 restrictions combined with anti-pollution measures reduced coal demand. In Japan, a lower share of nuclear energy in the fuel mix and higher gas prices supported coal consumption during the fourth quarter, but the imports fell by 5% year-on-year. Taiwanese imports remained flat, as buyers sourced at bottom prices and only opted out in the fourth quarter when prices rallied.

- **China** had problems in ramping up coal production to meet increased demand after the country’s quarantine measures eased. However, by the last quarter, China imposed import quotas to keep imports down, with prices rallied. China imposed import quotas to keep imports down, with China accounting for 77% of the total production (240 Mt). A large share of the high-quality coal produced in Russia is supplied to the international market.

- **Brown coal production dropped by 11% compared to 2019, to 73 Mt.** This type of coal is mainly supplied to the Russian market, to power plants and public utilities.

**RUSSIAN COAL MARKET**

The production and supply of Russian thermal coal decreased due to the warm winter and high hydroelectric output levels experienced in Russia in 2020, along with the reduction in fuel consumption in Europe due to the economic downturn caused by the pandemic and lockdown restrictions.

**Mining**

In 2020, Russian thermal coal production fell by 9% year-on-year to 313 Mt.1 Hard thermal coal production decreased by 8%, accounting for 77% of the total production (240 Mt). A large share of the high-quality coal produced in Russia is supplied to the international market.

**Export**

The Asian market remains the most important driver for the growth of Russian coal exports. Despite the quarantine restrictions, the region showed robust demand for solid fuel, and in 2020, total Russian thermal coal exports only decreased by 4% to 183 Mt.2 This can be attributed to Eastbound shipments to sea ports and cross-borders in the East of Russia rising by 5 Mt (totaling 96 Mt), which partially offset the 12 Mt drop in export shipments in the western direction, which totaled 87 Mt.3

**Sources:** Statistical data from Russian government agencies, Russian Railways data, SUEK estimates.

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1. Including PCI coal.
2. Excluding PCI coal.
3. Inbound shipments from coal mines to seaports and cross-borders.

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**TABLES**

### Thermal coal seaborne imports (Mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Atlantic others</th>
<th>Mediterranean</th>
<th>North-Western Europe</th>
<th>Pacific others</th>
<th>China</th>
<th>Japan, South Korea, Taiwan</th>
<th>Others</th>
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<tbody>
<tr>
<td>2016</td>
<td>872</td>
<td>21</td>
<td>2</td>
<td>44</td>
<td>21</td>
<td>261</td>
<td>48</td>
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<tr>
<td>2017</td>
<td>916</td>
<td>22</td>
<td>3</td>
<td>37</td>
<td>33</td>
<td>207</td>
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<tr>
<td>2018</td>
<td>964</td>
<td>22</td>
<td>3</td>
<td>44</td>
<td>21</td>
<td>261</td>
<td>48</td>
</tr>
<tr>
<td>2019</td>
<td>973</td>
<td>23</td>
<td>3</td>
<td>44</td>
<td>21</td>
<td>261</td>
<td>48</td>
</tr>
</tbody>
</table>

### Thermal coal seaborne supplies to international markets (Mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Atlantic others</th>
<th>Mediterranean</th>
<th>North-Western Europe</th>
<th>Pacific others</th>
<th>China</th>
<th>Japan, South Korea, Taiwan</th>
<th>Others</th>
</tr>
</thead>
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<td>905</td>
<td>20</td>
<td>2</td>
<td>43</td>
<td>21</td>
<td>183</td>
<td>45</td>
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<tr>
<td>2017</td>
<td>920</td>
<td>20</td>
<td>2</td>
<td>43</td>
<td>21</td>
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<tr>
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<td>44</td>
<td>21</td>
<td>183</td>
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<tr>
<td>2020</td>
<td>858</td>
<td>23</td>
<td>2</td>
<td>44</td>
<td>21</td>
<td>183</td>
<td>45</td>
</tr>
</tbody>
</table>
SUEK’s hard coal assets in the Khabarovsk region are much closer to ports used for shipments to Asian markets than the facilities of our competitors. As for our brown coal assets in the Krasnoyarsk, Zabaikalsky and Primorye regions, they are located in close proximity to energy companies which consume our low-ash coal, including those that we own. SUEK also produces metallurgical coal at the Kirov WP. Our Cheremhovsky WP produces sized coal, which is used in households in Poland. Our smokeless briquettes are used in private households in Siberia.

In June 2020, a flotation unit was put into operation at the Kirov WP in Kuzbass. The new flotation technology, the first of its kind at SUEK’s operations, maximises the washing efficiency of coal fines (0–0.35 mm), producing a high-quality concentrate (calorific values of over 6,000 kcal) with an ash content of only 8–9% from a product with an ash content of 30–40%. Previously, this technology had only been used for coking coal. The new flotation unit will increase the annual output by 150,000 tonnes. The new unit layout makes it possible to process slimes coming from the plant and from the old slime tanks. This is more environmentally friendly, reduces waste and the need for waste transportation in cities (which results in dust, noise, and polluting emissions from vehicles). The flotation unit was designed by SUEK’s own research and design institute Sibniliugelooboschenerie and the project investment now totals $13m.

In 2020, SUEK’s sales totaled 114 Mt, down 1% year-on-year. International sales remained flat year-on-year, representing a growth in the supply of high-volatile semi-coking coal in the Russian market. Coal sales to the domestic market amounted to 56.9 Mt, a 2% decrease year-on-year. Deliveries to SGC’s power plants rose by 10%, to 37.1 Mt, due to increased shipments to the region’s acquired power plants. SUEK’s main international customers in 2020 were Japan, China, South Korea, Taiwan, Vietnam, Germany, the Netherlands, Morocco, Poland and India. SUEK’s supplies to the Asia-Pacific region accounted for 61% of the company’s international sales, representing a growth of 2.8 Mt, and coming to a total of 37.1 Mt. Growing exports to Japan, Taiwan and Vietnam contributed to this increase. Atlantic sales dropped by 2.9 Mt, to 18 Mt, due to a large decline in shipments to Germany, Finland, the Netherlands, Spain, Croatia and Slovenia.

Sized coal sales, including through our own distribution networks in Russia, Poland, the Baltic states and Turkey, decreased by 7%, to 37.1 Mt. This can be attributed to warmer weather conditions that reduced the coal usage in public utilities. The challenging economic situation in Turkey and restricted shipments to China through railway border crossings. Metallurgical coal sales declined slightly to 2.8 Mt, mainly due to a surplus in the supply of high-volatile semi-coking coal in the Russian market. Coal sales to the domestic market amounted to 56.9 Mt, a 2% decrease year-on-year.

The average price of coal sold in 2020 was $4,817 m/tonne.

The price is reduced to the FOB basis for Vanino, Maly Port and the eastern borders of China for shipments to Asia, and FOB Murmansk for sales to Europe. For shipments on other terms, we exclude the costs of freight, railway transit and cross-charge infrastructure costs.
MINING
In 2020, our assets produced 101.2 Mt of coal, representing a 5% year-on-year decrease. This is mainly due to lower extraction of brown coal by 6 Mt year-on-year, while the production of hard coal increased by 1 Mt.

The company also made progress on a number of investment projects to increase production capacity at key mines, including Nikolsky in Buryatia, Pravoberezhny and Severnaya in the Khabarovsk region.

Production by type of coal (Mt)

<table>
<thead>
<tr>
<th></th>
<th>Underground</th>
<th>Open-pit</th>
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<tr>
<td>2019</td>
<td>33.5</td>
<td>67.7</td>
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<td>2020</td>
<td>32.2</td>
<td>69.4</td>
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<tr>
<td>Increase</td>
<td>-1.3</td>
<td>3.7</td>
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</table>

Production by mining method (Mt)

<table>
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<tr>
<th></th>
<th>Underground</th>
<th>Open-pit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>110.4</td>
<td>101.2</td>
</tr>
<tr>
<td>2020</td>
<td>110.4</td>
<td>101.2</td>
</tr>
<tr>
<td>Increase</td>
<td>0.0</td>
<td>0.0</td>
</tr>
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</table>

WASHING
In pursuit of our strategic target to increase the rate of production of high-quality coal and decrease our carbon footprint, the following projects were completed in 2020:

- Commissioning a flotation unit at the Kirov WP, which produced 148,000 t of flotation concentrate in 2020
- The Tugnuisky WP-2 reached its intended capacity of 6.2 Mt
- The reconstruction of the Chernogorsky WP, increasing its washing capacity from 6 Mt to 10 Mt a year
- The share of washed coal of produced hard coal rose by 3 p.p. in 2020, with coal washing reaching 44.2 Mt – a growth of 7.2% year-on-year. Thus, we washed 100% coal for export.

Washed coal and washed coal proportion of hard coal

- Brown coal
- Hard coal

<table>
<thead>
<tr>
<th></th>
<th>18</th>
<th>19</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>70.3</td>
<td>65.1</td>
<td>67.9</td>
</tr>
<tr>
<td>2020</td>
<td>73.5</td>
<td>66.9</td>
<td>67.9</td>
</tr>
<tr>
<td>Increase</td>
<td>3.2</td>
<td>1.8</td>
<td>0.0</td>
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<th>18</th>
<th>19</th>
<th>20</th>
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<tbody>
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<td>34.9</td>
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<tr>
<td>2020</td>
<td>30.5</td>
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<td>32.1</td>
</tr>
<tr>
<td>Increase</td>
<td>-0.2</td>
<td>-1.8</td>
<td>0.0</td>
</tr>
</tbody>
</table>

INVESTMENT PROJECTS
Since 2017, an innovative project has been underway in Khakassia, titled ‘Automated cargo transportation system based on unmanned BELAZ-7539R dump trucks’. The technology, also the first of its kind at SUEK operations, aims to improve the equipment efficiency and the safety of mining operations.

In 2020, the company adjusted the operation modes of the Group’s robot-aided system further following a number of tests. The updated operation modes facilitated the possibility of carrying out various rock transportation operations safely, resulting in the company approving a pilot operation to test the system.

Following these tests, results show that the productivity of unmanned dump trucks can be 20-25% higher compared with those under human control, while the consumption of diesel fuel is 13% lower.

Following such encouraging results, in 2021, SUEK will consider the possibility of incorporating the system more broadly in the business, as well as expanding the Group’s fleet of unmanned dump trucks. Total investments for this project have already reached $3.4m.

INVESTMENT PROJECTS
In 2020, as a result of the COVID-19 pandemic and its negative consequences on global markets, we optimised our investment programme through the efficient movement of machinery between our plants, cancelling or postponing projects that have the longest time trajectory to reaching profitability or those that would not have a significantly positive material impact on our business.

At the same time, we continued to invest in strategically important projects aimed at boosting sales of high-CV thermal coal and respective water treatment, land reclamation and health and safety measures.

CONSTRUCTION OF THE NOVEMBER 7TH – NEW MINE
Due to the deterioration in global market conditions, we slowed down the construction of the November 7th – New underground mine in Kuzbass, with the intention of restarting construction when the market has recovered. At the end of last year, when coal prices began to recover, we decided to commission the first longwall face at the new mine for construction to begin in the second quarter of 2021.

DEVELOPING ASSETS IN BURYATIA
SUEK continues to expand the capacity of its Nikolsky open-pit mine in order to replace the Olon-Sibirskoe deposit which is being retired. To increase this capacity we purchase additional dump trucks for coal transportation to the washing plant.

The company made a number of decisions to relocate equipment in order to expand the mining capacity beyond its current 15.5 Mt a year. In 2020, the new fine-size coal washing plant successfully reached its design capacity, which will enable the company to improve the quality of shipped coal and increase the number of deliveries to premium Asian markets.

DEVELOPING ASSETS IN THE KHABAROVSK REGION
In 2020, we further developed our Urgal operations, which are situated less than 1,000 km away from the Varinio Bulk Terminal, and have no significant transport restrictions. During the year, we relocated some of the equipment from the Bureinskii open-pit mine to Pravoberezny, as seen as a more promising and efficient site.

This makes possible an acceleration of the development of Pravoberezny to its target capacity of 6 Mt. Looking at the effects of this optimisation, production in 2020 totalled 3.2 Mt, while in 2019 it was only 2 Mt. In addition, at the Severnaya mine, we continued the transition from two to one high-performance longwall faces, while maintaining the production target of 4 Mt per year.

OUR PRIORITIES FOR 2021
SUEK also plans to increase production and sales of high-CV thermal coal with a calorific value of more than 5,800 kcal/kg. Thus, we will aim to wash more coal at the Chegodymny WP and the Kirov WP, and further develop coal quality management systems in Buryatia and Kuzbass.

SUEK also plans to maintain stable supplies to the domestic Russian market. Improving production safety remains a priority. We stay committed to minimising accidents and fatalities, and more generally continuing to work on the reduction of occupational injuries. We will also continue to introduce georeferencing systems in its underground mines.

We will continue to develop our mining assets such as the Pravoberezny open-pit mine, as well as the Yaleyevsk, Talitsinsky Zapadnaya-2, November 7th – New and Severnaya underground mines. We will also accelerate the development of our underground mines, reduce the duration of relocation work and improve production rates for the dump trucks at our open-pit mines.

In 2021, we will continue the trial operation of unmanned dump trucks in Khakassia and will consider the possibility of replicating this experience. We also plan to implement in Kuzbass the first pilot projects to switch from transporting materials and people to the mine using monorail and ground transport (travelling at a speed 2–3 km/h) to using more efficient pneumatic vehicles (with a travel speed 20 km/h).

1 Project to replace an old mine that was closed.
We recognise our responsibility to remain a good corporate citizen, particularly when it comes to caring for the environment, local communities and our people. This means making a positive contribution to society and working transparently and responsibly to create lasting benefits for all stakeholders.

In order to verify these material topics during the reporting period we surveyed our top managers, employees and external stakeholders to understand which topics defined in 2019 are still considered a priority for 2020, and which additional areas they considered significant for the year. Consequently, internal and external stakeholders identified the following material topics for 2020: financial performance and delivery of the investment programme and operational efficiency in terms of our energy efficiency measures. Health and COVID-19 resistance ranked highest on every stakeholder’s agenda.

Engagement highlights in 2020

The pandemic moved a lot of communication channels to an online format. We started a series of online interviews with management on social media, where employees and other participants could ask their questions. We launched a Public Control Map for heat customers, where they could measure the temperatures in their house and compare it to the indoor temperature in other houses or districts. Many business meetings and conferences were held online.

### Locals Evaluate Preparedness of City Heat Infrastructure

Working with activists from the public organisation ‘All-Russian People’s Front’, SUEK checked the condition of the most vulnerable sections of the heating network in preparation for the heating season in the Kemerovo and Krasnoyarsk regions. These sections were identified based on applications previously sent in by residents. During the inspection, SUEK’s experts discussed problems related to the heating network and provided updates on our plans and deadlines for the resolution of issues. The locals received clear confirmation of the difference between the sections where SUEK has already carried out pipeline repairs, and where work had not yet taken place. Following the visit, we created a permanent commission that monitors resident complaints and, if necessary, goes out on joint inspection visits. Every year we organise offline meetings at SUEK’s facilities with deputies of the Krasnoyarsk City Council. In 2020, they inspected facilities for capital repairs and investment programmes at our heating networks. The deputies saw first-hand how repair work was conducted as well as assessing the safety of the site for locals. In addition, they were able to see how we make sure that the work does not infringe on the interests of locals, and helps improve the reliability of heat supply.
Q: What are your focus areas for employee development?
A: The development of young specialists and the support of our vocational training institutions, including the Corporate University, the Mining School scientific and practical forum, visits to the world’s leading mining and energy companies, and providing additional training on demand. SUEK pays attention to rationalisation ideas. Among them, for example, optimisation of the locomotives movement to reduce their downtime and prevent possible accidents, changes in the technology of assembling engines, motors and other parts, proposals for improving household conditions and others.

Q: How do you motivate people to uphold SUEK’s corporate values?
A: We will be expanding our KPI system to establish the connection between annual goal-setting and mid-term goals. We will also add KPIs related to talent management, succession planning, increasing the attractiveness of the employer brand, corporate culture and social policy.

One more important step in this direction is introducing a new element of performance assessment (‘Dialogue on performance and development’) to discuss the results of the assessment period and identify areas for further development. This tool will help us synchronise efforts across manager-employee-HR interaction and ensure team development. This also gives executives an opportunity to increase efficiency in achieving their unit’s goals, and it gives employees a clear understanding of how they can improve their own performance and development prospects.

Q: What are your priorities for employees?
A: Our aim is to develop and retain a diverse and talented workforce and help our teams to make a meaningful impact in their work. This is especially important when we talk about the regions located far from the centre of the country, where we see a shortage of vocational training institutions, underdeveloped housing infrastructure and, as a result, brain drain.

Therefore, we will keep investing in our people, offering real opportunities to grow their knowledge, skills and capabilities as well as strive to increase the quality of living/housing conditions for them and their families.

Q&A WITH HR DIRECTOR

NATALIA’S EXPERIENCE

Natalia is a highly-experienced leader who contributes to SUEK by bringing organisation development expertise, gained from working across a wide range of industries. She has worked in HR executive positions for Coca-Cola, the Automobile Dealers’ Association Musa Motors Corp. and headed the Project Office, Production System Implementation Programme, Corporate University and dealt with organisational changes in Sibur.

Natalia supports a Women’s Leadership, which is a women’s business community.

SIBUR

Programme, Corporate University and headed the Project Office, Production System Implementation Programme, Corporate University and

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Effective risk management enables us to make risk-based business decisions for delivering long-term value to our shareholders and fulfilling our obligations to other stakeholders.

RISK MANAGEMENT AND CONTROL
SUEK’s Board of Directors oversees the risk management processes and annually evaluates the effectiveness of these activities. SUEK’s management conducts risk assessments when developing strategies and business plans. On this basis, it sets performance targets. At least once a quarter, the Risk Committee under the CEO holds meetings to address matters related to changes in controlled risks and, as necessary, makes adjustments to the risk management action plan and the risk management system. The Risk Committee under the CEO regularly submits risk-adjusted Group performance reports to the Audit Committee of the Board of Directors.

Our risk management team gives methodological advice for decision making, planning, budgeting and performance management. We regularly assess the effectiveness of our risk management techniques through financial testing based on historical data. Risk mitigation measures imply the selection of risk reduction options in the process of decision making/done business and its further minimisation.

RISK-BASED DECISION MAKING

RISK IDENTIFICATION
Proposals to make strategic decisions or approve new Group activities include an assessment of specific risks and the company’s appetite for risks of this type. In doing so, we involve relevant stakeholders and communicate the assessment results to key managers and other stakeholders.

RISK ANALYSIS
Risk assessment informs management and key stakeholders of the risks associated with making/not making a decision, taking/not taking action, agreeing/not agreeing on an initiative or budget. A variety of risk management techniques makes it possible to describe the consequences of certain decisions in particular and on the company’s goals in general.

RISK-BASED DECISION MAKING

We strive to strike the balance between risk and potential reward as far as the company is ready to make such decisions. Based on the results of risk assessment, SUEK’s management may accept the risk, modify it using available mitigations methods, transfer or share the risk, or reject a risky decision.

ADAPTING TO A NEW REALITY

Q: What key risks can you name in 2020 and how did effective risk management help in their mitigation?
A: In response to the challenges of 2020, the Board of Directors initiated a revision of the company’s risk management practices. The management enhanced the use of quantitative risk analysis in the decision-making process. This enabled us to respond proactively to COVID-19 and helped us to mitigate the pandemic’s potential impact on our personnel, supply chain, liquidity and customers.

The company views the pandemic as a group of interrelated risks that require a quick response. In all countries where we operate we complied with the local regulations aimed at preventing the spread of the pandemic. We analysed the whole supply chain from our production to final customers and took measures to ensure business continuity. We double-checked with suppliers the schedule of parts and services delivery and accordingly adjusted the maintenance programme.

We introduced the necessary sanitary measures at operational facilities and in our offices, including social distancing, regular COVID-19 testing. We started monitoring daily the situation at key commodities and financial markets taking necessary actions. We kept close interaction with our customers to adjust coal and heat supplies according to their requests. We strengthened our IT infrastructure to meet the increased demand due to distant work for the major part of office employees.

Another important project in 2020 was an in-depth analysis of SUEK’s heating oil, hot water and hazardous chemicals storage facilities after an accident at one of Norilsk Nickel’s assets. Our analysis showed that there were no significant risks.

Q: How does the company transfer its risk management?
A: The Group is introducing stochastic risk analysis into the processes of strategic planning and investment decision making. We test hypotheses, improve our understanding of the key parameters, calculate the goal achievement probability, stress test project portfolios, strategically assess risks and enhance our strategic decision-making. Automating this feature enables risk-adjusted key indicators to be checked on request. Through regular backtesting we test and continually increase the effectiveness of various risk analysis methods used.

Q: What risks do you expect to increase in 2021, and how is the company preparing for them?
A: The company defines emerging risks and uncertainties that arise from known or previously unconsidered sources, but which are not clearly visible, understood or available for end-to-end assessment. Among others, we distinguish such risks as climate change, sustainable development of the company’s business, cyber risks and the impact of the pandemic.

Michael Baumgartner,
CHAIRMAN OF THE AUDIT COMMITTEE
OVERVIEW OF KEY STRATEGIC RISKS

RISK MANAGEMENT / CONTINUED

MARKET RISKS

Risk of reduction in coal demand and prices

The company’s financial and operational performance may be affected by a reduction in coal demand and prices in the export market in the face of oversupply or growing demand for other types of energy.

Actions to mitigate the risk

We regularly update our forecast for commodity prices based on in-depth supply and demand analysis and, if necessary, adjust accordingly our strategy for long-term contracts. In 2020, control over key macro parameters was exercised every day. Own processing and logistics facilities enable us to consistently supply demanded high-quality products to international markets. We expand our presence in emerging coal markets. We also constantly improve production efficiency to maintain profitability.

2021 forecast

The negative impact of the coronavirus pandemic on industrial production and electricity consumption may continue in 2021 to some extent.

Strategic priorities

Efficient growth

Maintaining a robust balance sheet

Financial stability and development

High-quality products

Operational efficiency

Material matters

Lower electricity demand amid the coronavirus pandemic and low gas prices in the first half of the year resulted in more pressure on key coal indices.

MARKET RISKS

Risk of reduction in power plant load and electricity prices in the wholesale electricity market

SUEK’s operations may be affected by a decrease in the load of thermal power plants and a drop in electricity prices in the wholesale market due to market (lower demand, excess supply), weather (higher water levels, average annual temperature), regulatory and general economic factors (global crisis, etc.).

Actions to mitigate the risk

SUEK continuously improves methods of operational planning and market forecasting and increases the loading efficiency of power plants. We also cooperate with infrastructure organisations of the wholesale electricity market regarding changes in the regulatory parameters affecting pricing and plant loading procedures.

2021 forecast

The increased risk will remain due to the expected high utilisation rates at hydroelectric power plants to double significant water reserves accumulated in 2020 and in view of the ongoing reduction in electricity demand due to the pandemic. The risk can be partially offset by an increase in electricity consumption following the commissioning of the Talsait alumina smelter.

Strategic priorities

Efficient growth

Maintaining a robust balance sheet

Financial stability and development

Material matters

Risk of reduction in demand and prices in the capacity market

SUEK’s activities may be affected by lower than expected growth rates in capacity demand due to the halted commissioning of large industrial facilities in Siberia, a background decrease in capacity consumption because of general economic factors (global crisis, etc.), and ongoing regulatory changes.

Actions to mitigate the risk

We monitor market demand, interact with infrastructure organisations in the wholesale electricity and capacity market in terms of improving regulatory parameters and cost parameters of the capacities market. SUEK honours all commitments to bring existing and new commissioned capacity to the market, minimising the risk of receiving fines for non-compliance.

2021 forecast

The increased risk will remain due to a sliding capacity demand in the context of the global crisis caused by the coronavirus pandemic.

Strategic priorities

Efficient growth

Maintaining a robust balance sheet

Financial stability and development

Material matters

Risk of changes in electricity tariffs for residential customers and heat tariffs

The company’s operations may be affected by heat and power tariffs set by state regulatory authorities and non-compliance with obligations to raise heat tariffs as part of the ‘alternative boiler’ model by municipal authorities.

Actions to mitigate the risk

According to the Russian law ‘On heat supply’, the heat tariff includes the price for an ‘alternative boiler’ and the current forecast of macro parameters. As a result, the price determined in mid-2020 for the second half of 2021 for one of our cities of presence, Barmen, turned out to be lower than the current price because of a low macro forecast which affected the calculation of capital costs for the ‘alternative boiler’ construction.

2021 forecast

We closely monitor the situation and cooperate with regulators regarding changes in tariff setting methods, with switching to long-term tariffs as top priority.

Strategic priorities

Efficient growth

Robust balance sheet

Financial stability and development

Material matters

REGULATORY AND LEGAL RISKS

Regulatory risk

Our operations are governed by laws and regulations, covering natural resource management, industrial safety, transportation, heat and power industries.

Actions to mitigate the risk

We constantly monitor proposed projects to amend legislation in Russia and other countries of operation, and review law enforcement practices, taking into consideration the company’s activities. This enables us to quickly adapt our business processes and organisational structure to any changes in the legislative environment, and to operate in full compliance with the current regulatory and legal framework.

2021 forecast

SUEK’s representatives are actively involved in governmental policy panels for the power and transportation industries.

Strategic priorities

Efficient growth

Operational efficiency

Robust balance sheet

Sustainable development

Material matters

Corporate governance, risk management and compliance system

In 2021, we expect the active enforcement of Russian federal laws passed to reform supervisory activities.

This process will be limited to inter-sector rule making (setting new requirements to replace those canceled by the “regulatory guidelines”) and reshaping the entire state control (supervision) mechanism.

In this regard, the company will be required to take various regulatory and additional measures in order to adapt its activities to new regulatory requirements, including SUEK’s participation in the digitalisation of state control aimed at health and environmental safety.
RISK MANAGEMENT / CONTINUED

FINANCIAL RISKS

Foreign exchange and interest rate risks

Changes in market indicators, such as currency exchange and interest rates, can have an adverse effect on the company’s balance sheet. SUEK analyses the risks relating to changes in currency exchange and interest rates on a regular basis. We believe that we have acceptable limits and achieve optimal profitability where possible. We also use natural hedging as a significant part of the company’s revenue and the majority of our loans are denominated in US Dollars or hedged. We hedge risks using forward exchange transaction instruments as well. In 2020, the company refinanced its major loan obligations at lower rates.

Inflation risk

The rise in inflation in Russia may lead to higher resale expenses for personnel and the purchase of equipment and services.

Credit risk

Increase in overdue receivables under domestic coal, heat and power supply contracts, and the transition of overdue receivables to problematic or collectible accounts can result in direct losses for the company and restricted access to debt capital markets.

Liquidity risk

Liquidity risk is directly related to cash turnover. It arises if the company cannot fulfil its payment obligations on time. It is often linked to the effects of inflation, foreign exchange and interest rate risks. The effective management of liquidity risk requires maintaining an adequate level of cash and cash equivalents while ensuring the prompt raising of funds using available lines of credit.

RISK MANAGEMENT / CONTINUED

OPERATIONAL RISKS

Production risk (energy generation)

The main factors affecting the generation and sale of electricity and heat are the physical wear and tear of equipment, including heat networks, its downtime, underutilisation of the impact of possible failures, non-fulfilment by suppliers and contractors of their obligations, etc. The increased risk will persist due to an industry-wide decline in the reliability of suppliers of parts and services. We will also continue to integrate new assets and develop a programme for the maintenance and modernisation of equipment.

Risk management #gas-fired generation

SUEK’s Novokuznetskaya Gas Turbine Power Plant (GTPP) is the first greenfield generation facility built in Siberia after 1991. Its commercial operation began in 2014 and investments exceeded $200m. The Novokuznetskaya GTPP is unique for the Siberian energy system, as it can quickly gain power in emergencies, which cannot be achieved at other generation facilities. South Kuzbass is an energy-deficient, densely populated and industrialised region. Power grid restrictions make it impossible to respond promptly and adequately to surges in electricity demand, which may be triggered by various factors and cannot be always predicted by the System Operator. Therefore, the efficiency of our gas turbine power plant is measured not by its operating time, but instead by its ability to activate promptly and at full capacity when the Russian grid operator requests to do so. Each activation occurred when there were no alternative solutions to supply South Kuzbass consumers.

Cyber risk

Effective management of risks related to cyber attacks and employee errors helps us minimise and avoid the leakage of confidential information, network security breaches, system recovery costs, cyber outages, protection costs associated with regulatory requirements, etc.

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE
**Risk of restricted infrastructure availability**

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Changes over 2020</th>
<th>Actions to mitigate the risk</th>
<th>2021 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced access to railway and port infrastructure, electricity networks and water facilities can result in higher operational costs because of downtime at our production units.</td>
<td></td>
<td>We are committed to building long-term solutions with infrastructure providers. When signing contracts, we pay special attention to the technical conditions and servicing of railway tracks, connecting stations, railway and port-loading facilities, electrical substations, power and heat networks. We also invest heavily in developing our own infrastructure that is critical to our business, such as the Vemraiski RIS Terminal, Murmansk Commercial Seaport, our railcar fleet, generating companies, etc.</td>
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</table>

**SUSTAINABILITY RISKS**

**Health and safety risk**

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Changes over 2020</th>
<th>Actions to mitigate the risk</th>
<th>2021 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various internal (disruption, adverse geology, low coal quality) or external factors (higher prices of materials and services, failure of suppliers and contractors to fulfill their obligations, natural and other factors) can hinder the achievement of our production targets. This may require additional expenses, resulting in an increase in production costs, and cause accidents and emergencies at our production facilities.</td>
<td></td>
<td>At our coal units, we use safe, low LOI (Loss on Ignition) deposit development models. They enable each production unit to check its budgeted and actual expenses with LOI on a regular basis. As part of this process, we pay special attention to operational-efficiency projects. Moreover, we use monthly LOI-enabled management to rapidly assess the performance and, if necessary, adjust our actions to improve the situation. As for emergencies, we continuously monitor hazardous situations at all stages of our operations, caring about compliance with safety requirements at our production sites and geological characteristics at all mining facilities. All emergencies and off-normal situations are thoroughly investigated with the involvement of sectoral experts.</td>
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</table>

**Human resource risk**

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Changes over 2020</th>
<th>Actions to mitigate the risk</th>
<th>2021 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to recruit and retain qualified personnel can result in missed production targets and increased costs. A decline in birth rates and underdeveloped housing infrastructure in the regions where we operate, plus a shortage of vocational training institutions and low levels of professional skills among graduates, complicate recruitment.</td>
<td></td>
<td>SUEK has a system of employee training and professional development. We pay attention to motivation issues and fair remuneration. We also support talented vocational college and university students in acquiring the skills and opportunities at SUEK’s facilities. Besides, we implement projects aimed at social development, including improving housing conditions in the regions where we operate.</td>
<td></td>
</tr>
</tbody>
</table>

**Environmental risk**

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Changes over 2020</th>
<th>Actions to mitigate the risk</th>
<th>2021 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>The environmental risks related to coal mining, washing, transportation and coal-fired power generation imply environmental damage, including contamination of soil and water, land disturbance by mining activities. In the event of their realisation, possible claims from supervisory bodies may affect the operational and financial performance of the company.</td>
<td></td>
<td>SUEK carefully monitors compliance with all environmental norms set by law in the countries where we operate and sell our products. Our policies are regularly audited, including by international agencies. We take every effort to reduce environmental impact, pollutant emissions and waste. We install electrostatic precipitators with efficiency over 99% and tall stacks at all power plants, ensure safe ash and slag disposal, utilise mine methane and waste, rehabilitate disturbed lands, employ state-of-the-art anti-dust measures and operate pollutant-boost closed water circulation systems at our production facilities. We also increase coal washing to reduce the environmental and carbon impact of our products during their transportation and use.</td>
<td></td>
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</tbody>
</table>

**Possible Risks and Opportunities**

When assessing risks, we compile a list of possible risks and opportunities, the impact of which is currently not determined. Potentially the most significant ones are shown in the table below. We control these risks in accordance with our risk management process.

<table>
<thead>
<tr>
<th>Context</th>
<th>Actions to mitigate the risk</th>
<th>2021 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate agenda</td>
<td>We closely monitor changes in climate and environmental regulation.</td>
<td></td>
</tr>
<tr>
<td>COVID-19 pandemic</td>
<td>In 2020, COVID-19 had a certain negative impact on industrial production and electricity consumption. As there is no clear forecast regarding the end of the epidemic and potential restrictive measures, pressure on consumption may continue.</td>
<td></td>
</tr>
</tbody>
</table>

**Material matters**

- Cash flow and capital adequacy
- Financial stability
- Operational efficiency
- Strategic priorities
- Sustainable development
- Material aspects
- Fair remuneration
- Material aspects
- Environmental impact
We contribute to the sustainable social and economic development of our regions in order to improve the living standards of present and future generations.

OUR APPROACH
SUEK supplies heat and electricity to millions of people, provides thousands of jobs in 14 regions of Russia and delivers products to dozens of countries around the world. We understand our responsibility and do our best to maintain the sustainability of our business at any stage of the market cycle.

We also recognise that our work should contribute to broader public goals, including those set out in the United Nations Sustainable Development Goals (UN SDGs). We seek to minimise our impact on the environment while maximising our positive impact on society. SUEK reaffirms its commitments to human rights, fair labour relations, business integrity and anti-corruption.

Some of the UN SDGs are especially important to us, since they are most relevant to the sectoral orientation and strategy of the company, along with the interests of SUEK’s stakeholders. They are affordable and clean energy, responsible consumption and production, good health and well-being of employees and local citizens, decent work and economic growth of the regions in which we operate, sustainable development of cities and communities and strengthening partnerships to achieve it.

There are people that are skeptical about the use of coal. The reality is that coal plays a key role in many parts of the world as a reliable and affordable energy source, especially in the economic development of emerging countries. As we continue to reduce our carbon footprint through the use of technology and best practices, it is our responsibility to ensure that this demand can continue to be met in a responsible manner.

Michael Hogan,
CHAIRMAN OF THE HSE COMMITTEE
SUSTAINABILITY MANAGEMENT

SUEK’s top executives are actively involved in the strategic management of SUEK’s sustainable development. The Board of Directors and management regularly review ESG issues at Board meetings. Board Committees oversee assessment of the sustainable development strategy in health, safety and environment, climate issues, energy efficiency and ethics risks while taking strategic decisions, remunerating top management and reporting to external audiences. In February 2021, SUEK’s Board established a dedicated HSE Committee and the position of HSE Officer. The main responsibility rests with the CEO. The HSE Officer supports the CEO through supervising the strategy implementation, development and introduction of policies and standards, mitigation of key sustainability risks, and ensuring cross-functional communication between top managers and experts.

SUEK’s dedicated departments in the regions implement and improve our sustainable development activities.

For more details on issues considered at Board meetings, see page 118

SUSTAINABILITY RISK MANAGEMENT

SUEK runs a risk management system aimed at minimising risks and achieving strategic goals across all business areas. Sustainability risk management is a part of the company-wide risk management system. The most significant risks are those related to the health and safety of our employees, environmental safety, influence recruitment and retention of qualified personnel.

We also pay attention to the climate agenda, which could have an impact on our operations or business reputation. SUEK’s projects are intended to reduce the company’s carbon footprint, including optimisation of fuel use and electricity consumption and forestry projects. We plan to enhance monitoring of our product flow in the supply chain and assess indirect emissions.

SUEK is continuously introducing technologies for low-emission production and use of coal, including methane utilisation, new coal processing technologies, improving the energy efficiency of our power generating and heat supply facilities, mining and transportation companies. SUEK’s Energy Management System was developed in compliance with ISO 50001 International standards. Our units approve its annual Energy Saving Programme oriented to reducing and optimising energy consumption.

In 2020, SUEK for the first time complied with the requirements of ISO 55001 for the asset management system. The key reason of its implementation is improving asset reliability and performance and achieving the maximum return on them throughout the entire life cycle.

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When implementing its sustainable development strategy, SUEK adheres to the best international practices and strict industrial and environmental safety standards. The integration of our businesses allows us to control industrial and environmental safety at all stages of the operational cycle and exchange experience and best practices.

Oleg Nikolaenko, HSE DIRECTOR

Since February 2021.

1 Since February 2021.

KEY INTERNATIONAL PRINCIPLES AND STANDARDS

Our approach to sustainability and disclosure in this area is guided by key international principles and standards, including:

- ISO
- UN Global Compact
- Social Charter of Russian Business
- Global Reporting Initiative (GRI) Standards

SUEK’s units are systematically audited for compliance with the following international standards:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 55001 Asset Management System
- ISO 37001 Anti-Bribery Management System
- ISO 19600 Compliance Management System

When implementing its sustainable development strategy, SUEK adheres to the best international practices and strict industrial and environmental safety standards. The integration of our businesses allows us to control industrial and environmental safety at all stages of the operational cycle and exchange experience and best practices.

Oleg Nikolaenko, HSE DIRECTOR

Since February 2021.
SUEK’s strategic priorities in environmental protection are closely linked to the UN SDGs, focused on the sustainable use of resources and preserving aquatic and terrestrial ecosystems.

2020 PRIORITIES

- Ensuring the environmental safety of our facilities
- Improving the environmental management system through organisational and internal regulatory changes, introduction of best available technologies
- Reducing of negative impact on the environment
- Introducing corporate policies and best practices at new assets

2020 RESULTS

- 0 MAJOR ENVIRONMENTAL ACCIDENTS
- -13% WATER CONSUMPTION PER UNIT OF ELECTRICITY

OUR REGULATORY FRAMEWORK

- Russian environmental protection laws
- SUEK’s Environmental Policy
- SUEK’s Energy Policy
- SUEK’s Compliance Policy
- SUEK’s Coal Quality Policy
- ISO 14001 standards
- ISO 50001 standards
- Bettercoal Code
- UN Global Compact

1 The environmental and social performance includes the results of acquired Krasnoyarskaya GRES-2 from October 2020, Primorskaya GRES from August 2020, Refractories GRES from July 2020. Murmansk and Tuapse Bulk Terminals are not included.
Our assets pass regular certification to ensure that their environmental management systems comply with the ISO 14001 international standards as well as undergo audits by other Russian and international independent organisations, such as Bettencourt (coal assets), Nomura Research Institute (Varinio Bulk Terminal). In 2020, AFNOR audited SUEK’s facilities in the Krasnoyarsk region and Khakassia and confirmed the high level of our environmental management practices including risk management. The Murmansk Commercial Seaport received the Platinum Certificate of Compliance with the Clean Port environmental standard1. In the reporting year, we invested $41m in new environmental technologies and protection measures. Thanks to the ongoing work of our environmental services and employees, there were no major environmental accidents or incidents resulting from SUEK’s activities in the reporting year.

ENVIRONMENTAL ASSESSMENT OF CONTRACTORS

SUEK includes compliance with environmental requirements as a prerequisite in its agreements with contracting organisations. Compliance with SUEK’s environmental policies and requirements is mandatory for all the contractors and subcontractors working at our production sites. We monitor compliance and conduct inspections throughout the entire period of their engagement, and non-compliance leads to contract termination.

STAKEHOLDER ENGAGEMENT

When planning a construction or expanding production and logistics facilities or introducing new technologies that are subject to state environmental impact assessment, we hold public consultations for environmental impact assessment. We inform our stakeholders about planned projects and their possible impact on the environment. We analyse suggestions received during public hearings and, if appropriate, adjust the relevant project documents accordingly.

PROMOTING ENVIRONMENTAL AWARENESS

SUEK promotes environmental awareness among its employees and local residents. We organise annual environmental safety conferences within the company and invite external experts to participate. Every year, we hold clean-up and tree-planting days involving local residents and actively promote corporate volunteering under various ecological projects. Environmental experts at our assets receive regular newsletters which include international and Russian environmental issues, legal and arbitration practices and information on the best environmental practices of the leading companies. SUEK’s training programmes for production staff include an environmental focus and are aimed at studying new environmental protection measures, reporting forms and certification conditions, the current requirements of regulatory and supervisory authorities.

MANAGEMENT SYSTEM

SUEK’s Board of Directors and CEO closely monitor the progress of our environmental protection strategy and activities. Each division of the company has a dedicated department in charge of improving environmental management. In order to increase the level of governance and focus of environmental issues, in February 2021, SUEK’s Board of Directors created a dedicated Health, Safety and Environment Committee and approved the establishment of the role of the Group’s Health, Safety and Environment Officer reporting to the CEO. Environmental KPIs for management and employees at our assets include the provision of environmental permits, impact reduction per unit of products and increased waste reuse.

69% OF SUEK’S ASSETS HAVE PASSED EXTENSIVE ENVIRONMENTAL AUDITS

The ecological modernisation of Krasnoyarskaya CHPP-1 started in 2018. In addition to the replacement of stacks, the programme includes the construction of electrostatic precipitators with an efficiency of 99%, which will complement the existing battery cyclone installations for collecting particulate emissions.

SUEK plans to commission 14 electrostatic precipitators at the plant until the end of 2024. Their input will be carried out one by one. In the reporting year, the first filter was launched, which will reduce the plant’s pollutant emissions by 6% annually.

We carefully monitor our compliance with Russian laws and ensure we hold the relevant permits to operate. At the end of 2020, SUEK had -95% of these permits, with the rest in the process of being prepared.

AIR PROTECTION

At all of our assets, we monitor the air in the sanitary protection zone involving both our laboratories and third-party accredited laboratories. In line with our strategy, in 2020 we began the installation of a 24/7 emission monitoring system at our power plants, with the pilot project in Krasnoyarsk.

In 2020, specific emissions of pollutants remained at the same level in the Energy Segment and slightly decreased in the Coal Segment.

SUPPRESSING DUST

We seek to minimise coal dust at all stages of our operating cycle, from mining to power generation and transshipment at ports, in order to ensure safe working conditions for employees and protect nearby areas from dust. At all of our production sites, we use the best available techniques:

- Sprinkling equipment and fog-generating units at our open-pit mines and ports;
- Protected telescopic conveyors for coal loading at washing plants, ports and power plants;
- Dust vacuum cleaning machines and vehicles.

In the reporting year, we began to re-evaluate our dust suppression equipment in use to select the most efficient and appropriate ones. We are constructing dust and wind shelters at our ports to prevent the wind blowing away the dust. At the Murmansk Commercial Seaport, we completed this project in 2020, with the wind shelters now surrounding the whole border of the port on the land. At the Varinio Bulk Terminal in the reporting year we made progress on the necessary design and research work, while at Maly Port, we continued the installation of protective shelters.

The Murmansk port has an Environmental Dispatching Office, carrying out environmental forecasting functions. We plan to introduce a similar system based on the existing local monitoring information system at Varinio.
WATER MANAGEMENT

SUEK operates in regions with large natural water reserves and does not place local communities or the environment at risk of water shortages. The company does not use water from vulnerable or state-protected sources, or from sources of particular importance to local communities or to biodiversity.

OPTIMISING WATER CONSUMPTION

We make efforts to minimise water intake from external sources and increase water reuse.

The main use of water resources in the SUEK’s energy segment is related to the cooling of power plant equipment. No water used for turbine cooling comes into contact with the contaminated circuit. Collected storm water is treated at local treatment facilities. At 77% of our power plants, water after treatment goes to the circulating system of hydraulic ash removal, which excludes the discharge of industrial water from ash dumps into water bodies. In 2020, we developed a project of such system to implement at Novosibirskaya CHPP-2 and CHPP-3.

During the production and transportation of coal, water is used for coal washing and dust suppression. Most of SUEK’s washing plants and ports use circulating, closed water supply systems. At the Murmansk Commercial Seaport, storm water is collected, treated and used for spraying in dust suppression systems.

The majority of water consumed and discharged by the company’s mining facilities is natural water (with characteristics typical of local groundwater) that is pumped out of mining areas to ensure safe operations. In 2020, we began the commissioning of equipment installed at Tugnusky and Nikolaev open-pit mines, which will make it possible to use approximately 60% of the treated quarry water from these mines for dust suppression and production needs of the Tugnusky WPP.

WASTEWATER TREATMENT

The current Russian regulating system is very strict and requires the discharge of wastewater of a high quality that is much superior to groundwater and even superior to drinking water quality by some indicators. To meet these requirements our production sites use various methods for treating industrial and household wastewater. As part of SUEK’s Environmental Strategy, the company builds or renovates wastewater treatment facilities for cleaning mine, quarry and storm water to meet those stringent regulatory requirements. More than half of the company’s coal facilities are equipped with modern treatment facilities, and we continue to progress planned upgrades and the construction of additional facilities, as required, at all of our assets.

In 2020, we began to build treatment facilities at the Bereezovsky and Yatelsky mines and continued similar projects at the Tugnusky and Severnaya mines.

SUEK monitors discharged wastewater at all production units on a monthly basis, in compliance with its industrial environmental control plan. Water analysis is carried out by both our own laboratories and accredited third party laboratories. Sampling is also carried out during external audits.

WASTE RECYCLING

The majority of waste at the power plants is ash and slag. To reduce our ash and slag storage needs, we seek to use these waste products for economic purposes such as land reclamation, including mined-out open-pits, and road construction. Similar projects have already been delivered in Khakassia, Novokuznetsk, Belovo, Novosibirsk and Krasnoyarsk. We also plan to deliver three more similar ambitious land rehabilitation projects in Krasnoyarsk, Nazarovo and Kemerovo. There is a potential to utilise 3.2 Mt of ash and slag for these purposes every year (60% of total waste). In 2020, we continued utilising ash and slag, however, as at the year end, the total amount of waste generated and stored increased compared to 2019 due to inclusion in the calculation perimetre of Retkipaja GRES, Krasnoyarskaya GRES-2 and Primorsky GRES.

Of the waste we produce in coal mining, 99% is non-hazardous (of low hazard classes IV and V). It is overburden and enclosing rock.

During the production and transportation of coal, water is used for coal washing and dust suppression. Most of SUEK’s washing plants and ports use circulating, closed water supply systems. At the Murmansk Commercial Seaport, storm water is collected, treated and used for spraying in dust suppression systems.

The remaining small part of waste requires special treatment and is transferred to dedicated organisations for neutralisation. In order to reduce waste sent for disposal, our Zabaiakaly facilities use thermal recycling, processing organic waste, industrial rubber articles, polymers, rubbers, oil sludge, bitumen, roofing felt, waste oils, medical, wood and other carbon-containing waste.

In Khakassia, we operate an upcycling plant. Worn dump-truck tyres are converted into new products such as tiles for injury-free sports coatings and rubber granules for road surfacing.

At some assets in Khakassia and the Krasnoyarsk region, we arranged pilot sites for separate collection of waste, which we transfer to dedicated enterprises for processing.

ASH DUMP MANAGEMENT

SUEK maintains the safety of ash and slag waste dumps through continuous monitoring of their condition. The ash dumps are hydraulic structures and subject to Russian legislation that imposes strict requirements on their operation. At least once every five years, we carry out a comprehensive assessment of their safety levels to meet our regulatory requirement and to report to state bodies.

We regularly monitor the safety of these facilities, including the water level in ash dump beds and piezometric wells, through regular depth measurements and other checks. At least once every five years, we engage specialised independent organisations to analyse the safety of SUEK’s hydraulic structures. In addition, the Russian state industrial safety watchdog Rostechnadzor monitors the state of our ash dumps during scheduled and unscheduled inspections. Inspection-based corrective actions have top priority.

For each facility, financial and material reserves have been created to eliminate possible accidents, with civil liability insurance contracts covering our hydraulic structures.

BIODIVERSITY CONSERVATION

SUEK does not operate in any UNESCO World Heritage sites, in habitats of animals or plants of global or national significance or that are protected, or in natural reserve areas, including the territories protected by UNESCO and the Ramsar Convention.

We work with specialised organisations to assess the state of biodiversity during engineering and environmental surveys at pre-design and design stages. We include our assessment results in materials for public hearings and deposit development projects. They also undergo state environmental impact assessment.

SUEK runs projects to protect biodiversity in several areas: protecting the fauna in water bodies, including installation of fish protection fences at plants and release of juvenile fish, carrying out reclamation activities to preserve plants on disturbed lands.

SUEK is a partner of the Land of the Leopard National Park in Primorye and the Barguzinsky Nature Reserve in Bayatia. In 2020, with the support of SUEK in Kuzbass, the Kolyuskyoi Swamp nature reserve was created with the purpose to preserve the nature of the area where rare and endangered species of flora grow.

In 2020, we launched our biodiversity monitoring in the territories where we operate. Based on this monitoring, we will prepare action plans for our assets to address local biodiversity risks and regulatory requirements.

LAND REHABILITATION

We run extensive reclamation projects on land disturbed by SUEK’s mining operations. As we start mining operations, we carefully remove the topsoil and store it. After the completion of mining operations, we backfill the holes, restore the landscape, and replace the fertile topsoil back, where we further plant grass, trees and bushes.

In 2020, the total of 84 hectares of disturbed lands were reclaimed.

Watershed data

<table>
<thead>
<tr>
<th>Year</th>
<th>Water withdrawn/m3</th>
<th>Water use in closed water supply systems/m3</th>
<th>Water use in breach water supply systems/m3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,233</td>
<td>2,240</td>
<td>19</td>
</tr>
<tr>
<td>2019</td>
<td>2,310</td>
<td>2,206</td>
<td>18</td>
</tr>
<tr>
<td>2020</td>
<td>2,357</td>
<td>2,190</td>
<td>17</td>
</tr>
</tbody>
</table>

Water consumption for electricity production (m3/kWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Consumption/m3/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.045</td>
</tr>
<tr>
<td>2019</td>
<td>0.047</td>
</tr>
<tr>
<td>2020</td>
<td>0.045</td>
</tr>
</tbody>
</table>

Used and recycled waste

<table>
<thead>
<tr>
<th>Year</th>
<th>Coal</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>2019</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td>2020</td>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

> 99% of waste at SUEK’s assets is virtually non-hazardous.
SUEK is aware of climate change risks and supports local and global programmes to reduce greenhouse gas emissions into the atmosphere.

**2020 PRIORITIES**

- Implementing technologies to increase energy efficiency of our power generation and mining equipment
- Developing a project plan of increasing energy efficiency for new plants and the start of their implementation
- Promotion of co-generation to optimise fuel use

**2020 RESULTS**

- 0.115 Mt of CO$_2$e saved in 2020 due to our boiler house replacement programme
- 4.8 million m$^3$ of captured mine methane utilised
OUR APPROACH
We understand that mining, power generation and transportation are associated with emissions into the atmosphere, and we recognise our responsibility to preserve the environment for present and future generations and support the Paris Climate Agreement goals. As one of the largest producers of coal, electricity and heat, we also understand our responsibility to meet humanity’s energy needs. We are convinced that climate problems should be addressed through an integrated scientific approach to ensure the sustainable development of the planet, including economic development and improving the lives of billions of people in developing countries.

Our aim is to develop and introduce new technologies for coal-fired generation and coal mining that will meet the demand for affordable energy, while reducing greenhouse gas emissions and optimising energy consumption.

Our strategy to reduce the company’s carbon footprint is as follows:

- Investing in the development and introduction of technologies that improve the energy efficiency of our operations
- Maximising the generation of heat and electricity in a combined mode to reduce emissions per unit of energy
- Increasing the share of washed coal to lower the ash content and increase the calorific value of our coal, which reduces emissions during transportation and burning
- Capturing and utilising GHGs
- Delivering carbon offset projects

Our Board of Directors and management take into account climate risks when discussing strategic initiatives. SUEK’s management KPIs include emission abatement. The company also takes part in public discussions on carbon regulation.

OVERVIEW
The expansion of the company’s energy business led to an increase in both total and specific GHG emissions in 2020. At the same time, in the 2019 operating perimeter, total GHG emissions from our power plants decreased by 9% as a result of substitution of heat supply by a number of standalone boilers with co-generated heat and energy efficiency measures. We started to develop and implement comprehensive modernisation and energy efficiency programmes for the acquired power plants to reduce their impact in the future.

GHG emissions per unit of heat produced grew slightly because of new boiler houses that we purchased for being closed later as part of our boiler house replacement programme, the growth was largely offset by the substitution of previously acquired old boilers.

In the logistics business main GHG emissions are scope 21, proceeding from the electricity consumed by railcar transportation and port equipment. The increasing share of higher-capacity railcars enables us to gradually decrease the electricity per tonne consumed and, therefore, carbon footprint of transportation.

The direct GHG emissions of the company’s logistics segment were less than 0.1 million CO2e in 2020.

The company also takes part in public discussions on carbon regulation.

GHG emissions (Mt of CO2e)

<table>
<thead>
<tr>
<th>Energy</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.9</td>
<td>3.9</td>
</tr>
<tr>
<td>50.1</td>
<td>2.3</td>
</tr>
<tr>
<td>50.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

GHG emissions per unit of heat produced (kg CO2e/Gcal)

<table>
<thead>
<tr>
<th>Energy</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>447</td>
<td>15</td>
</tr>
<tr>
<td>448</td>
<td>19</td>
</tr>
</tbody>
</table>

GHG emissions per unit of electricity produced (g CO2e/kWh)

<table>
<thead>
<tr>
<th>Energy</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>826</td>
<td>82</td>
</tr>
<tr>
<td>840</td>
<td>20</td>
</tr>
</tbody>
</table>
Energy Efficiency

Our energy saving and energy efficiency programme gives us economic benefits and reduces environmental and carbon impact. SUEK’s energy management system is certified for compliance with the updated international standard ISO 50001. Annually we carry out an internal energy audit of our facilities to analyse the structure of the total energy consumption and types of fuel used, the potential for energy saving, identify problems that lead to the waste of resources and develop measures for increasing energy efficiency.

Our main energy saving activities are aimed at:
• Increasing the share of co-generated energy
• Improving the energy efficiency of production machinery and equipment, including the introduction of innovations and the best available technologies
• Reducing electricity consumption
• Reducing the consumption of fuel and energy resources
• Lowering heat losses by repairing heat networks and restoring pipe insulation
• Improving the knowledge of dedicated employees

Energy Consumption

In 2020, our electricity consumption totalled 6.3 TWh, heat consumption amounted to 3.6 MGcal.

We mainly consumed coal, gas and fuel oil at our power plants. Co-generation allows us to reduce fuel consumption per unit of energy produced. We also implemented a large-scale renovation programme of district heating pipe network and researched new methods of kindling boilers. In 2020, we managed to save 47,800 tonnes of fuel equivalent, which corresponds to 135,000 CO₂ emissions savings.

In the commodities business, the main type of fuel consumed is diesel for mining dump trucks. Constant work is underway to optimise diesel fuel consumption: improving the condition of roads, motivating and training employees in fuel saving methods, reducing idle downtime and mileage, controlling travel routes, performing a set of measures during maintenance for additional tuning of fuel equipment, dump trucks robotisation. In the reporting year we reduced the energy consumption by 27,800 tonnes of fuel equivalent.

In the Logistics Segment, we continued to work on improving the indicators of locomotive use and the technical condition of the track facilities, the operation of merchant tugs, heat generation facilities, special and automotive equipment and infrastructure facilities, and optimisation of lighting systems. Increasing usage of higher-capacity railcars decreases electricity consumption and carbon emissions per tonne of cargo transported.

We want to completely abandon heating oil firing at our plants. If we do this, the economic and energy efficiency of SUEK’s plants will rise, and the fire safety of our production operations will be even better.

Oleg Petrov,
SGC’s Technical Director
Prioritising Employee Safety

The sustainability and continued success of our business are underpinned by our continuous work to enhance employee safety.

**2020 PRIORITIES**
- Preventing risk of emergencies, severe injuries and fatalities
- Preventing the spread of COVID-19
- Developing remote monitoring systems for industrial safety parameters
- Adopting corporate health and safety standards and policies at new assets
- Disseminating corporate health and safety standards and policies among contracting organisations

**2020 RESULTS**
- Group’s LTIFR: 0.48
  -4% year-on-year
- Group’s OIFR: 0.8
  -27% year-on-year

**OUR REGULATORY FRAMEWORK**
- SUEK’s Occupational and Industrial Safety Policy
- ISO 45001 standards
- Bettercoal Code
- ILO Convention 176
- UN Global Compact

The sustainability and continued success of our business are underpinned by our continuous work to enhance employee safety.
To ensure production safety, we adhere to the following main principles:

**SAFETY PRIORITY**

- We treat any injury and accident as an emergency and make sure we get to the bottom of any underlying problems.

**ZERO TOLERANCE TO INJURIES AND ACCIDENTS**

- We do not ask employees to carry out any tasks for which they do not have the necessary knowledge and skills.

**CONTRACTORS’ SAFETY**

SUEK’s internal industrial and labour safety standards also apply to employees of contracting organisations working at our facilities. Our relations with contractors are governed by a dedicated regulation on monitoring compliance with industrial safety requirements by contractors at SUEK’s production assets:

- Contractors are required to have permits to perform the work assigned to them.
- Contractors must be staffed with the required number of qualified personnel.
- Contractors must have the necessary management structures and employees dealing with industrial safety.
- Contractor personnel must be provided with the certified personal protective equipment, work clothing and safety shoes.
- Contractor personnel must be equipped with a sufficient number of fault-free, certified, verified/tested tools and accessories.

**OUR SAFE PRODUCTION PRINCIPLES**

- We assess regularly contractors for compliance with our safety requirements:
  - When we select a contractor.
  - When contractors work at our facilities, we include them in the unified production supervision system of a particular asset.
  - We make a common schedule.
  - When we find violations or inconsistencies at one contractor, we initiate spot inspections of all contractors.

**MANAGEMENT SYSTEM**

SUEK’s industrial safety management system provides a unified methodology and monitoring at all levels of the company’s management.

- The Board of Directors monitors the progress of our health and safety strategy.
- At its meetings, the Nomination and Compensation Compensation of the Board of Directors reviews regular management reports on the current state of production safety, discusses strategic initiatives and their progress, evaluates the completeness and sufficiency of response measures and sets KPIs for executives in this area.

In 2021, the issue of health and safety has been transferred to the Board’s dedicated Health, Safety and Environment Committee.

SUEK’s CEO chairs two executive Health and Safety Committees, one in the Coal and Logistics segments, and the other in the Energy segment. The main tasks of the Committees are setting up effective protective and safety management systems, addressing important issues and coordinating and monitoring health and safety activities at our facilities.

Representatives of trade unions are invited to participate in commissions when conducting special assessments of workplace conditions for SUEK’s personnel and are actively involved in identifying and measuring risk factors.

Public industrial safety inspectors from various trade unions regularly inspect our production facilities. The elimination of any violations found during these inspections is mandatory.

**RISK MANAGEMENT**

Risks associated with personnel, processes, working conditions and equipment are regularly assessed at all levels. This assessment is the basis for further strategic and operational steps to improve labour and industrial safety.

We manage health and safety risks through control of hazardous production situations, resulting from hazardous factors and dangerous actions of personnel. The hazards are identified and monitored during internal audits, and the safety of personnel actions is assessed during behavioural safety audits.

A behavioural safety audit is based on direct observation of the employees’ actions, the state of the site and joint discussion of the internal auditor and the employee of the results of these observations.

The standards, principles and methodology for identifying, monitoring and assessing risk also apply to SUEK’s contractors.

There is a plan for mitigating potential accidents at each of our facilities, which is regularly reviewed and updated.

We test all candidates applying for job vacancies and engineering positions to evaluate their risk appetite and their ability to learn and follow rules. We do not hire anyone who appears prone to excessive risk-taking.

**FOR MORE DETAILS ON OUR RISK MANAGEMENT, SEE PP 62-69**

**OVERVIEW**

In 2020, SUEK’s overall LTIFR decreased from 0.50 to 0.48 year-on-year (-4%). The Coal Segment’s LTIFR fell from 0.74 to 0.69, in the Logistics and Energy Segments LTIFR was 0.52 and 0.26 respectively.

Occupational injuries dropped by 4% year-on-year. Out of the 55 injured in accidents, 38 people were injured at SUEK’s mining, processing and service facilities, three employees at the logistics facilities and 14 employees at the energy facilities.

Regrettfully, despite all our efforts, four company employees and one worker of a contracted organisation suffered fatal accidents. These accidents were thoroughly investigated by dedicated panels, as well as by the Group’s Health and Safety Committees.

It was found that the root causes of these accidents were related to shortcomings in the organisation of production, work processes and documents, inconsistent actions, and disregard for personal protective equipment and safety systems.

The company has since developed and implemented comprehensive measures to address these causes and prevent similar incidents in the future.

In 2020, $83m was spent on occupational health and safety (8% of SUEK’s total CAPEX).

**FOR MORE DETAILS ON OUR MEASURES TO PREVENT FATALITIES, SEE GRI TABLES IN THE ONLINE VERSION OF THE REPORT**

**ENSURING MINERS’ SAFETY**

The nature of the mining industry carries a risk of accidents and emergencies, due to natural factors and operational processes.

**REDUCING METHANE CONCENTRATION**

The highest risks in underground coal mining are from potentially explosive concentrations of methane, and the accumulation of flammable coal dust deposits in working areas.

Therefore, our priority is to ensure safe gas levels. We provide mining areas with fresh air, organising optimal ventilation and gas management schemes for them. We carry out complex degassing of mines with a methane content of more than 10 m³ per tonne of coal is carried out.

In 2020, SUEK constructed main ventilation fan units and gas-drainage wells, introduced underground degassing for the new seam at the Yalymsky mine. We also prevent the possibility of dust-explosions by using inert dust for stone-dusting.

**MULTIFUNCTIONAL SAFETY SYSTEM**

All of our mines are equipped with a multifunctional safety system. Information flows from the mines are consolidated, monitored and analysed at all levels of company management:

- At SUEK’s head office, our Control Centre monitors industrial safety parameters remotely, in real time.
- Our centralised Control and Analysis Centre in Kuzbass receives information on the atmospheric conditions and gas levels, personnel geolocation and production, the roses of safety parameters in underground and open-pit mines.
ENSURING AIR QUALITY AT ABOVE-GROUND OPERATIONS

We also strive to reduce dust at open-pit mines, washing plants and ports to ensure favourable air conditions for our workers:

- We use aspiration and dust removal systems, vacuum collection, transportation and discharge of fire coal dust
- We equip production areas, warehouses, ports and adjacent territories with fog-generation units and foam generators.

HEALTH AND SAFETY AT POWER FACILITIES

There are several key risks associated with producing and transmitting electric power and heat and with repairing and installing equipment at power facilities:

- The possibility of generating a potentially explosive pulverised coal mixture in CHPP units
- Depressurising of equipment operating under significant overpressure
- Electric shocks
- Falling from height during repairs

We make every effort to improve fire safety at our plants:

- Upgrading fire alarms and firefighting systems
- Installing additional fire protection systems for personnel
- Applying fire-retardant coatings on the electrical power cables
- Installing flame arrestors in boiler coal pulverisation units

We are careful to ensure the correct procedures are followed when carrying out power installations and attending to repairs (installation, commissioning) of equipment at power facilities.

We control the suitability of the equipment, especially operated under excess pressures, in terms of metal elements condition. When detecting critical defects, we immediately take the defective equipment out of service.

In 2020, we established a corporate centre for coordinating training in safe work at height. Under its management, Siberia’s largest training ground was opened at Krasnoyarskaya CHPP-3 and a smaller one at Blyskaya CHPP.

MODERN WORK CLOTHES AND PPE

The company has standard requirements for personal protective equipment (PPE) that cover its protective properties, comfort, ease of use and durability. Demand planning, procurement and distribution of PPE is generated automatically in SAP ERP. In 2020, began to work in this SAP module. In the reporting year, we rolled this system out at our energy facilities.

In 2020, we improved the visibility of our special clothing using a fluorescent yellow signal fabric to increase its protection against general industrial pollution. Also, industrial tests of special clothing based on aramid fibers, designed to protect against sparks and splashes of molten metal, was carried out.

HEALTH AND SAFETY TRAINING

The company has established multilevel personnel training in health and safety.

We maintain a matrix of mandatory training for personnel categories and professions, in accordance with which training is planned and implemented for all employees, from directors to workers. Our regular programmes are aimed at increasing awareness of new health and safety standards, policies, rules, the best available technologies, and developing leadership skills.

We operate several training centres with classrooms that include multimedia interactive simulators of our large operating machines such as excavators, bulldozers, trucks, and other interactive tools.

In February 2020, we ran the final stage of the Energy segment’s Regional Safety First conferences for young professionals which strive to motivate and demonstrate the need for workers to work safely. The participants worked together to solve cases and resolution situations that could arise during production.

In the reporting year, 15 health and safety specialists took part in external trainings and received certificates from SGS Academy in ‘ISO 45001: Occupational health and safety management systems — implementation training course’ and ‘ISO 45001: Risk management to comply with the standard’.

HEALTHCARE

SUEK runs programmes focused on maintaining and improving employee health, looking at overall production and specific risks. They identify early-stage symptoms of occupational diseases, work to prevent them and provide medical services.

We conduct annual check-ups and unscheduled check-ups to identify diseases early on, after which employees are placed into supervision groups and prescribed treatment or offered rehabilitation. Every employee working in harmful and/or hazardous conditions receives periodic medical check-ups.

In the Coal and Logistics Segments, diseases related to the respiratory system, hearing and physical overload are the most common. For the prevention of occupational hearing loss, which prevails in the structure of occupational pathologies, we have developed and use a two-stage therapeutic and preventive programme, including drug therapy and physiotherapy. To prevent diseases of the respiratory system, musculoskeletal system and vibration sickness, our workers receive post-shift rehabilitation (inhalations, whirlpool baths), halotherapy and exercise on ‘David’ treatment and diagnostic machines.

In 2020, there was a 21% year-on-year decrease in occupational diseases.

COVID-19

For the effective control and coordination of activities, we established Response Centres for Preventing the Spread of Infections at SUEK’s head office, in each regional production association and at production facilities. These response centres are headed by facilities’ directors. Regular meetings are held at which the current situation and status of all scheduled activities is evaluated, and the necessary resources for the following day are allocated.

The response centres closely follow recommendations from the Russian watchdog Rosпотребнадзор and regional executive authorities. As part of measures to prevent the infection and spread of the coronavirus, in addition to Rosпотребнадзор’s measures, we carry out:

- Daily monitoring and multivariate analysis of new employee cases
- Preventive anti-epidemic measures, sanitisation and disinfection of premises at industrial assets, administration and amenity buildings, health posts, canteens, passenger and industrial transport, adjacent territories and communities where our employees live
- Strict control of compliance with requirements for the disinfection of utility fluids at treatment facilities, uninterrupted operation of treatment systems and the availability of reagents and disinfectants in the necessary amount
- Regular testing of employees for COVID-19, along with health professionals at corporate health posts, staff of canteens and arming shift workers

In February 2021, we started vaccination of employees.

In 2020, the number of employees infected with COVID-19 totalled 6,334. Unfortunately, the disease led to 23 fatalities. We express our deep condolences to the families and colleagues of the deceased.

INNOVATION AND DIGITALISATION

We have introduced a number of different portable and wearable devices for monitoring health and vital functions, physical activity and safe behaviour at work, preventing collisions and injuries from moving machinery and monitoring hazardous areas. These are smart bracelets, smart helmets and vests.

The Logistics Segment delivered a number of pilot projects with partners to determine the need for and relevance of these devices and their functionality, and to consider changes to the projects given local contexts.

These are currently subject to tests, and a decision will be made according to their outcomes on whether to replicate the project to other units of the Logistics Segment.

Cooperation between SUEK and the workers union ‘Rosugleprof’ in ensuring occupational safety and health of employees has become especially important during the pandemic. Together with the company, we have organised a system of medical examinations to timely identify COVID-19 cases. We tried to do our best to get the workers back home safe and healthy.

Ivan Mokhanchuk, CHAIRMAN OF THE RUSSIAN INDEPENDENT COAL INDUSTRY WORKERS UNION ‘ROSUGLEPROF’
Our employees are the foundation for the successful development and functioning of the company.

**2020 PRIORITIES**
- Ensuring efficient and safe work in the context of COVID-19
- Updating HR-strategy and implementing initial improvements
- Reorganising SUEK’s structure in compliance with the new divisional structure promoting staff engagement
- Employee integration across new assets

**2020 RESULTS**
- 99% self-sufficiency of qualified personnel
- 13% group’s staff turnover rate

**OUR REGULATORY FRAMEWORK**
- International and Russian labour laws
- Sectoral and territorial agreements with trade unions
- Collective bargaining agreements
- SUEK’s Corporate Social Policy
- SUEK’s Code of Corporate Ethics
- UN Global Compact
In accordance with the Order of the Ministry of Labour and Social Protection of the Russian Federation of 18 July 2019 No. 512n ‘Approval of the list of industries, jobs and positions encouraging creative and innovative thinking and support their development. We search for and hire the best candidates and inclusive work environment. Highly engaged and improvement and a safe that promotes performance, employee focused on developing a corporate culture this system. The updated Strategy is more productive employment and decent gender equality, ensuring full and education and creating opportunities for contribute to improving the quality of life UN Sustainable Development Goals. We nationality, gender, origin, age, education, EXPERIENCE OUR APPROACH SUEK strives to create equal and fair working conditions for all employees to maximise their potential regardless of nationality, gender, origin, age, education, social status, religious, political and other beliefs. Our approach is aligned with the UN Sustainable Development Goals. We contribute to improving the quality of life and well-being of people of all ages, providing inclusive and equal quality of education and creating opportunities for lifelong learning, along with achieving gender equality, ensuring full and productive employment and decent working conditions for everyone, without exception.

In 2020, we developed the HR Strategy until 2023 to further transform and upgrade this system. The updated Strategy is more focused on developing a corporate culture that promotes performance, employee engagement and improvement and a safe and inclusive work environment. Highly qualified and motivated employees are the key to success of the entire business, which is why we introduce various tools to search for and hire the best candidates and support their development. We encourage creative and innovative thinking that contributes to a process of continuous improvement.

OVERVIEW SUEK is one of the largest employers in the Russian coal and energy industry. As of 31 December 2020, our headcount was 73,382 people. Despite high competition in the labour market and the increasingly complex demographic situation, the sufficiency of qualified personnel in 2020 stood at 99%. The Group’s staff turnover rate stayed flat year-on-year at 13%.

PROMOTING DIVERSITY The socio-demographic characteristics of our workforce remained unchanged. The number of men continues to exceed significantly the number of women in our workforce. This is largely due to the nature of our production processes and Russian legislation that deter and sometimes limits women’s opportunities to work in hazardous working conditions. Despite this, we are always focused on increasing female representation within our company, attracting them to work in service departments and administrative positions.

STAFF RECRUITMENT AND SELECTION Due to the complexity of production and hiring personnel in the regions, SUEK is constantly improving the methods and channels to select and recruit potential employees in order to maintain a high sufficiency level. In 2020, we updated the Regulations for the selection of personnel, analysed the search channels and selected priority ones.

Hired employees (number)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>13,594</td>
</tr>
<tr>
<td>2020</td>
<td>13,807</td>
</tr>
<tr>
<td>2021</td>
<td>14,799</td>
</tr>
</tbody>
</table>

One of them is internal recruitment. To do this, we have automated and systematised the process of exchanging databases of candidates and vacancies between divisions of the company, to reduce the selection period and increase the number of applicants for a job. In 2020, we closed 33% of vacant positions by internal specialists. We also optimised the search for employees in the external market by consolidating the base of recruitment service providers across SUEK.

Despite the pandemic, we did not carry out mass layoffs and as vacancies appeared, we filled them with internal and external candidates. In 2020, we hired 14,079 employees.

SUEK’s assets are located in regions remote from the central part of Russia, therefore, the company predominantly hires personnel from the local population — both managers and specialists. In 2020, this was especially important as there were restrictions on movement between regions due to pandemic.

STAFF REMUNERATION AND INCENTIVISATION SUEK aims to maintain an effective remuneration system to hire and retain the necessary qualified staff. The company regularly monitors local labour markets, analyses best practices in staff remuneration and incentives, as well as the provision of guarantees and other benefits. We frequently take part in salary surveys for companies in the mining, coal and energy sectors and logistics to help us further our understanding of industry trends. By analysing this data, we remain confident that we are offering employees competitive working conditions, and we can plan and adapt our HR management policies to reflect external economic influences.

SUEK’s financial incentive system includes a constant and variable part stipulated in collective agreements. The fixed part is paid for the performance of professional duties at the required level. The variable part is an incentive to improve working efficiency and includes economic and production targets as well as ESG-linked KPIs, such as the contribution to certain environmental and social aspects, along with industrial safety performance. In 2020, we began to revise the KPI system taking into account the new Strategy and aim to add goals in the areas of talent management, corporate culture and social policy. Overall SUEK’s payment of employees is higher than the average one in regions where we operate.

SOCIAL SUPPORT Our personnel relations are based on social partnership principles. The benefits package for SUEK’s Russian employees is developed based on applicable law, industry agreements with trade unions and collective bargaining agreements. Over 90% of our employees are covered by collective bargaining agreements. SUEK employees are offered the following social benefits:

- Voluntary medical insurance, including rehabilitation treatment for occupational illness, which covers all employees at our coal and logistic facilities and approximately 80% in the energy business
- Combined insurance for industrial accidents
- Housing for employees invited from another region
- Financial aid for pensioners, parental leave and premium medical treatment, or financial support for the funerals of company employees
- Compensation for children’s summer holidays and for medical treatment or rehabilitation
- Sporting and cultural events

To increase employee engagement and retain qualified employees, we have developed a special bonus system for those participating in long-term strategic projects and operational improvement programmes. This improves cross-functional interaction, expertise exchange and promotes search for innovative solutions. Significant long-term projects and programmes are approved at the Board of Directors level. As of 2020, over 500 employees have taken part in such projects over the entire period of the incentive programme. Also at the facility level, a decision has been made to include short-term and small projects in this programme.

To stimulate innovation, SUEK pays remuneration to employees who obtain and implement patents and introduce cost-saving ideas. The amount of the payment depends on the annual economic effect, which is calculated by SUEK’s Financial service, and can reach RUB 1m (~$13,000).

OVER FOR OUR STANCE ON HUMAN RIGHTS, SEE WITH WWW.SUEK.COM FOR OUR UPDATED HR STRATEGY, SEE THE Q&A FOR OUR TOP MANAGEMENT REMUNERATION SYSTEM, SEE P. 119 FOR REGIONAL REMUNERATION OF EMPLOYEES’ REMUNERATION, SEE OUR SUSTAINABLE DEVELOPMENT REPORT STAFF REMUNERATION AND INCENTIVISATION

COOPERATION WITH TRADE UNIONS At SUEK, we fully recognise our workers’ freedom of association and therefore we regard trade unions as key partners in our business with reference to promoting industrial safety culture. The Russian Independent Trade Union of Coal Industry Workers (Rosugleprof), Independent Trade Union of Russian Miners and All-Russian Electric Trade Union are active at the company’s facilities.

We consider the opinion of these trade unions when issuing corporate regulatory acts concerning social and labour relations, work safety and remuneration. Representatives of trade union organisations take an active part in setting up the safety management system and assessing the safety of working conditions. We develop work schedules and terms of employment, approve vacation schedules and personnel incentive systems after consulting trade unions.

In 2020, SUEK, together with trade unions, guided by recommendations from Rospotrebnadzor, the Russian consumer rights and human well-being watchdog, and regional authorities, worked out measures to minimise the impact of the COVID-19 pandemic on our staff. Trade union representatives helped disseminate information on preventive measures among employees, checked mandatory mask wearing, the frequency of disinfection and availability of disinfectants in the workplace.

Composition of employees

By personnel categories

- 68% Production workers
- 32% Managers and specialists

By gender

- 73% Men
- 27% Women

By age

- 14% 18-20 years
- 32% 21-40 years
- 28% 41-50 years
- 20% 51-60 years
- 6% Over 60 years

% of employees are covered by collective bargaining agreements

>90%
TALENT AND KNOWLEDGE MANAGEMENT

To meet our current and future needs for qualified personnel, we are building a talent pipeline: from attracting, recruiting and adapting to motivation, talent management and training.

SUEK’s goal is to have ‘the right people in the right positions’ today and in the future. In 2020, in order to achieve this goal, we began to develop new approaches to personnel assessment, building career routes, rotations, forming the succession and talent pools.

These approaches are based on the ‘talent to value’ rule, when a company directly affects operational efficiency through:

- Increasing the speed and quality of appointments, based on employee performance data
- Selecting employees for key position
- Systematically assessing workflows along the entire career path in the company, analysing these results, targeting development at specific tasks and roles, including the rotation mechanism

Managing the planned advancement of employees will assist in building optimal career routes and ensure continuity for key positions.

In the near future, in order to achieve personnel security in key positions, we plan to expand the systematic assessment of personnel at all management levels, introduce a three-level competence development system (managerial, communicative, functional) and systematise the rotation process.

DEVELOPING COMPETENCIES

SUEK’s Corporate University, an analytical, methodological and advisory centre for knowledge management and human resources development, provides the core basis for the company’s personnel training. A distinctive feature of corporate training programmes is their project component, which enables training participants to use their new knowledge in real life and generate ideas with real economic benefits.

Due to the pandemic, we developed distance learning formats. Most of SUEK’s corporate programmes which are aimed at developing soft skills were transferred online. The corporate programmes were also aimed at developing managerial competencies, mastering lean production principles and effective interaction with their teams.

To form a culture of lifelong learning, we launched educational mailings from the Corporate University and held educational marathons.

The company also began to implement programmes to develop the professional competencies of non-production personnel. In 2020, the pilot was launched for the HR function. In 2021, the programmes will encompass key service functions of the Group.

Our 14 training centres, licensed by Russian state education, continued their work during the year and conducted mandatory and advanced trainings for 37,710 employees.

To support the corporate strategic goal of increasing the level of industrial safety, we have launched an updated series of training programmes for dedicated employees.

In 2021, we plan to implement programmes aimed at developing the economic competencies for employees of different levels and functional areas, maintaining and transferring internal expertise, including mentoring and internal coaching systems, while expanding distance learning formats.

DEVELOPING YOUNG PROFESSIONALS

We strive to hire young and talented professionals. To this end, SUEK runs the Young Professionals educational programme, including:

- Overseeing specialised classes for high school students dedicated to coal and power industries and logistics
- Co-operating with Russia’s vocation-oriented colleges and universities; over 50 students currently participate in SUEK’s targeted courses

SUEK’s approach to talent management suggests strong performance compared with local norms and peers. Unlike other coal mining companies that rely heavily on contracted workforces, SUEK’s direct employment model ensures that attractive wages and advanced medical benefits are offered to its entire workforce.

SUEK has offered free relocation in the past to employees following mine closures, which is rare in the industry, and helps with talent retention. Overall, the company tracks and reports on wide range of indicators for its workforce and diversity, which reveals a strong risk-management approach.

S&G Global Ratings

OUR VALUES

- Safety and efficiency
- Performance only in safe environment
- Stability and development
- Stability as a result of continuous development
- Professionalism and cooperation
- Individual mastership as part of teamwork
- Social responsibility
- Shared responsibility to society and the world

Almost all requests and issues are considered and resolved by ethics coordinators appointed at each unit, while the rest are referred to the Ethics Commission. In 2020, about 180 requests were received and reviewed through various feedback channels included in the Code compliance system. Most of the issues discussed at the Ethics Commission’s meetings were related to social conditions and personal issues of employees.

In 2020, our HR team also sought to boost awareness about SUEK as an employer of choice among young and experienced professionals, aiming to become one of the leaders in the energy sector in terms of employer brand.

EMPLOYEES VOLUNTEERING

We promote a culture of volunteering among our employees.

The decision on the participation in the volunteering programmes is made at the facility level in agreement with the management of the facilities and the Communications and HR services facilitating the participation. The youth councils of the facilities also provide support and coordination. Support for interregional and federal actions is initiated by the Headquarters.

SUEK provides material and administrative resources, in particular, premises, transport, pays for products, gifts, equipment, etc. transferred for charitable purposes. SUEK equips volunteers with the necessary protective clothing, tools (for example, for cleaning streets, forests) and food.

Volunteering has become especially important amidst COVID-19. Together with members of SUEK youth labour units, our employees have joined the all-Russian #WeTogether initiative. SUEK volunteers have been doing a lot to support doctors and socially vulnerable segments of the population, large families, pensioners. In 2020, the activity of SUEK volunteers was marked by numerous awards, including gratitude, certificates and medals of the President of the Russian Federation.

34 hours $72

OF TRAINING PER EMPLOYEE

ON AVERAGE IN 2020

PER EMPLOYEE OUR INVESTMENTS

IN EDUCATION IN 2020

SUEK INTEGRATED REPORT 2020
As a large company with a mix of energy, mining and logistics assets, we strive to responsibly manage every stage of our supply chain, following the principles of sustainable development, from procuring materials and services for our production processes to delivering final products to our customers and end-consumers.

### KEY CRITERIA FOR CHECKING OUR SUPPLIERS AND CUSTOMERS

<table>
<thead>
<tr>
<th>Legal capacity</th>
<th>Availability of materials and equipment necessary to fulfill contractual obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence from sanctions lists</td>
<td>Absence of fines and litigation, including those related to violations of environmental and industrial safety standards</td>
</tr>
<tr>
<td>Availability of certificates and permits for the relevant types of activities, including environmental</td>
<td></td>
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</tbody>
</table>

### OUR REGULATORY FRAMEWORK

- SUEK’s Procurement Policy
- SUEK’s Code of Corporate Ethics
- Laws of the countries where SUEK operates
- Industry standards
- ISO 55001
- ISO 9001
- UN SDGs
OUR APPROACH

Our approach is to establish long-lasting, mutually beneficial relationships with all of our stakeholders across the entire supply chain, creating conditions that encourage trust and transparency, while promoting the principles of sustainability among our employees.

In 2020, SUEK was certified for compliance with ISO 55001, an international standard for systemic asset management, which covers management of environment, energy, finance, personnel and information systems; its aim is to achieve maximum efficiency throughout the company’s business cycle. By adjusting our systems in line with the ISO 55001, we improve the efficiency of our asset utilisation, which in turn enhances our services and product offering to meet or exceed the expectations of our customers and other stakeholders.

RESPONSIBLE SUPPLIERS

SUEK’s procurement strategy is underpinned by the following priorities:

- Efficiency and rationality in choosing the method and cost of procurement
- On-time and in-full supplies through rationalized planning
- Minimising risks when choosing a supplier through strict accreditation procedures and assessment of the quality of supplied materials, labour and services
- Continuous training of our procurement team
- Strict control of material reserves for rational procurements

Our relations with suppliers are governed by legislation, our Code of Corporate Ethics and Compliance Policy. We look for our contractors to become our partners. We aim to establish long-lasting, mutually beneficial relationships with counterparties while doing business.

SUPPLY CHAIN RISK MANAGEMENT AMID COVID-19

COVID-19 forced us to enhance risk management across our supply chain. Our main goal was to ensure the uninterrupted supply of heat, electricity and fuel, which are vital for millions of people.

In all of the countries and regions where we operate, we adopted every measure to meet the requirements of local authorities and limit the spread of the coronavirus. We introduced sanitary measures at our production sites and offices to protect the health of our employees, contractors, partners and clients, transferred part of our staff to remote working and regularly tested everyone for COVID-19.

The pandemic created challenges such as decreased employee mobility due to restrictions on movement and longer delivery periods for equipment and material supplies to SUEK. Therefore, we optimised our repair programmes with an emphasis on ensuring the continuity of production processes and reliable supplies of our products.

PRODUCT STEWARDSHIP AND CUSTOMER RELATIONS

We closely monitor the quality of our products at every stage of SUEK’s supply chain. Our Quality Policy and Quality Management System comply with the ISO 9001 international standard and the ISO 55001 asset management standard.

COAL

The main product of SUEK’s Coal Segment is high-CV coal with low ash, sulphur and nitrogen content.

To ensure the high quality of our product, we invest in the development of high-quality coal deposits and in the expansion of our processing capacities. This helps reduce emissions during the transportation and burning of our coal. SUEK also develops innovative technologies for deep coal processing into high-CV concentrate and smokeless briquettes.

We constantly develop our quality control system and laboratories and introduce new methods to evaluate the ash content in coal and the moisture content in our extracted, produced and shipped products, as well as improve mechanical methods for the selection and preparation of product samples.

We undertake voluntary certification for all of SUEK’s products. We issue quality certificates for each batch to confirm the characteristics stipulated in the contract. We also involve independent appraisers on occasions where there may be a disagreement between parties around the quality and quantity of orders.

We usually enter into contracts directly with employees of our customers to avoid unnecessary price increases on resale, and this allows us to promote the sustainable use of our products. Before signing a contract with SUEK, each buyer goes through a counterparty verification procedure similar to that for suppliers.

ENERGY

The quality of heat supply is important to Russian consumers, since the general state of Russia’s main heating networks means there is always a risk of supply interruptions. Therefore, we have projects aimed at reducing heat losses and improving the reliability of heat supply systems. We replace and renovate old networks, build new ones to switch consumers from obsolete dirty boiler houses to our CHPPs, and automate the processes of checking the condition of our heat infrastructure. This helps ensure that our customers have reliable heat supplies even at -40°C and improves energy efficiency reducing emissions through saving fuel.

Our heat inspectors use the T-Mobil information system, which automatically generates inspection reports. We carry out temperature monitoring of consumer premises online using special sensors that transmit temperature readings to the company’s database every hour.

Local residents help us monitor the quality of heat supplies by using various communication channels and participating in joint field inspections. We also conduct regular customer satisfaction surveys.

LOGISTICS

We strive to transport our clients’ goods on time and in compliance with strict environmental and industrial safety rules. To this end, we are constantly improving management systems across our logistics assets, and introducing the best available technologies for transporting and transshipping cargo.

We check certificates and declarations for the transshipped cargoes to make sure that they meet the required safety parameters. International buyers of our coal periodically inspect our ports to check the product quality before loading onto ships as well as compliance with ES regulations during our transshipment.

We hire independent surveyors to review our service quality, assess the quality of the products being transshipped and ensure compliance with regulations in ports and ES best practice. In 2020, following an expert appraisal, our Vanino Bulk Terminal received the Russian Transport Security 2020 national award for ‘Best Transport Infrastructure Entity or Marine or River Carrier that Meets the Transport Security Requirements’.

In January, our Murmansk Commercial Seaport received the Platinum Certificate of Compliance with the Clean Port environmental standard following an assessment by the Clean Seas International Environmental Foundation. In September, it was recertified for compliance with the ISO 14001 international environmental standard.

SUEK is a customer-centric business. We take into consideration not only our needs and legal requirements but also the preferences of our consumers.

To improve the speed and convenience of our customer interaction, we introduced remote client services where customers can quickly receive answers to their questions, transmit meter readings and make other enquiries. These communication channels include a personal account on SGC’s website and a customer mobile application, chat bots, an IVR assistant, a service for transmitting readings via smart robots and others. In 2020, we launched online back-end consumer days. These are interactive online broadcasts with the heads of SGC’s units, where customers can ask questions and receive answers live.
RESPONDING TO COMMUNITY CHALLENGES

As a major business and employer, SUEK is focused on making a positive and sustainable contribution to the economic and social aspects of people’s lives in the regions where we operate.

2020 PRIORITIES

Support for local medical institutions and the most vulnerable groups during the pandemic
Helping lead a major volunteer movement
Taking social and charitable projects online

2020 RESULTS

>150 COMMUNITY AND CHARITABLE PROJECTS IMPLEMENTED
51 GROWTH POINTS CREATED

OUR REGULATORY FRAMEWORK

ISO 26000 standards
SUEK’s Corporate Social Policy
SUEK’s Code of Corporate Ethics
Social Charter of Russian Business
UN Global Compact

UN SDGs
Our approach

Our assets perform an important infrastructural function, as they supply heat and electricity to over 5.5 million people in regions where temperatures drop below 0°C for more than six months a year. SUEK contributes significantly to local employment, creating attractive working conditions for over 73,000 people in 14 regions of Russia. Moreover, in the main, our employees are also local residents. We also encourage social entrepreneurship to improve local social infrastructure and increase employment in areas not directly related to the company’s operations.

Our activity stimulates the overall regional development through regular tax payments to federal, regional and municipal budgets. Tax payments in the reporting year amounted to 534bn, of which 78% were paid to local budgets. When purchasing services and materials, we strive to work with local suppliers, supporting regional production and economy. In 2020, 66% of goods and services were provided to SUEK by suppliers from the regions where the company operates.

SUEK’s social strategy is aimed at creating conditions and an environment in which local residents can fulfill their potential. By involving local residents in making positive changes, we can accelerate economic development and improve living standards. Investment in infrastructure and knowledge helps solve pressing local issues and attract the needed resources. In 2020, our social activities were largely focused on supporting the regions in their fight against COVID-19. Alongside this, we managed to complete virtually all of the programmes to which we previously committed, including our social entrepreneurship and vocational guidance programmes. Some of our events were held online to avoid any health risk to participants.

In 2020, SUEK introduced dedicated hotlines to proposals for improving the quality of life and well-being of our employees, their families and the entire population in the regions where we operate. We develop and run key development projects and social programmes in close cooperation with all of our stakeholders, including local administrations, non-governmental organisations and local residents, focusing on social development projects that are both beneficial to the local communities and aligned to SUEK’s strategic goals.

Our approach to engaging with local communities is outlined in SUEK’s Corporate Social Policy. Our social activities strive to comply with the best ESG practices, aligning to the UN Sustainable Development Goals, Social Charter of Russian Business and ISO 26000 (Guidance on Social Responsibility) international standards. In addition, our interaction with local communities is based on the Code of Corporate Ethics, which describes SUEK’s corporate values and culture.

We participate in global sustainable development initiatives and also help local communities address specific social issues. Most of the company’s social projects are interconnected and aimed at comprehensively solving several sustainable development issues at once, including improving immunisation, supplying schools with electricity, computers and other equipment, and supporting young mothers in their professional development. These long-term projects are piloted in one of the territories where we operate and then replicated across our regions.

**HUMAN RIGHTS**

We respect the rights of all our stakeholders and support social groups such as local indigenous and small-numbered peoples. Whilst SUEK’s operation sites do not overlap with the territories where these particular communities live, we support the preservation of all local religions, customs and cultural heritage. According to Russian law, no licensed sites can be located on territories occupied by indigenous peoples. We monitor the observance of human rights at all our assets to swiftly identify any risks in this field and put mitigation measures in place. In 2020, we did not record any human rights violations regarding workers, contractors or locals.

**ACTIVE COMMUNITY ENGAGEMENT**

SUEK maintains an active dialogue with local communities. We hold public consultations to assess our environmental and social impact in accordance with the legal requirements set by local authorities. We analyse the proposals received during such consultations and, if necessary, adjust project documents in line with them. All consultation materials are available on the websites https://slepco.ru/about/ecology/message/ and of local administrations.

In 2020, public consultations were held to discuss the modernisation of water treatment facilities in Kushabas, the reconstruction of a processing facility in Khakassia, the construction of new power units at the Tom-Uiskyaya GRES and updated heat supply plants in the cities of Novosibirsk, Barnaul and Abakan. We also respond to requests from local residents and receive feedback on our activities through our general Hotline, corporate website, email and social media. In 2020, we introduced dedicated hotlines in five regions so that local residents could ask questions on environmental issues related to our energy facilities. Interactive live broadcasts with SUEK’s managers became a popular communication platform, giving every local resident or employee the opportunity to ask for advice.

**ASSESSMENT OF SOCIAL PROGRAMMES**

We carefully monitor the social environment in our communities to better shape our charity programmes. Both independent and in-house experts regularly assess our ongoing progress and outcomes. We measure the efficiency of our social investments through continuous monitoring of our projects using integrated social research, evaluating individual projects and their impact.

**ECONOMY DEVELOPMENT / CONTINUED**

**SUEK SUPPLIES PRIVATE HOUSEHOLDS WITH SMOKELESS FUEL**

In August 2020, SUEK’s CEO Stepan Sobshchenko presented to the Governor of the Krasnoyarsk region Alexander Uss the results of the promotion campaign for the company’s innovative smokeless household fuel. A wide customer support network was set up in Krasnoyarsk, including retail selling points, an online store and a hotline to proposals for improving the quality of characteristics of briquettes provide advice on their burning. Governor Uss highly appreciated the environmental potential of the product. Siberian Briquette is an innovative product of deep processing of brown coal, jointly developed by SUEK and the scientific community. The fuel is suitable for all types of solid fuel automatic and semi-automatic boilers and fireplaces.

In spring 2020, SUEK put into commercial operation a deep processing facility with a capacity of 30,001 t a year and it can be gradually increased to 60,001 t. Investment in the construction and equipment amounted to $14m.

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initiatives and the results of our programmes. This analysis enables us to ensure that the impact of our social investments is in line with our goals and values. Moreover, by carrying out continuous analysis we can quickly respond to changes and identify areas for potential improvement.

Our assessment tools include:
- Meetings of project expert panels
- Focus groups with representatives of local administrations and NGOs
- Expert and participant surveys
- Discussion of programme results at public events with stakeholders

Quantitative parameters:
- Events held, number of participants
- Beneficiaries
- Funds raised for the company’s community development programmes
- Partners involved
- Growth points created as a result of the company’s community involvement
- Media coverage results

Qualitative parameters:
- The increased efficiency of public-private partnerships, closer interaction between commercial and non-profit sector companies in solving social problems
- Sustainability of previously implemented social projects
- Enhancement of SUEK’s reputation as a socially responsible company

**KEY PROJECTS**

We implement ongoing social and charitable programmes in all of our regions of presence. In 2020, we successfully ran more than 150 community and charitable projects. For this purpose, SUEK allocated $1.4m, or 7% of the company’s net profit.

SUEK seeks to address urgent community issues in the regions where we operate. We contribute to the creation of a favourable social climate, the improvement of housing conditions for residents of mining towns, the development of education, sports, health care and culture, vocational guidance for the youth. The ultimate goal is to increase young people’s awareness of SUEK’s role, attract them to the mining and energy industries, and ensure the sustainable development of these territories for years to come.

Our regular projects:

**URBAN INFRASTRUCTURE DEVELOPMENT**

Joint projects with local administrations to create a comfortable urban environment.

**EDUCATION**

Developing innovative and business thinking, fostering initiative and leadership qualities in children and teenagers, vocational guidance for occupations in engineering.

**SPORTS AND HEALTHY LIFESTYLE**

Promoting a healthy lifestyle among employees and local communities.

**MEDICAL CARE**

Providing cutting-edge medical care to employees, their families and local communities, treating and rehabilitating children and coal industry veterans.

**LEISURE, CULTURE**

Developing a culture of creativity and inclusiveness by financing public lectures on art, workshops, festivals.

**ENVIRONMENT**

Promoting a culture of environmental awareness through tree planting, improving recreational areas, waste collection for recycling, attracting young people to participate.

**DEVELOPING LOCAL ENTREPRENEURSHIP**

Developing business and leadership skills, offering mentoring and training to improve competencies at SUEK’s School of Social Entrepreneurship for development of education, medicine, culture, sports, leisure and public services in the mining regions.

**CHARITY**

Helping disadvantaged groups of people.

DREAM SKI FOR CHILDREN REHABILITATION

In 2020, SUEK supported the unique Dream Ski programme in many regions. Its aim is to help children and adults with disabilities to improve their health and well-being. Thanks to mountain skiing, roller skating, team games, and other types of adapted physical activity, motor skills are restored, coordination of movements is significantly improved, balance is formed, and active socialisation of children takes place.

“Dream Ski project gives hope. Special children appreciate a simple change of scene, leaving the house and communication. Good vibes, new experiences and Siberian nature improve general well-being in their own right. The project is no less important for the parents of these children, as they feel supported,” says Natalia Shabalina, head of the Prokopyevsk municipal district.

Based on our business needs, we significantly updated the composition of the Board of Directors and management and added new competencies necessary to achieve SUEK’s strategic goals.

Samir Brikho, CHAIRMAN OF THE BOARD OF DIRECTORS

Based on our business needs, we significantly updated the composition of the Board of Directors and management and added new competencies necessary to achieve SUEK’s strategic goals.

During the year, we reviewed the Group’s strategy and adjusted it based on the multiple macro-economic challenges we faced in 2020. The changes in strategy approved by the Board in 2020 have improved the company’s resilience and position in its main markets; they also open up new opportunities in segments where SUEK has not had a strong presence.

We also approved the re-domiciliation of the Group’s financial structure, SUEK Ltd., to Russia, to a special administrative region on Russky Island, with favourable business conditions for international companies.

In 2021, we will continue to refine the strategies of individual business segments, including the logistics business, and to develop our risk management, HR and incentivisation systems.
COMPOSITION OF THE BOARD OF DIRECTORS

as at 31 December 2020

Samir Brikho, 62
CHAIRMAN OF THE BOARD OF DIRECTORS, INDEPENDENT DIRECTOR

Andrey Melnichenko, 49
NON-EXECUTIVE DIRECTOR

Vladimir Rashaevsky, 47
NON-EXECUTIVE DIRECTOR

Michael Baumgärtner, 56
INDEPENDENT DIRECTOR

Juerg Seiler, 65
INDEPENDENT DIRECTOR

Mikhail Kuznetsov, 52
NON-EXECUTIVE DIRECTOR

Appointment
June 2020
Education and qualifications:
Samir holds a Master of Science degree in Thermal Technology from the Royal Institute of Technology in Stockholm (Sweden). He received an Honorary Doctorate from Cranfield University in the UK. He is also a graduate of the Young Managers Programme at INSEAD and the Senior Executive Programme at Stanford University.

Career:
Between 1983 and 2000, Samir held senior management positions at Asea and ABB Power Generation. Then he moved to Alstom where he served as Chief International Operations Officer and Senior Vice President, and CEO of Alstom Kraftwerke in Germany. In 2003, he became CEO of ABB Lummus Global. In 2006, he was appointed to the Executive Group Committee of ABB Ltd. and served as Head of the Power Systems Division at ABB Group. From October 2006 to 2016, Samir was CEO of Areva Foster Wheeler (formerly Areva), where he was widely credited with the company’s financial recovery.

He is a non-executive director of Sandvik AB, Stena Hanson AB, and a member of the advisory board of Swerea. Samir is Chairman of the Board of Directors at Enskilda Banken (SEB) and a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs, chairing its Credit, Technology and Environment Committee.

Appointment
March 2004
Education and qualifications:
Andrey studied Physics at Lomonosov Moscow State University and graduated from the Pskhov Russian Academy of Economics, with a degree in finance.

Career:
Andrey Melnichenko is a self-made Russian industrialist. Over the past 25 years, he has co-founded a number of multi-billion-dollar businesses including fertiliser producer EuroChem, coal producer SUEK and power generator GCSE. They are among the largest companies globally within their industries.

In the early 1990s, Andrey co-founded MDM Bank, which under his leadership became one of Russia’s most successful and largest private banks. In the 2000s, he stepped down from MDM Bank, having built up companies in privatised industries — fertilisers, coal and steel pipes, which he exited in 2006 through an IPO.

Andrey is a member of the Board of Directors of EuroChem Group AG and SUEK, chairs SUEK’s Nomination and Compensation Committee and EuroChem’s Nomination, Remuneration and Corporate Governance Committee. He sits on the Board of the Russian Union of Industrialists and Entrepreneurs, where he chairs its Climate Policy and Carbon Regulation Committee.

Appointment
June 2011
Education and qualifications:
Vladimir graduated from the Finance Academy under the Government of the Russian Federation, majoring in Global Economics. He holds a degree in Economic Science.

Career:
He began his career in 1980, holding various positions in banking, including Vice Chairman of the Management Board of Arbtkombank. In 2000, he joined MDM Bank where he was appointed Deputy Chairman of the Management Board. In December 2001, he became Chairman of the Management Board.

In 2004, he became President of SUEK and was CEO of the company until May 2020. Vladimir is a member of the Board of Directors of Intergenial Distribution Grid Company of Siberia. In September 2020, he was appointed Chief Executive Officer and Management Board Chairman of EuroChem Group AG.

Vladimir also serves on the Executive Board of the Russian Union of Industrialists and Entrepreneurs, chairs its Mining Commission and is Deputy Chairman of the Climate Policy and Carbon Regulation Committee.

Appointment
August 2019
Education and qualifications:
Juerg holds a Master’s degree in Economics from University of St Gallen (Switzerland).

Career:
Juerg has held a number of key financial positions across different businesses and has over 30 years of international experience including assignments in South Africa, Hong Kong, USA and Switzerland.

During his career, Juerg has been global CFO at ABB Power Systems and CFO at ABB Lummus Global. From 2012 to 2014, he served as CFO of Ventyx, the Enterprise Software business of ABB. Juerg is also a member of the Board of Directors of EuroChem Group AG.

Appointment
December 2020
Education and qualifications:
Mikhail graduated from the Physics Faculty of Lomonosov Moscow State University.

Career:
In the early 1990s, Mikhail worked in banking. In 1995–2003, he was a member of the Russian Federation State Duma, the Deputy Chairman of the Budgeting, Taxes, Banking and Finance Committee, representing the Pskov region. In 2004–2009, Mikhail was the Governor of the Pskov region.

Mikhail established the Grazhdanskaya Pressa association of independent media (Pskov). From 2013 to 2018, Mikhail was the Chief Executive Officer of Siberian Generating Company.

Board members’ competencies as at 31.12.2020

- 108 -
Vladimir Hlavíčka, 54
INDEPENDENT DIRECTOR

Stefan Judisch, 62
INDEPENDENT DIRECTOR

Michael Hogan, 62
INDEPENDENT DIRECTOR

Appointment
August 2019

Education and qualifications
Vladimir holds a Master’s degree in Mechanical Engineering, Thermal and Nuclear Power Plant Design from Brno University of Technology and a Master’s degree in Law from Masaryk University (Brno), Czech Republic.

Career
Vladimír has a diverse range of experience in the nuclear power industry, including the transformation and development of the energy businesses, in the 90s', he worked for a long time at the Nuclear Power Plant Dukovany. From 2000 to 2008, Vlaudmir was a member of the ALTA Board of Directors in charge of M&A, legal affairs, nuclear material and fuel assemblies management, predominantly focused on energy-related commodities and non-ferrous metals.

Stefan began his career in 1981 at Metallgesellschaft's central controlling department in Frankfurt (Germany). 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 de-regulation 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 18 years. He retired as the company’s CEO in February 2017. Stefan is a Non-Executive Director of the Russian companies Sibur, Gazprom, and Rosneft. He has also been a member of the Audit Committee of EuroChem Group AG.

From 2014 to 2015, he served as Deputy Board Chairman at PSEG International (Czech Republic) and, in 2015, was Managing Director and Vice President of Innovatec急于One Holding N.V. (the Netherlands). In 2017, Vladimir was elected to the Board of Directors of Uterium One Inc (Canada), and was appointed Managing Director of U1 Trading (Zurich). Since 2018, he has also been a member of the Board of Directors at ORIG2RE, where he is the majority shareholder.

Michael holds a Master’s degree in Law from Masaryks University and graduated from the University of Western Ontario.

He has also been an active member of the Massachusetts Institute of Technology Alumni Association of Professional Engineers and Geoscientists of Saskatchewan.

In January 2020, he was elected to the Board of Directors and Strategy Committee of EuroChem Group AG. Since December 2020, he has been Chairman of the HSE Committee of EuroChem Group AG.

As the General Manager for Arab Potash Company Michael was involved in Saskatchewan Mining Association, Saskatchewan Potash Producers Association and International Minerals Innovation Institute. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

Michael holds a degree in Finance and Credit. In 1999, Andrei graduated with honours from Finance Academy under the Government of the Russian Federation, holding a degree in Finance and Credit. In 2004, he received a PhD in Economics. In 2011, Andrei graduated from the INSEAD Executive MBA programme.

Career
Andrei began his career in 1998 as an auditor at PricewaterhouseCoopers. From 2003, he worked in the financial services department at OJSC TNK-BP where he was responsible for investment, IT and logistics. From 2008, he worked for United Metallurgical Company (OAO), where he was simultaneously Director of Logistics and General Director of the Baltic Metallurgical Terminal (St. Petersburg). In 2012–2020, Denis was the Director of Logistics of SUEK Group. Denis was appointed CEO of the National Transportation Company in 2020.
From 2001 to 2005, he headed the Coal and Metals Department. Between 1996 and 2001, Igor completed his postgraduate studies at the State Institute of Steel and Alloys, France. He obtained an MBA from the Higher School of Economics, Moscow, in 2001.

Career
Between 2002 and 2011, Irina worked at Uniplan, a potato 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. She was appointed Director of the HSE Department at Gazprom Neft. In the period 2005–2007, Oleg worked in Schlumberger in Russia, the CIS and Turkey, from HSE Administrator to HSE Manager at the headquarters of Schlumberger in Russia, the CIS and Turkey.

Irina graduated from Perm State University, Russia. She obtained an MBA from the Higher School of Economics, Moscow, in 2001.

Career
From 1995 to 2005, Oleg worked for various positions at Schlumberger in Russia, the CIS and Turkey, from HSE Administrator to HSE Director for Russia. He was appointed Deputy General Director at SUEK in 2007. In 2013, he was Director of the HSE Department at TNK-BP Management. From 2008 to 2010, he served as Head of the Industrial Safety Department. From 2009 to 2010, he served as Deputy Head of the Industrial Safety Department at Gazprom Neft. Throughout his career, he led the following public positions: Deputy Head of the Industrial Safety Committee of the Russian Union of Industries and Entrepreneurs, a member of the Scientific and Technical Council of Rosnedra and the Scientific and Technical Council of Rosatom, and the Chairman of the Working Group on the administrative reform of the control and supervisory activities of the Government of the Russian Federation on oil and gas companies. Oleg started working as the HSE Director at SUEK in December 2020.

Further Education and Qualifications
Oleg studied Occupational Safety at the Academy of Labour and Social Relations and graduated from Lomonosov Moscow State University with a degree in Environmental Safety. He also obtained an MBA from the Higher School of Economics with a degree in Logistics and Supply Chain Management.

Career
Between 1986 and 2001, Alexander worked in the Public Prosecution Department. He subsequently joined SDANO — TNK-BP Management, where he held several positions including General Counsel of SDANO’s branch in Saratov and as the Head of the Legal Department. Alexander joined SUEK in 2005, initially as Deputy General Counsel, and was then appointed as General Counsel in January 2008. In 2017, he received a state award from the Ministry of Energy of the Russian Federation for his personal contribution to the development of the national fuel and energy sector. Alexander graduated from the Saratov Law Institute in 1986.

Further Education and Qualifications
Alexander studied at the Russian Academy of Management and Kutafin Moscow State Law University. He holds an MBA in Logistics and Supply Chain Management from the National Research University’s Higher School of Economics.

Career
From 2005 to 2007, Alexander, served as Vice President of Rosneft Oil Company. In 2008–2009, Alexander worked as Deputy General Director for Strategy and Corporate Development at Freight One, a major private railway freight operator. From 2014 to 2019, he was the Executive Director of the company. From 2019 to 2020, he was General Director of the Independent Transport Company. Alexander graduated from the Russian Academy of Management and Kutafin Moscow State Law University. He holds an MBA in Logistics and Supply Chain Management from the National Research University’s Higher School of Economics.

Further Education and Qualifications
Natalia has university diplomas in Economics and Linguistics. She also obtained an Executive MBA from Antwerp Business School, Corporate EMBA from INSEAD and IMD Business Schools.

Career
From 1997 to 2009, Natalia worked in HR in executive positions for companies such as Coca-Cola and the Automobile Dealers’ Association Musa Motors Corp. From 2009 to 2010, Natalia worked at Sibur, where she held such roles as Head of Human Resources (Synthetic Rubbers Directorate), Project Office Manager, Head of Sibur’s Production System Implementation Programme (PSS), and from 2015, she headed the Corporate University and was appointed Director of the Management Board of NLMK. Natalia was appointed Director of Human Resources and Organisational Development at SUEK in July 2020.

Further Education and Qualifications
Natalia graduated from Perm State University’s Faculty of Law in 1998 and from the National Research University’s Higher School of Economics. She obtained a Master of Public Administration degree from the Higher School of Public Administration of the Academy of Labour and Social Relations and graduated from Lomonosov Moscow State University with a degree in Environmental Safety. She also obtained an MBA from the Higher School of Economics with a degree in Logistics and Supply Chain Management.

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SUEK’s corporate governance system is designed to ensure we carry out effective, responsible business, and create value for all of our stakeholders.

This system is underpinned by the following principles:

- Treating all shareholders equally, recognising and protecting their rights
- Ensuring that our strategic and operational management and internal control and audit mechanisms are as efficient as possible
- Ensuring transparent information and financial disclosure by providing stakeholders with accurate information in convenient formats
- Adhering to rigorous and ethical standards in all business activities
- Providing a decent, safe and healthy working environment for all of our employees

The key internal documents relating to corporate governance at SUEK are our Charter, Regulations on the Board of Directors and Committees, Regulation on Preparing, Convening and Holding the General Meeting of Shareholders, SUEK’s Corporate Governance Code and Code of Corporate Ethics.

When developing our system of corporate governance, we are guided by the Corporate Governance Code as recommended by the Bank of Russia, along with international best practices. So far, the following is in place:

- The positions of Board Chairman and CEO are separate, and the Board is chaired by an independent director
- The Board has a Strategy Committee, Audit Committee, Nomination and Compensation Committee and HSE Committee, all of which include Independent and Non-Executive Directors with relevant experience
- When making decisions, Board members avoid potential conflicts of interest
- Both the status of Independent Director and the number of such directors are monitored and confirmed by the Board of Directors
- The Board’s work is self-assessed on an annual basis

SUEK’s governing bodies are the General Meeting of Shareholders, the Board of Directors and the CEO.

S&P Global Ratings

**CORPORATE GOVERNANCE OVERVIEW**

**CORPORATE GOVERNANCE SYSTEM**

SUEK has approved all the necessary policies and procedures, in line with global practices, and has an extensive code of conduct, which addresses all key governance aspects.

SUEK INTEGRATED REPORT 2020
GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest governing body of the company. In 2020, the Annual General Meeting of Shareholders elected the members of the Board of Directors, approved the 2019 Annual Report and financial statements while KPMG as SUEK’s external auditor for 2020 was re-appointed. In addition, it approved the company’s Charter and the revised Regulation on Board Remuneration. For the first time in eight years, the General Meeting decided to pay dividends totalling RUB 7.5bn ($103m).

BOARD OF DIRECTORS’ REPORT

COMPOSITION

The Board of Directors ensures effective company management and long-term business success. The Board of Directors has four committees intended to support it and improve the quality of decision-making at Board level: • Strategy Committee • Audit Committee • Nomination and Compensation Committee • HSE Committee

The Board of Directors, in 2020, Alexander Landia, Klaus-Dieter Beck and Ian Macdonald left SUEK. Stefan Judisch moved to an executive position and retired from the Board of Directors in June, returning to the Board in February 2021. At the same time, the Board welcomed Samir Brirkho, an expert in the field of power engineering and energy, who was elected Chairman of the Board of Directors. Juerg Seiler with significant experience in finance and Mikhail Kuznetsov, experienced in public administration and energy. As at 31 December 2020, there were four Independent Directors: Samir Brirkho, Michael Baumgärtner, Juerg Seiler and Vladimir Hlavinka. Their independence was confirmed by the Board’s resolution of 15 December 2020. All Board members are Non-Executive Directors as at 31 December 2020.

SELECTION AND NOMINATION POLICY

The Nomination and Compensation Committee oversees the selection and nomination of new Board members, ensures that it is well-balanced and that the competencies of Directors support the company’s strategic objectives. Board members are elected for the period until the next Annual General Meeting, with the possibility of re-election. Candidates for the Board are directors who have knowledge of the coal mining sector, electricity and heat generation industries; they should also be highly proficient in finance, investment, risk and strategic management.

When determining the status of Independent Directors, the Board is guided by the Corporate Governance Code, recommended by the Bank of Russia, and the Order of the Federal Property Management Agency ‘On approval of the Order of the Federal Property Management Agency’. Independent Directors are not affiliated to: • SUEK • SUEK’s substantial shareholder • SUEK’s substantial counterparty or competitor • State or municipality

INFORMATION SUPPORT

All Directors have full and timely access to the information they need to perform their duties. They may receive advice from the Group’s General Counsel, the Corporate Secretary, other managers and employees of the Group, in addition to external advisers. If a Director is unable to attend a meeting of the Board or Committee, he or she is provided with all relevant documents and information related to such meeting and invited to discuss all the topics with the Chairman of the Board or Committee and their members. In between meetings, Non-Executive Directors regularly receive reports on the company’s activities, notifications about important events, including all incidents at production plants.

TRAINING

SUEK invests considerable time and money in employee training, but sees it as equally important for members of the Board of Directors to develop and update their knowledge of the Group’s activities. Every year, as part of their visits to production facilities, Board members meet with asset managers and learn about the technologies, materials and equipment in use, occupational safety standards and the procurement processes in place. The Board is informed of all relevant company developments through regular management reports, including data on production and financial performance, as well as the progress of investment projects. Board meetings include presentations by Group employees, which provide Directors with access to the company’s internal expertise, and presentations by external consultants.

STAKEHOLDER ENGAGEMENT

SUEK’s Board of Directors actively engages with both internal and external stakeholders, with Board members personally addressing the most significant matters. Directors regularly visit the company’s production assets and communicate with employees and representatives of the local community. This gives them a complete picture of the units and helps in evaluating the company’s industrial and environmental safety at first hand. Due to restrictions caused by the pandemic, personal visits to production assets were cancelled, with all discussions moved online.

Every other year, SUEK conducts an employee engagement assessment. Its results are then discussed at meetings of the Board of Directors and the Nomination and Compensation Committee, followed by adjustments to social and HR projects and programmes.

During his induction and familiarisation with the company, Samir Brirkho, the new Chairman of the Board of Directors, held meetings with the company’s external counterparties from the energy and coal mining sectors.

In the reporting year, the Audit Committee initiated an ESG assessment of the company by rating agency S&P. Michael Baumgärtner, Committee Chairman, was interviewed by S&P’s analysts. Following the assessment, the Board made the decision to improve SUEK’s disclosure of information on environment, climate projects and supply chain management as well as to carry out internal organisational and regulatory changes that would enhance the company’s ESG activities.

An investment community perception study was carried out, eliciting feedback on the information SUEK discloses to its financial stakeholders and the methods of disclosure, as well as awareness of SUEK’s strategy and corporate governance. It established that the company’s information disclosure practices are well regarded. However, it also showed that there is a lack of understanding regarding aspects of the business and the benefits its diversified model offers. This lack of awareness is more pronounced amongst financial communities with little or no direct interaction with SUEK. Participants in the study provided several suggestions regarding potential additional information and disclosure formats, some of which have already been taken into consideration for this reporting.

BOARD OF DIRECTORS’ MEETINGS

The Board’s schedule and work plan are approved for the following year, with adjustments made every six months. The Corporate Secretary is responsible for supporting the work of the Board and its Committees, including, jointly with the Chairmen of Committees, preparing materials for meetings in advance. The Board held 18 meetings in 2020. In addition to regular matters such as revising company strategy, budget and investment planning, setting objectives for top managers and assessing their performance, at its meetings in 2020, the Board reviewed a number of strategic initiatives and COVID-19 risk-management. These included plans for further company transformation, approved strategic transactions and analysed the short- and long-term financing strategy, along with other matters requiring Board’s approval according to the Regulation. The Board appointed a new CEO, elected a new Chairman of the Board of Directors and the Group’s Corporate Secretary.

CORPORATE GOVERNANCE OVERVIEW / CONTINUED
The Board of Directors discussed the corporate strategy of the Group and each segment in the second half of the year. Board members considered the strategic context for the company’s various businesses, macro trends in the market and the influence that COVID-19 has had, as well as the diversification of activities, including a reorganisation of the logistics function. Considerable attention was also paid to production technologies and innovations, with a focus on improving operational efficiency.

The Board approved SUEK’s development programmes and approved a number of investment projects to further increase the efficiency of all business segments.

The Board approved integration plans for the new assets, including extension of the company’s corporate policies and processes that ensure effective control of financial and economic activities.

The Board paid special attention to reviewing the Group’s HR strategy focused on incentivisation, talent management and corporate culture.

Sustainable development

Industrial and environmental safety topics are on the agenda of every Board meeting, including compliance with the relevant standards. In 2020, the Board approved projects aimed at improving industrial safety, including at new assets, and enhancing the company’s environmental performance. Directors also discussed the role that SUEK can play in addressing climate-related problems.

Governance changes were among the important matters discussed, in particular establishing a dedicated HSE Committee which would focus on environmental and industrial safety. This Committee began its work in 2021. The Board also approved the position of the Group’s HSE Officer.

Not a single Board meeting took place without COVID-19-related issues being discussed. The directors received regular updates on the COVID-19 situation at the Group’s businesses and discussed the current response measures in place to combat the pandemic, ensure the safety of employees, as well as the most significant risks that could affect the continuity of operations and the fulfilment of the company’s obligations to its millions of customers. The Board cooperated closely with the company’s management teams on the implementation at all COVID-19-related measures.

Key matters considered at Board meetings in 2020

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In 2020, the Board considered the following significant matters:

- Updating the composition of the Board of Directors and Committees under the Board of Directors, key functional leaders and organisational structure in line with SUEK’s updated profile and strategy
- Electing a new CEO
- Updating the objectives of the internal audit function
- Updating tasks and planning changes in control, compliance and industrial safety functions
- Strengthening the risk management function and risk-based decision-making culture at all levels

In February 2021, the Board selected a new external auditor for the company for 2021, Deloitte, subject to approval by the Annual General Meeting of Shareholders.

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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 areas:

- Developing the company’s overall strategy, strategic plans for business segments and strategies by functional area.
- Carrying out investment planning, project management and capital management.
- Defining the company’s operating priorities and evaluating the operational efficiency of management.
- Improving key business processes.

In the reporting year, the Strategy Committee focused on updating the Corporate Strategy and improving the key business processes to successfully transform the company.

Much focus was given to changing the organisation and principles of budgeting. The Committee proposed financial metrics that would make the budget an effective tool for measuring both shareholder value creation and the performance of individual business units and functions, in the interest of maximising shareholder value.

The Committee monitored the development and introduction of a new commercial operating model implying a change in the concept of ‘acceptable’ risk levels, a unified approach to planning, the unification of commercial regulatory and reference information and the elimination of duplicate processes to achieve maximum economic impact. The new model is to be introduced by the end of 2021.

The Committee reviewed the project to develop SUEK’s business system. We strive to build an effective business management model to adopt a structured approach to improving production efficiency. Such a model is based on optimisation and well-organised business processes.

In 2020, the Committee considered the updated priorities of the strategy for developing SGC’s energy assets in Novosibirsk, the strategy for expanding heat sales at Belovskaya GRES and progress reports of programmes to improve operational efficiency at the Group’s production facilities.

The Committee discussed and approved key performance indicators for the programmes.

During the year, the Committee also paid attention to regular matters such as strategic initiatives, control of budget indicators, review of macro parameters and long-term price forecast, business value and M&A alternatives.

In 2020, the Committee paid attention to both planned matters and those related to the group-wide business transformation process. Significant changes were made to the compliance and risk management systems. The main purpose behind these changes was to improve the system for the early warning and prevention of violations and high-risk situations. A single process owner was identified at Group’s level, the Compliance and Risk Management Service. The updated compliance and risk management system, which encompasses the function of business risk management, ensures qualitative identification of risks and organisational mechanisms to control them. In addition, in 2020, the Committee undertook a comprehensive reassessment of compliance risks and approved a list of the most significant risks for SUEK’s business.

To further develop the internal audit function, the Committee approved a new approach to planning the work carried out by the Internal Audit Service. The internal audit focused on ensuring the effectiveness of key compliance and business risk management systems, with a focus on the most important areas. Much attention was paid to audits of business processes, which are of great importance for improving the company’s efficiency. The Committee approved the internal audit Work Plan for 2021 and key audit areas based on the analysis of the main risks and their quantitative assessment.

The Committee Chairman initiated an audit of the company’s ESG policies by an independent international rating agency. After analysing the report and assessment results, the Committee implemented measures to improve the quality of disclosure in the areas of environment, social policy and corporate governance. These changes make it possible to introduce organisational changes and practices to enhance the performance in these areas.

The Committee also discussed planned matters related to preparing financial statements (IFRS), evaluating the external auditor’s effectiveness and remuneration, SUEK’s operating results, D&O liability insurance, preparing the Annual Report and the Committee’s work plan.
In 2021, the Board of Directors approved the creation of a new Committee for the purposes of in-depth consideration of health, safety and environmental issues and preparation of recommendations to the Board of Directors in this field to improve industrial and environmental safety across the Group’s operations. In particular, it will be responsible for:

• 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 accidents and developing recommendations on their future prevention

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• Analysing the causes and consequences of accidents and developing recommendations on their future prevention

Michael Hogan,
CHAIRMAN OF THE HSE COMMITTEE

Our efforts are aimed at creating a safe production process with zero injuries and acting in an environmentally friendly way through implementation of innovations.

Andrey Melnichenko (Chairman)
Samir Brikho
Mikhail Kuznetsov
Vladimir Hlavinka

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, developing a succession pool and talent pipeline, designing and assessing programmes for developing future managers

In the reporting year, the Committee’s focus was on the improvement of HR processes. The Committee revisited its long-term and short-term incentive programmes, including for project team members participating in large investment projects, and set up the processes for actual and planned payments to employees and managers. In 2020, the Committee began work on functional strategies for cross-cutting functions. It considered the key aspects of the strategy for integrating the HR function and the functional procurement strategy, and subsequently defined key areas of development for their strategies. The Committee identified a number of aspects requiring further refinement that related to the HR function’s strategy, namely, the number of employees and the optimal division of labour resources between internal and external contractors, personnel and working hour management (analysis of additional costs for overtime pay, weekend work, etc.).

The Committee approved the annual individual goals set for senior executives. It also considered the planned matters of industrial and environmental safety, the Committee’s work plan and the HR function’s budget. Recognising the significant importance of occupational health and safety issues, as well as the need to develop this area at the highest level, the Committee proposed the creation of a HSE Committee under the Board of Directors and established a HSE director position at the Group level.

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• 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 accidents and developing recommendations on their future prevention

In 2021, the HSE Committee will primarily focus its efforts on revising the industrial safety and environmental strategies for both group and segment levels. The Committee will also pay attention to the revision of HSE-related KPIs which will allow assessing company’s performance more effectively.

1 Vladimir Hlavinka retired from the Board and the Nomination and Compensation Committee on 24 February 2021.
SUEK runs and develops an effective compliance system aimed at ensuring that the company’s activities comply with applicable laws, internal rules and regulations, external liabilities, compliance principles and standards across all business segments and all jurisdictions. SUEK’s compliance system has been certified according to ISO 19600:2014 (Compliance Management) and ISO 37001:2016 (Anti-Corruption Management). In 2020, SUEK’s compliance with these standards were confirmed by an international auditor International Compliance Association (ICA).

The compliance management system monitors applicable standards and compliance with mandatory requirements in the company’s units. It helps promptly identify, prevent and mitigate compliance risks in the following fields:
- Compliance with licence requirements
- Tax compliance
- Anti-monopoly regulation
- Sanctions compliance
- Industrial and occupational safety
- Environmental management
- Corporate ethics
- Combating corruption covenants and trade restrictions

In 2020, an additional focus was put on ensuring compliance with anti-epidemic regulatory requirements amid the COVID-19 pandemic, in the context of continuing production processes and the need to protect our employees’ health as the highest priority.

At the end of 2020, we conducted a new assessment of all compliance risks, possible scenarios of their occurrence, the probability and materiality of each scenario. Taking into account the proactive measures we had already undertaken, no unmanaged high-level compliance threats were identified.

SUEK’s compliance system has been in place since 2009 and has been continually refined. The Board of Directors approved the following objectives for 2020:
- Continued development of the three lines of defense compliance model.
- Introduction of a digital management system.
- Strengthening the role of day-to-day compliance activities.
- Enhancing the role of the independent observer.
- Improving the effectiveness of monitoring key areas.

SUEK runs a 24/7 hotline available to all of its employees, business partners and residents from the regions where we operate.

In 2020, an additional focus was put on ensuring compliance with anti-epidemic requirements, anti-corruption laws of the Russian Federation and all of the countries where we operate. There is an Anti-Corruption, Bribery and Money Laundering Policy in place at SUEK, in addition to the necessary anti-corruption procedures. The Board of Directors is in general control of the functioning and continuous improvement of the anti-corruption system.

SUEK runs a 24/7 hotline available to all of its employees, business partners and residents from the regions where we operate.

In the reporting year, we analysed more than 200 compliance complaints, made reactive decisions and provided answers and explanations where needed. No human rights violations as defined in the Code of corporate ethics and related to business conduct were identified in the reporting period. There were no cases of repeated complaints due to dissatisfaction with the position communicated on compliance matters.

SUEK extends its corporate values to all of its operations. Since March 2020, registration on SUEK’s trade platform for all potential suppliers is only possible after applicants have confirmed their consent with the updated Compliance Policy. Companies that aim to become SUEK’s counterparties follow a special due diligence procedure undertaken to maintain an appropriate level of compliance for the entire duration of civil law relations.

In September 2020, SUEK’s anti-corruption policy was assigned the highest possible rating in the first national rating compiled by the Russian Union of Industrialists and Entrepreneurs.

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INTERNAL AUDIT

By reorganising the Internal Audit function, we will provide expertise in critical areas of business risks such as the environment, industrial and occupational safety and management of large investment projects.

Vladimir Kremenitskiy, INTERNAL AUDIT DIRECTOR

SUEK’s Internal Audit Service has the following key objectives:
- To help improve the efficiency and effectiveness of the company’s activities by providing independent assessment and advice in the area of internal control and corporate governance, and assessing the compliance of the distribution of roles and responsibilities in risk management and internal control with international best practices
- To facilitate the timely identification of risks and the development of risk mitigation actions by evaluating the efficiency of operations, compliance with regulatory requirements, the Group’s policies and the reliability of the company’s internal and external reporting
- To provide management, the Audit Committee and the Board of Directors with information for making decisions and attaining reasonable confidence in achieving the company’s goals

The independence of the Service is ensured by its functional subordination to the Audit Committee of the Board of Directors. The Committee reviews the Directorate’s reports on a quarterly basis, approves internal audit plans and the Directorate’s budget, holds regular meetings with the Internal Audit Director. When planning its work, the Internal Audit Service adopts a risk-based approach, taking into account the external environment and performance of the company, focus areas of the Board of Directors and executives, risk assessment results.

In 2020, particular attention was paid to the following matters:
- Health & safety
- Environmental protection
- Compliance system development
- Production planning
- Asset management, equipment maintenance and repairs
- Implementing major investment projects

Based on the recommendations of the Internal Audit Service, executives develop and take actions aimed at improving the efficiency of the internal control system, business processes and operations. The Internal Audit Service monitors and analyses the effectiveness of such actions.

In 2020, SUEK updated the strategy of the Internal Audit Service, taking into account the recommendations of the Board of Directors. It provides for:
- Rolling planning of audits based on regular analysis and assessment of risk levels by area
- Focus on audits of business compliance with regulatory requirements
- Ensuring the quality of reports at the level of external consultants at a lower cost
- Systematic monitoring of corrective management measures, improvement results and residual risks

The key areas of risk and audits for 2021 are:
- Environment (bulk waste, emissions and discharges)
- Industrial safety
- Investment project management

SUEK INTEGRATED REPORT 2020

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS’ REPORT TO THE SHAREHOLDERS OF JSC SUEK

OPINION

We have audited the consolidated financial statements of JSC SUEK (the ‘Company’) and its subsidiaries (the ‘Group’), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast
significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors’ report is:

Andrey A. Kim
JSC ‘KPMG’
MOSCOW, RUSSIA
29 JANUARY 2021

The comparative consolidated statement of profit or loss for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33. The accompanying notes on pages 134 to 162 are an integral part of these consolidated financial statements.

Stepan Solzhenitsyn
CHIEF EXECUTIVE OFFICER
29 JANUARY 2021

Andrey Vanyushin
CHIEF FINANCIAL OFFICER
29 JANUARY 2021

<table>
<thead>
<tr>
<th>Millions of US Dollars</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,683</td>
<td>7,638</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(3,846)</td>
<td>(4,301)</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(1,762)</td>
<td>(1,978)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(169)</td>
<td>(225)</td>
</tr>
<tr>
<td>Other income/(expenses), net</td>
<td>2</td>
<td>(15)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>892</td>
<td>1,115</td>
</tr>
<tr>
<td>Finance costs, net</td>
<td>(307)</td>
<td>(425)</td>
</tr>
<tr>
<td>Foreign exchange (loss)/gain</td>
<td>(306)</td>
<td>200</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>247</td>
<td>885</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(53)</td>
<td>(146)</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>194</td>
<td>749</td>
</tr>
<tr>
<td>Net profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shareholders of the parent</td>
<td>165</td>
<td>742</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>194</td>
<td>749</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (in US Dollars)</td>
<td>0.78</td>
<td>3.14</td>
</tr>
</tbody>
</table>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

Andrey A. Kim
JSC ‘KPMG’
MOSCOW, RUSSIA
29 JANUARY 2021
### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2020**

Millions of US Dollars

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year</td>
<td>194</td>
<td>749</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items which may be reclassified to profit or loss in the future:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax</td>
<td>31</td>
<td>(220)</td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges, net of deferred tax</td>
<td>4068</td>
<td>3111</td>
</tr>
<tr>
<td>Total items which may be reclassified to profit or loss in the future</td>
<td>4377</td>
<td>91</td>
</tr>
<tr>
<td>Items which may not be reclassified to profit or loss in the future:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation difference</td>
<td>(254)</td>
<td>154</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>(43)</td>
<td>(1)</td>
</tr>
<tr>
<td>Tax effect of revaluation</td>
<td>(120)</td>
<td>162</td>
</tr>
<tr>
<td>Actuarial gains/(losses)</td>
<td>8</td>
<td>(7)</td>
</tr>
<tr>
<td>Total items which may not be reclassified to profit or loss in the future</td>
<td>120</td>
<td>(552)</td>
</tr>
<tr>
<td>Total other comprehensive loss for the year</td>
<td>(328)</td>
<td>(411)</td>
</tr>
</tbody>
</table>

The comparative consolidated statement of comprehensive income for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 134 to 162 are an integral part of these consolidated financial statements.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2020**

Millions of US Dollars

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>14,109</td>
<td>14,354</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>13,068</td>
<td>12,310</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>591</td>
<td>1,547</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>246</td>
<td>132</td>
</tr>
<tr>
<td>Goodwill</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>21</td>
<td>87</td>
</tr>
<tr>
<td>Other assets</td>
<td>105</td>
<td>100</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,255</td>
<td>2,245</td>
</tr>
<tr>
<td>Trade accounts and other receivables</td>
<td>822</td>
<td>861</td>
</tr>
<tr>
<td>Inventories</td>
<td>704</td>
<td>746</td>
</tr>
<tr>
<td>Prepaid and recoverable taxes</td>
<td>183</td>
<td>265</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>33</td>
<td>55</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>183</td>
<td>177</td>
</tr>
<tr>
<td>Total assets</td>
<td>15,904</td>
<td>15,599</td>
</tr>
<tr>
<td>EQUITY AND LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>5,054</td>
<td>5,803</td>
</tr>
<tr>
<td>Share capital</td>
<td>(256)</td>
<td>(401)</td>
</tr>
<tr>
<td>Share premium</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>5,267</td>
<td>4,866</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>(360)</td>
<td>117</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>(2,110)</td>
<td>(1,274)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,016</td>
<td>2,988</td>
</tr>
<tr>
<td>Total shareholders’ equity and liabilities</td>
<td>16,034</td>
<td>16,599</td>
</tr>
</tbody>
</table>

The comparative consolidated statement of financial position as at 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 134 to 162 are an integral part of these consolidated financial statements.
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The comparative consolidated statement of changes in shareholders’ equity for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33. The accompanying notes on pages 134 to 162 are an integral part of these consolidated financial statements.
1. GENERAL INFORMATION

Organisation and principal activities.
Joint Stock Company (JSC) ‘Siberian Coal Energy Company’ (‘SUEK’ or the ‘Company’) was founded on 1 December 1999. The Company and its subsidiaries are collectively referred to as the Group. The address of registered office is Dubirinskaya st. 53, bld. 7, Moscow, Russian Federation. The principal activities of the Group are the extraction and sales of coal, generation and sales of electricity, heat and capacity and railroad transportation and transshipment in ports. AIM Capital SE, registered in the Republic of Cyprus, is the immediate parent company of SUEK with 92.2% interest in the Company’s share capital.

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital SE.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for:

• mining assets carried at fair value; and
• derivative financial instruments which are stated at fair value.

Functional currency.

The functional currency of subsidiaries of the Group is the currency of the primary economic environment where these entities operate.
The functional currency of foreign trading subsidiaries and predominantly export-oriented Russian subsidiaries is US Dollar (‘USD’). The functional currency of the Company and Russian subsidiaries that are not predominantly export-oriented is the Russian Ruble (‘RUB’).

Presentation currency.

The presentation currency is the USD. The translation of the consolidated financial statements into the presentation currency was performed in accordance with the requirements of IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’.

The following RUB/USD exchange rates were applied at 31 December and during the years then ended:

<table>
<thead>
<tr>
<th>Year end</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average rate</td>
<td>73.88</td>
<td>61.31</td>
</tr>
</tbody>
</table>

ADOPITION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

A number of amendments to the existing standards are effective from 1 January 2020 but they do not have a material effect on the Group’s financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements:

• amendments to references to Conceptual Framework in IFRS standards;
• definition of a business (Amendments to IFRS 3);
• definition of material (Amendments to IAS 1 and IAS 8); and
• interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. BASIS OF CONSOLIDATION

Subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The acquisition of subsidiaries from third parties is accounted for using the purchase method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition. Non-controlling (minority) interest is measured at its proportionate interest in the identifiable assets and liabilities of the acquiree. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in ownership interests by the Group in a subsidiary, while maintaining control, are recognised as an equity transaction.

Upon a loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Business combination under common control.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recorded previously in the predecessor’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Difference between the purchase consideration and carrying value of net assets acquired is recognised directly in equity.

3.2. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the respective functional currency at the exchange rate ruling at the balance sheet date. Exchange differences arising from changes in exchange rates are recognised in profit or loss, except that exchange differences arising from the revaluation of the intra-group debt accounted for as a part of net investments in foreign entities are recognised in other comprehensive income in the consolidated financial statements.

The translation of the financial statements from functional currency into presentation currency is performed in accordance with the requirements of IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ as follows:

• all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated statement of financial position presented;
• all income and expenses in the consolidated statement of profit or loss are translated at the average exchange rates for the years presented;
• resulting exchange differences are included in equity and presented separately; and
• in the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates. All cash flows are translated at the annual average exchange rates for the years presented. Resulting exchange differences are presented as foreign exchange effect on cash and cash equivalents.
3.3. PROPERTY, PLANT AND EQUIPMENT

Basis of carrying value of property, plant and equipment.

Mining assets.

Mining assets include mineral rights with capitalised mine development costs and certain types of operating equipment, such as equipment which represents an integral part of a particular mine or a particular open-pit, or such items of mining equipment whose use on an alternative mine or open-pit is impracticable or not economically feasible. The remaining part of tangible fixed assets besides listed above is defined as operating tangible fixed assets.

Mining assets are carried at fair value since the date of the creation of this new class of property, plant and equipment. Mineral rights were classified as property, plant and equipment and carried at fair value starting from 1 January 2013.

The fair value is determined by discounting future cash flows which can be obtained from operations of the mines based on the life-of-mine plans and deducting the fair value of the operating tangible fixed assets.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the mining assets and the net amount is restated to the revalued amount of the asset. Revaluations are performed on an annual basis.

A revaluation increase is recognised in other comprehensive income and accumulated in equity except to the extent it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease is recognised in profit or loss except to the extent that it reverses a revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

At the yearend a portion of the revaluation reserve, which is equal to the difference between depreciation based on the revalued carrying amount of the mining assets and depreciation based on the asset’s historical cost, is transferred from the revaluation reserve to retained earnings.

The mineral rights of new greenfields are carried at historical value until detailed technical and financial plans for the assets are finalised.

Property, plant and equipment, other than mining assets.

Property, plant and equipment, other than mining assets, is stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads, and the corresponding capitalised borrowing costs.

Where an item of property, plant and equipment, other than mining assets, comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment, other than mining assets, that is accounted for separately, is capitalised to the carrying amount of the component that has been replaced being written off.

Renewals, improvements and major capital maintenance costs are capitalised and the assets replaced are retired. Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit and loss as incurred.

Depreciation.

Mining assets are depreciated using the unit-of-production method, based on the estimated proven and probable coal reserves to which they relate, or are written off if the mine is abandoned or where there is an impairment in value. The impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. Estimated proven and probable coal reserves determined in accordance with internationally recognised standards for reporting coal reserves reflect the economically recoverable coal reserves which can be legally recovered in the future from coal deposits.

Tangible assets, other than mining assets, are depreciated using the straight-line method based on estimated useful lives. For each item the estimated useful life has due regard to both its own physical life limitations and, if applicable, the present assessment of the economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all tangible assets, with annual reassessments for major items.

The estimated useful lives of property, plant and equipment, including mining assets, are as follows:

- mining assets average of 57 years
- generating assets 4–65 years
- machinery, equipment, transport and other 2–37 years
- buildings, structures and utilities 6–60 years
- railcars 7–32 years

3.4. CAPITAL CONSTRUCTION-IN-PROGRESS

Capital construction-in-progress comprises costs directly related to mine development, construction of buildings, infrastructure, processing plant, machinery and equipment. Amortisation or depreciation of these assets commences when the assets are put in the location and condition necessary for them to be capable of operating in the manner intended by management. Capital construction-in-progress is reviewed regularly to determine whether its carrying value is recoverable.

3.5. IMPAIRMENT

The Group reviews the carrying amounts of its tangible and intangible assets regularly to determine whether there are indicators of impairment. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

A recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment losses are recognised in profit or loss for the year. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to CGU and then to reduce the carrying amounts of the other assets in CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6. RESEARCH AND EXPLOREXPORT EXPLOREXPLORATION

Pre-exploration costs are recognised in profit or loss as incurred.

Exploration and evaluation costs (including geophysical, topographical, geological and similar types of expenditure) are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of extracting coal is considered to be determinable when proven coal reserves are determined to exist. Expenditure deemed to be unsuccessful is recognised immediately in profit or loss.

3.7. INVENTORIES

Coal.

Coal is measured at the lower of production cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Production costs include on-mine and processing costs, as well as transportation costs to the point of sale.

Consumable stores and materials.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.8. FINANCIAL INSTRUMENTS

Non-derivative financial instruments.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group recognises a financial asset or a financial liability in its consolidated statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets at amortised cost.

Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVPL):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through other comprehensive income ('FVOCI').

Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions and are not designated as at FVTPL:

• they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at fair value through profit or loss.

Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss. This includes all derivative financial assets.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

If the Group changes its business model for managing financial assets it must reclassify all affected financial assets.

The Group reclassifies a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Financial liabilities.

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss. After initial recognition, the Group cannot reclassify any financial liability.

The Group derecognises a financial liability (or a part of a financial liability) when the obligation specified in the contract is discharged or cancelled or expires.

Impairment of financial assets.

The Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model applies to the financial instruments that are not measured at FVTPL.

Loss allowance is recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group measures loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

• debt securities that are determined to have low credit risk at the reporting date;
• other financial instruments (other than lease and trade receivables) for which credit risk has not increased significantly since initial recognition.

For loans, the Group measures ECL on an individual basis, or on a collective basis for portfolios that share similar economic risk characteristics.

An impairment loss in respect of the financial assets is calculated as present value of the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. In assessing the impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset. Impairment losses on financial assets are presented under ‘other expenses’ in the operating profit or loss, similar to the presentation under IAS 39, and not presented separately in the consolidated statement of profit or loss due to materiality considerations.

Derivative financial instruments.

The Group may enter into a variety of derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk, interest rate risk and risk of changes in the price of freight.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. The subsequent changes are recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss (to revenue or foreign exchange gain/loss depending on a hedged item) in the same period in which the hedged item affects profit or loss.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, or the designation is revoked, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is reclassified to profit or loss.

3.9. PROVISIONS.

Provisions are recognised when the Group has legal or constructive obligations, as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10. EMPLOYEE BENEFIT OBLIGATIONS.

Remuneration to employees in respect of services rendered during a reporting year is recognised as an expense in that reporting year.

Defined contribution plan.

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution pension plan. The only obligation of the Group is to make the specified contributions in the year in which they arise and these contributions are expensed as incurred.

Defined benefit plans.

In accordance with current legislation and internal documentation the Group operates defined benefit plans whereby field workers of its coal-producing subsidiaries are entitled to a lump sum payment. The amount of benefits depends on age, years of service, compensation and other factors. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. Actuarial gains and losses are recognised directly in other comprehensive income.

The defined benefit obligation is calculated annually by the Group. The Projected Unit Credit Method is used to determine the present value of defined benefit obligations and the related current service cost. The present value of service cost is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.
3.11. INCOME TAX

Income tax expense comprises current and deferred taxation.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill and temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group’s main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

3.12. REVENUE RECOGNITION

Revenue comprises the sales value of coal, energy, heat, capacity and other goods and services supplied to customers during the period, excluding value-added tax.

Revenue is recognised when the Group fulfils the obligation to perform by transferring the promised goods and services to a customer. An asset is transferred when the buyer receives control of such an asset. Revenue is recognised in the amount of consideration received or receivable in return for the transfer of the promised goods or services to the customer.

Revenue from the sale of coal and other goods is recognised at the time of delivery. Revenue from the sale of electricity and heat is recognised at the time the electricity and heat are supplied to consumers. The ordinary conditions for settlements with customers imply payment upon delivery.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if the term of settlement is up to one year from the date when the Group transfers a promised goods or services to a customer and the customer pays for that goods or services within one year or less.

Energy sales are carried out on both regulated and unregulated energy markets. Regulated market revenue is based on the application of tariffs approved by the Federal Antimonopoly Service and Regional Energy Commission of the Russian Federation. Revenue is recognised on a monthly basis upon the delivery of the electricity, heat and capacity. Capacity is a special good/service which gives a customer the right to demand generating company (the Group) to maintain its generation assets in a state of readiness to enable the electricity production for the customer. Electricity volumes produced, not covered by the regulated contracts are traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Non-regulated bilateral contracts for supply of capacity may be also concluded.

The amounts of revenue and expenses of self-produced and consumed electricity volume are shown net for presentation purposes based on selling prices on a day-ahead market. Management believes that such presentation provides more relevant and meaningful information about the operation of the Group.

Revenue from the sale of railroad and transhipment service is recognised when the Group fulfils the obligation of transhipment. The ordinary conditions for settlements with customers imply payment upon delivery.

3.13. DIVIDENDS DECLARED

Dividends and related taxation thereon are recognised as a liability in the year in which they have been declared and become legally payable.

Retained earnings legally distributable by the Group are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual Group entities. These amounts may differ significantly from the amounts recognised in the Group’s consolidated IFRS financial statements.

3.14. DEVELOPMENT EXPENDITURE

Development costs are capitalised when shaft sinking is done to prepare a certain part of a deposit for mining and used throughout the life of a mine. Development costs are capitalised in case longwalls are being prepared for extraction and amortised during the mining of the longwall.

3.15. OVERBURDEN REMOVAL EXPENDITURE

In open-pit coal mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable coal.

Stripping costs incurred during the pre-production phase of the open-pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

Due to the specifics of the geology of the Group’s mining assets, the period required to gain access to a coal seam is short, and the stripping ratio (volume of overburden removed over the volume of coal extracted) is relatively constant over the periods. Therefore, stripping costs incurred during the production phase of the open-pit mine are recognised in the profit or loss as incurred.

3.16. ENVIRONMENTAL OBLIGATION

Environmental obligation includes provision for decommissioning and site restoration costs.

Environmental provision is recognised when the Group has a present legal or constructive obligation as a result of past events that existed at the balance sheet date:

• to dismantle and remove its items of property, plant and equipment (decommissioning); and
• to restore site damage after the commencement of coal production to bring the land into a condition suitable for its further use (site restoration).

Estimated future costs are provided for at the present value of estimated future expenditures expected to be incurred to settle the obligation, using estimated cash flows, based on current prices adjusted for the inflation.

The increase in the provision through unwinding of the obligation, due to the passage of time, is recognised as a finance cost in profit or loss.

Changes in the obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset to the extent of the carrying amount of the asset: the excess is recognised immediately in profit or loss.

Gains from the expected disposal of mining assets at the end of the life of the mine are not taken into account when determining the provision.

3.17. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss for the year in which they are incurred.

3.18. GOODWILL

Goodwill arises on acquisitions and is recognised as an asset initially measured at cost, being the excess of the cost of the business combination over the Group’s share of the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. If the Group’s share of the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities, after reassessment, exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Transaction costs incurred in a business combination are expensed.

The Group elected not to restate past business combinations at the date of adoption of IFRS.

3.19. LEASE

At inception of a contract, a lease is assessed whether a lease contract, or contains, a lease. A contract is or, contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and assesses whether a lease at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any repayments of lease made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are
determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the payments of lease discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The weighted-average rate applied is 7.6% (8.0% in 2019).

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, payments of lease in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future payments of lease arising from a change in an index or rate. If there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or when recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. If the terms of the asset’s lease agreement provide for a purchase option and the Group is reasonably certain that it exercises this option, the Group depreciates the right-of-use asset from the commencement date till the end of the useful life of the underlying asset. Depreciation will be calculated based on the useful life of assets under lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (with a value of USD 5,000 or less upon purchase). The Group recognises the payments of lease associated with these leases as an expense on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group’s accounting policies management has made the following principal judgements and estimates that have a significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

Coal reserve estimates.
Coal reserve estimates are used as the basis for future cash flows, which enter into the valuation of mining rights, the determination of provision for environmental obligations, calculations of amortisation and depreciation of mining assets, the unwinding of discount on environmental obligations and the related deferred taxes.

The coal reserve estimates represent the quantity of coal expected to be mined, processed and sold at prices at least sufficient to recover the wellhead costs, the carrying value of the investment and anticipated additional expenditures (proven and probable coal reserves in international mining terminology). The estimates are based on several assumptions about the physical existence of coal reserves, future mining and recovery factors, production costs and coal prices and have been calculated using the assessment of available exploration and other data. The Group undertakes revisions of the coal reserve estimates, which are confirmed by independent consulting mining engineers, as appropriate.

Although management’s long-term mine plans exceed the remaining useful life of some of the mining licenses of the Group, the Group has a legal right to apply for the extension of the licenses for its existing mining resources and therefore management is confident that the licenses will be extended provided that it is the same coal resource within the original mining license and that certain other conditions are met. Extensions to new seams or adjacent areas are often subject to open auctions. Delay or failure in securing relevant government approvals or licences, as well as any adverse change in government policies, may cause a significant adjustment to development and acquisition plans, which may have a material adverse effect on the Group’s financial position and performance.

Valuation of mining assets.
Mining assets for coal extraction are stated at their fair value based on reports prepared by internal specialists of the Group at each year end.

Since there is no active market for mining assets, the fair value is determined by discounting future cash flows, which can be obtained from the operations of the mines based on the life-of-mine plans, and deducting the fair value of the operating tangible fixed assets. The Group did not identify any material intangible assets which should be deducted in arriving at the fair value of the miningassets.

Since the operating tangible fixed assets are carried at historical cost, for the purposes of regular revaluation of mining assets their fair value is determined either based on market prices for similar items of tangible fixed assets recently acquired or constructed by the Group or, in absence of such items, by applying a price index for the relevant year of acquisition of mining equipment to the residual value of items.

At 31 December 2020 the fair value of mining assets was determined based on the following key assumptions:

- the cash flows were projected based on actual operating results and life-of-mine models constructed for each mining unit and based on an assessment of proven and probable reserves using projected volumes of coal and the available capacity of the transport infrastructure in the foreseeable period and thereafter;
- export coal sales volumes were estimated to grow at an average of 2% for the foreseeable forecasted period 2021–2031;
- export coal prices for Asian markets are estimated to grow to by 7% in 2021 in comparison to 2020 and to grow at an average of 1% for 2022–2025; Export coal prices for European markets are estimated to grow to 7% in 2021 in comparison to 2020 and to grow at an average of 2% for 2022–2025. Forecast for 2021–2025 is based on the forward rates and consensus forecast of investment banks, forecast after 2025 is estimated to be in line with long-term USD inflation;
- domestic coal prices were estimated to grow at an average of 2% for the foreseeable forecasted period 2021–2031;
- domestic coal sales volumes were estimated to grow at an average of 3.5% in 2021 and to grow in line with RUB inflation thereafter;
- regulated railroad tariffs for 2021 were estimated to grow at an average of 3.7% and to grow in line with RUB inflation less than 0.1% thereafter;
- the RUB/USD exchange rate was estimated to grow from 810 RUB/USD. For 2021–2025 the estimate was based on the RUB/USD forward rate and a consensus forecast of investment banks and was indexed by the ratio between the expected RUB inflation of the corresponding year and the long-term USD inflation thereafter;
- cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 12.3% in RUB for brown coal mining units and at the nominal weighted average cost of capital of 9.2% in USD for hard coal mining units.

At 31 December 2020 the total effect of the revaluation of the mining assets was an increase of 648 million USD (31 December 2019 – a decrease of 810 million USD); the after-tax effect on equity was an increase of 518 million USD (31 December 2019 – a decrease of 518 million USD).

Example changes in key assumptions applied to the first forecasted year would have the following effect on the fair value of the mining assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>Increase (Decrease) in the Fair Value of Mining Assets</th>
<th>Increase in Weighted Average Cost of Capital by 1 Percentage Point</th>
<th>Increase in Export Coal Prices by 1%</th>
<th>Increase in Export Coal Prices by 1%</th>
<th>Increase in Export Coal Prices by 1%</th>
<th>Increase in Export Coal Prices by 1%</th>
<th>Increase in Domestic Coal Prices by 1%</th>
<th>Increase in Domestic Coal Prices by 1%</th>
<th>Increase in Domestic Coal Prices by 1%</th>
<th>Increase in Domestic Coal Prices by 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow</td>
<td>$350</td>
<td>$371</td>
<td>$238</td>
<td>$201</td>
<td>$107</td>
<td>$121</td>
<td>$82</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operating segment information for the Group at 31 December 2020 and for the year then ended is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Cost</th>
<th>Logistics</th>
<th>Energy</th>
<th>Corporate</th>
<th>Intercorporate elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment external revenues</td>
<td>4,057</td>
<td>252</td>
<td>2,374</td>
<td></td>
<td></td>
<td>6,683</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>488</td>
<td>252</td>
<td>2,374</td>
<td></td>
<td></td>
<td>3,114</td>
</tr>
<tr>
<td>Pacific region</td>
<td>2,377</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,377</td>
</tr>
<tr>
<td>Atlantic region</td>
<td></td>
<td></td>
<td>1,192</td>
<td></td>
<td></td>
<td>1,192</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td></td>
<td>1,888</td>
<td>65</td>
<td>48</td>
<td>(2,539)</td>
<td></td>
</tr>
<tr>
<td>Segment expenses</td>
<td>(4,779)</td>
<td>(1,542)</td>
<td>(1,917)</td>
<td>(92)</td>
<td></td>
<td>(5,791)</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>38</td>
<td>376</td>
<td>522</td>
<td></td>
<td></td>
<td>892</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(637)</td>
<td>(207)</td>
<td>(228)</td>
<td>(9)</td>
<td></td>
<td>(1,081)</td>
</tr>
<tr>
<td>Interest expense and interest on lease</td>
<td>(136)</td>
<td>(76)</td>
<td>(83)</td>
<td>(227)</td>
<td>218</td>
<td>(304)</td>
</tr>
<tr>
<td>Interest income</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>214</td>
<td>(218)</td>
<td>8</td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td>(183)</td>
<td>387</td>
<td>438</td>
<td>(93)</td>
<td></td>
<td>247</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td>33</td>
<td>(77)</td>
<td>(88)</td>
<td>79</td>
<td></td>
<td>(53)</td>
</tr>
<tr>
<td>Net (loss)/profit for the year</td>
<td>(150)</td>
<td>310</td>
<td>350</td>
<td>(316)</td>
<td></td>
<td>194</td>
</tr>
<tr>
<td>Capital expenditures incurred during the year</td>
<td>723</td>
<td>64</td>
<td>227</td>
<td>12</td>
<td></td>
<td>1,026</td>
</tr>
<tr>
<td>Additions of right-of-use assets</td>
<td>8</td>
<td>1</td>
<td>11</td>
<td></td>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>

Operating segment information for the Group at 31 December 2019 and for the year then ended is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Cost</th>
<th>Logistics</th>
<th>Energy</th>
<th>Corporate</th>
<th>Intercorporate elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment external revenues</td>
<td>5,140</td>
<td>309</td>
<td>2,189</td>
<td></td>
<td></td>
<td>7,638</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>614</td>
<td>309</td>
<td>2,189</td>
<td></td>
<td></td>
<td>3,112</td>
</tr>
<tr>
<td>Pacific region</td>
<td>2,712</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,712</td>
</tr>
<tr>
<td>Atlantic region</td>
<td>1,814</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,814</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td>664</td>
<td>1,903</td>
<td>8</td>
<td>53</td>
<td>(2,628)</td>
<td></td>
</tr>
<tr>
<td>Segment expenses</td>
<td>(5,650)</td>
<td>(1,676)</td>
<td>(1,714)</td>
<td>(111)</td>
<td>(2,628)</td>
<td>(6,523)</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>154</td>
<td>536</td>
<td>483</td>
<td>(53)</td>
<td></td>
<td>1,115</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(597)</td>
<td>(271)</td>
<td>(178)</td>
<td>(7)</td>
<td></td>
<td>(1,055)</td>
</tr>
<tr>
<td>Interest expense and interest on lease</td>
<td>(137)</td>
<td>(68)</td>
<td>(121)</td>
<td>(238)</td>
<td>206</td>
<td>(406)</td>
</tr>
<tr>
<td>Interest income</td>
<td>5</td>
<td>10</td>
<td>4</td>
<td>210</td>
<td>(206)</td>
<td>25</td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td>(98)</td>
<td>493</td>
<td>363</td>
<td>127</td>
<td></td>
<td>885</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td>(101)</td>
<td>(71)</td>
<td>(23)</td>
<td>(141)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss)/profit for the year</td>
<td>(37)</td>
<td>310</td>
<td>350</td>
<td>127</td>
<td></td>
<td>749</td>
</tr>
<tr>
<td>Capital expenditures incurred during the year</td>
<td>797</td>
<td>94</td>
<td>158</td>
<td>12</td>
<td></td>
<td>1,128</td>
</tr>
<tr>
<td>Additions of right-of-use assets</td>
<td>13</td>
<td>932</td>
<td>4</td>
<td></td>
<td></td>
<td>949</td>
</tr>
</tbody>
</table>

Proceeds from the sale of electricity and purchased energy are presented after deduction of cost of electricity generated by the Group and consumed for own process needs in the amount of 83 million USD for the year ended 31 December 2020 (for the year ended 31 December 2019 – 96 million USD).

8. DISTRIBUTION COSTS

<table>
<thead>
<tr>
<th>Service</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway services</td>
<td>1,024</td>
<td>1,172</td>
</tr>
<tr>
<td>Freight</td>
<td>310</td>
<td>289</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>194</td>
<td>259</td>
</tr>
<tr>
<td>Sloe-drying from third parties</td>
<td>112</td>
<td>157</td>
</tr>
<tr>
<td>Labour</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Repair and maintenance services</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>Consumables and supplies</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Property and other taxes</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>1,762</td>
<td>1,976</td>
</tr>
</tbody>
</table>

9. GENERAL AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Expense</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>127</td>
<td>140</td>
</tr>
<tr>
<td>Consulting, legal, audit and other professional services</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>165</td>
<td>229</td>
</tr>
</tbody>
</table>

6. REVENUE

<table>
<thead>
<tr>
<th>Service</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>3,799</td>
<td>4,877</td>
</tr>
<tr>
<td>Electric capacity</td>
<td>832</td>
<td>732</td>
</tr>
<tr>
<td>Electricity</td>
<td>813</td>
<td>693</td>
</tr>
<tr>
<td>Heat</td>
<td>647</td>
<td>707</td>
</tr>
<tr>
<td>Railroad transportation and transshipment in ports</td>
<td>231</td>
<td>309</td>
</tr>
<tr>
<td>Petroleum coke</td>
<td>77</td>
<td>153</td>
</tr>
<tr>
<td>Other</td>
<td>284</td>
<td>167</td>
</tr>
<tr>
<td>Total</td>
<td>6,883</td>
<td>7,638</td>
</tr>
</tbody>
</table>
### 10. FINANCE COSTS, NET

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>241</td>
<td>317</td>
</tr>
<tr>
<td>Interest on lease</td>
<td>63</td>
<td>69</td>
</tr>
<tr>
<td>Bank commissions and charges</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Unwinding of discount on provisions</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Interest income</td>
<td>(6)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>337</td>
<td>420</td>
</tr>
</tbody>
</table>

### 11. PROPERTY, PLANT AND EQUIPMENT

#### 11.1. MINING ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2019 (as previously reported)</td>
<td>7,991</td>
<td>2,356</td>
</tr>
<tr>
<td>Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at 1 January 2019 (as adjusted)</td>
<td>7,991</td>
<td>2,356</td>
</tr>
<tr>
<td>Revaluation of mining assets (810)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business combination 28</td>
<td>314</td>
<td>15</td>
</tr>
<tr>
<td>Additions 55</td>
<td>—</td>
<td>6</td>
</tr>
<tr>
<td>Transfers 108</td>
<td>52</td>
<td>599</td>
</tr>
<tr>
<td>Disposals (5)</td>
<td>(8)</td>
<td>(77)</td>
</tr>
<tr>
<td>Translation difference 207</td>
<td>305</td>
<td>112</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>7,574</td>
<td>3,019</td>
</tr>
<tr>
<td>Revaluation of mining assets 648</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business combination (see note 33) 42</td>
<td>—</td>
<td>181</td>
</tr>
<tr>
<td>Additions 81</td>
<td>86</td>
<td>451</td>
</tr>
<tr>
<td>Transfers (5)</td>
<td>(2)</td>
<td>(57)</td>
</tr>
<tr>
<td>Disposals (314)</td>
<td>(312)</td>
<td>(169)</td>
</tr>
<tr>
<td>Translation difference (64)</td>
<td>(61)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2020</strong></td>
<td>8,031</td>
<td>2,772</td>
</tr>
<tr>
<td>Accumulated depreciation and amortisation</td>
<td>1,025</td>
<td>627</td>
</tr>
<tr>
<td>Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at 1 January 2019 (as adjusted)</td>
<td>1,025</td>
<td>627</td>
</tr>
<tr>
<td>Depreciation and amortisation 305</td>
<td>108</td>
<td>237</td>
</tr>
<tr>
<td>Disposals (5)</td>
<td>—</td>
<td>(46)</td>
</tr>
<tr>
<td>Translation difference 44</td>
<td>81</td>
<td>56</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>1,369</td>
<td>616</td>
</tr>
<tr>
<td>Depreciation and amortisation 272</td>
<td>158</td>
<td>377</td>
</tr>
<tr>
<td>Disposals (1)</td>
<td>—</td>
<td>(98)</td>
</tr>
<tr>
<td>Reclassification from right-of-use assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Translation difference (72)</td>
<td>(136)</td>
<td>(85)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2020</strong></td>
<td>1,560</td>
<td>837</td>
</tr>
<tr>
<td>Net book value at 31 December 2019 6,305</td>
<td>2,203</td>
<td>1,322</td>
</tr>
<tr>
<td>Net book value at 31 December 2020 6,463</td>
<td>2,035</td>
<td>1,541</td>
</tr>
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</table>

#### 11.2. GENERATING ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2019 (as previously reported)</td>
<td>79</td>
<td>117</td>
</tr>
<tr>
<td>Additions 11</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Modifications (6)</td>
<td>13</td>
<td>(1)</td>
</tr>
<tr>
<td>Disposals —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Translation difference 10</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>88</td>
<td>155</td>
</tr>
<tr>
<td>Additions 11</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Modifications 11</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Reclassification to property, plant and equipment —</td>
<td>(5)</td>
<td>—</td>
</tr>
<tr>
<td>Disposals (9)</td>
<td>(9)</td>
<td>(10)</td>
</tr>
<tr>
<td>Translation difference (14)</td>
<td>(24)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2020</strong></td>
<td>87</td>
<td>147</td>
</tr>
</tbody>
</table>

#### 12. RIGHT-OF-USE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2019 (as previously reported)</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Depreciation 11</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Modifications —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification to property, plant and equipment —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Disposals (1)</td>
<td>(1)</td>
<td>(1) (8)</td>
</tr>
<tr>
<td>Translation difference 20</td>
<td>20</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Net book value at 1 January 2020 77</td>
<td>141</td>
<td>5</td>
</tr>
<tr>
<td>Net book value at 31 December 2020 68</td>
<td>127</td>
<td>4</td>
</tr>
</tbody>
</table>

#### 13. OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract assets under concession agreements</td>
<td>52</td>
<td>49</td>
</tr>
<tr>
<td>Other assets</td>
<td>53</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>105</td>
<td>100</td>
</tr>
</tbody>
</table>

#### 14. TRADE ACCOUNTS AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts receivable 833</td>
<td>1,021</td>
<td></td>
</tr>
<tr>
<td>Advances issued 133</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>Other receivables 32</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>968</td>
<td>1,179</td>
</tr>
<tr>
<td>Less: Allowance for doubtful debts 176</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>822</td>
<td>981</td>
</tr>
</tbody>
</table>

In 2020 the Group purchased railcars from lease for a consideration of 363 million USD. The net book value of the railcars was reclassified from right-of-use assets to property, plant and equipment in the amount of 778 million USD.

Group assets include advances issued for capital expenditures of 45 million USD (31 December 2019 – 64 million USD). If mining assets had been carried at the historical cost, the net book value of property, plant and equipment at 31 December 2020 would have been 7,366 million USD (31 December 2019 – 6,854 million USD).
15. INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal stock</td>
<td>288</td>
<td>356</td>
</tr>
<tr>
<td>Consumable stores and materials</td>
<td>454</td>
<td>456</td>
</tr>
<tr>
<td>Less: Allowance for obsolescence</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Net consumable stores and materials</td>
<td>416</td>
<td>411</td>
</tr>
<tr>
<td>Total</td>
<td>704</td>
<td>787</td>
</tr>
</tbody>
</table>

16. DERIVATIVE FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th>Derivative financial instruments</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal contracts – cash flow hedges</td>
<td>Derivative assets</td>
<td>Derivative liabilities</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>37</td>
</tr>
<tr>
<td>Cross-currency swaps – cash flow hedges</td>
<td>22</td>
<td>104</td>
</tr>
<tr>
<td>Cross-currency forward contracts – cash flow hedge</td>
<td>27</td>
<td>1</td>
</tr>
<tr>
<td>Other derivatives</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>416</td>
</tr>
</tbody>
</table>

Cross-currency swaps.
The Group entered into cross-currency swap contracts to manage exposure of fluctuations in foreign currency exchange rates. At 31 December 2020 the outstanding principal amount of hedge is 3,185 million USD. Details of the cross-currency swaps designated as cash flow hedges were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Cross-currency swaps</td>
<td>256</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>256</td>
<td>10</td>
</tr>
<tr>
<td>Cross-currency forward contracts</td>
<td>537</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>1,245</td>
<td>104</td>
</tr>
</tbody>
</table>

17. PREPAID AND RECOVERABLE TAXES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added tax recoverable</td>
<td></td>
<td>145</td>
</tr>
<tr>
<td>Income tax receivable</td>
<td>36</td>
<td>85</td>
</tr>
<tr>
<td>Prepaid other taxes</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>183</td>
<td>265</td>
</tr>
</tbody>
</table>

18. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>117</td>
<td>56</td>
</tr>
<tr>
<td>Deposits</td>
<td>17</td>
<td>83</td>
</tr>
<tr>
<td>Other cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>183</td>
<td>177</td>
</tr>
</tbody>
</table>

19. SHARE CAPITAL AND RESERVES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>238,060</td>
<td>238,060</td>
</tr>
<tr>
<td>Issued share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>238,060</td>
<td>238,060</td>
</tr>
</tbody>
</table>

At 31 December 2020 the average coal sales price under the hedge coal forward contracts was 64 USD per ton. (31 December 2019 – 70 USD per ton). Ordinary shares of the Company have a par value of 0.005 RUB. All issued shares were fully paid.
20. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no dilution effect.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year attributable to ordinary shareholders of the parent</td>
<td>185</td>
<td>742</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (in thousands)</td>
<td>236,060</td>
<td>236,060</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (in USD)</td>
<td>0.78</td>
<td>3.14</td>
</tr>
</tbody>
</table>

21. BORROWINGS

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>Effective interest rate</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term borrowings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable rate borrowings</td>
<td></td>
<td>4,115</td>
<td>2,952</td>
</tr>
<tr>
<td>Unsecured USD-denominated borrowings</td>
<td>6M LIBOR + 0.5% to 1M LIBOR + 3%</td>
<td>2,545</td>
<td>2,780</td>
</tr>
<tr>
<td>Unsecured EUR-denominated borrowings</td>
<td>EURIBOR + 0.3% to EURIBOR + 1.85%</td>
<td>1,289</td>
<td>—</td>
</tr>
<tr>
<td>Fixed rate borrowings</td>
<td></td>
<td>2,943</td>
<td>3,631</td>
</tr>
<tr>
<td>Unsecured USD-denominated borrowings</td>
<td>6.7% to 8.3%</td>
<td>1,454</td>
<td>1,914</td>
</tr>
<tr>
<td>Unsecured EUR-denominated bonds</td>
<td></td>
<td>1,314</td>
<td>840</td>
</tr>
<tr>
<td>Unsecured RUB-denominated bonds</td>
<td></td>
<td>125</td>
<td>977</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>5,958</td>
<td>6,563</td>
</tr>
<tr>
<td>Less: Current portion of long-term borrowings</td>
<td></td>
<td>1,688</td>
<td>1,644</td>
</tr>
<tr>
<td>Total long-term borrowings</td>
<td></td>
<td>5,270</td>
<td>4,919</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate borrowings</td>
<td></td>
<td>44</td>
<td>155</td>
</tr>
<tr>
<td>Unsecured USD-denominated borrowings</td>
<td>1.8%</td>
<td>41</td>
<td>—</td>
</tr>
<tr>
<td>Unsecured USD-denominated borrowings</td>
<td>0.05% to 4%</td>
<td>—</td>
<td>150</td>
</tr>
<tr>
<td>Other borrowings</td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>44</td>
<td>155</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td></td>
<td>1,688</td>
<td>1,644</td>
</tr>
<tr>
<td>Total short-term borrowings</td>
<td></td>
<td>1,732</td>
<td>1,799</td>
</tr>
</tbody>
</table>

The Group’s long-term borrowings have restrictive covenants including, but not limited to, the requirement to maintain minimum ratios associated with:
- consolidated net indebtedness to earnings before interest, tax, depreciation and amortisation (‘EBITDA’); and
- EBITDA to consolidated interest expense.

The covenants are calculated based on the IFRS financial statements of the Group on a semi-annual basis. As at 31 December 2020 the Group was in compliance with all such covenants.

22. LEASE LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>1,224</td>
<td>813</td>
</tr>
<tr>
<td>Additions</td>
<td>20</td>
<td>521</td>
</tr>
<tr>
<td>Modifications</td>
<td>74</td>
<td>11</td>
</tr>
<tr>
<td>Interest on lease</td>
<td>63</td>
<td>89</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>(224)</td>
<td>(313)</td>
</tr>
<tr>
<td>Payment for purchase of leased railcars</td>
<td>(363)</td>
<td>—</td>
</tr>
<tr>
<td>Disposals</td>
<td>(14)</td>
<td>(16)</td>
</tr>
<tr>
<td>Translation difference</td>
<td>(163)</td>
<td>119</td>
</tr>
<tr>
<td>Closing balance</td>
<td>517</td>
<td>1,224</td>
</tr>
</tbody>
</table>

The remaining amount of lease liabilities related to railcars reclassified from right-of-use assets to property, plant and equipment amounted to 10 million USD.

23. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below provides information of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes:

<table>
<thead>
<tr>
<th></th>
<th>Long-term borrowings</th>
<th>Short-term borrowings</th>
<th>Lease liabilities</th>
<th>Dividends paid to shareholders</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2019</td>
<td>4,291</td>
<td>62</td>
<td>813</td>
<td>—</td>
<td>—</td>
<td>5,166</td>
</tr>
<tr>
<td>Cash flows</td>
<td>1,828</td>
<td>5</td>
<td>(315)</td>
<td>—</td>
<td>(91)</td>
<td>1,429</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>144</td>
<td>67</td>
<td>119</td>
<td>—</td>
<td>—</td>
<td>330</td>
</tr>
<tr>
<td>Interest expenses and interest on lease</td>
<td>296</td>
<td>21</td>
<td>89</td>
<td>—</td>
<td>—</td>
<td>406</td>
</tr>
<tr>
<td>Change in lease obligations</td>
<td>—</td>
<td>—</td>
<td>516</td>
<td>—</td>
<td>—</td>
<td>516</td>
</tr>
<tr>
<td>Bank commissions</td>
<td>24</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>24</td>
</tr>
<tr>
<td>Other payables</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>6,583</td>
<td>155</td>
<td>1,224</td>
<td>—</td>
<td>—</td>
<td>7,962</td>
</tr>
<tr>
<td>Balance as at 1 January 2020</td>
<td>6,583</td>
<td>155</td>
<td>1,224</td>
<td>—</td>
<td>—</td>
<td>7,962</td>
</tr>
<tr>
<td>Cash flows</td>
<td>336</td>
<td>(102)</td>
<td>(657)</td>
<td>(103)</td>
<td>(25)</td>
<td>(421)</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>(273)</td>
<td>(19)</td>
<td>(143)</td>
<td>—</td>
<td>—</td>
<td>(465)</td>
</tr>
<tr>
<td>Interest expenses and interest on lease</td>
<td>231</td>
<td>10</td>
<td>63</td>
<td>—</td>
<td>—</td>
<td>304</td>
</tr>
<tr>
<td>Change in lease obligations</td>
<td>—</td>
<td>—</td>
<td>80</td>
<td>—</td>
<td>—</td>
<td>80</td>
</tr>
<tr>
<td>Bank commissions</td>
<td>26</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>26</td>
</tr>
<tr>
<td>Other payables</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>103</td>
<td>25</td>
<td>128</td>
</tr>
<tr>
<td>Balance as at 31 December 2020</td>
<td>6,958</td>
<td>44</td>
<td>617</td>
<td>—</td>
<td>—</td>
<td>7,619</td>
</tr>
</tbody>
</table>

24. OTHER LONG-TERM LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for environmental obligation</td>
<td>159</td>
<td>175</td>
</tr>
<tr>
<td>Provision for defined benefit obligation</td>
<td>44</td>
<td>64</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>133</td>
<td>132</td>
</tr>
<tr>
<td>Total</td>
<td>336</td>
<td>371</td>
</tr>
</tbody>
</table>
Provision for environmental obligation.
The extent and cost of future site restoration programmes are inherently difficult to estimate and depend on the estimated lives of the assets, the scale of any possible disturbance and contamination as well as the timing and extent of corrective actions. The following is a summary of the key assumptions on which the discounted carrying amounts of the obligations are based:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Provision for defined benefit obligation.
Actuarial assumptions used for the calculation of the defined benefit obligation were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Future increases in salaries</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

25. TRADE ACCOUNTS AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable and accruals</td>
<td>325</td>
<td>519</td>
</tr>
<tr>
<td>Payables for the acquisition of subsidiaries (see note 33)</td>
<td>282</td>
<td>65</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>93</td>
<td>198</td>
</tr>
<tr>
<td>Accrual for vacation payments</td>
<td>62</td>
<td>72</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>42</td>
<td>66</td>
</tr>
<tr>
<td>Other creditors</td>
<td>111</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>915</td>
<td>1,003</td>
</tr>
</tbody>
</table>

26. TAXES PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added tax</td>
<td>104</td>
<td>72</td>
</tr>
<tr>
<td>Income tax</td>
<td>35</td>
<td>47</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>164</td>
<td>167</td>
</tr>
</tbody>
</table>

27. TAXATION

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td>136</td>
<td>220</td>
</tr>
<tr>
<td>Deferred income tax benefit</td>
<td>(85)</td>
<td>(74)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>53</td>
<td>148</td>
</tr>
</tbody>
</table>

The reconciliation of theoretical income tax, calculated at the rate effective in the Russian Federation, where the Company is domiciled, to the amount of actual income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>247</td>
<td>628</td>
</tr>
<tr>
<td>Theoretical income tax expense at 20%</td>
<td>49</td>
<td>179</td>
</tr>
<tr>
<td>Impact of specific tax rates in Switzerland</td>
<td>(5)</td>
<td>(38)</td>
</tr>
<tr>
<td>Impact of specific tax rates in Russian Federation</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Impact of tax rate change in Switzerland</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Tax effect of non-deductible expenses</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>53</td>
<td>146</td>
</tr>
</tbody>
</table>

The tax effects of temporary differences that give rise to deferred taxation are presented below:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities</td>
<td>(1,009)</td>
<td>(1,884)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(1,742)</td>
<td>(1,942)</td>
</tr>
<tr>
<td>Right-of-use assets (note 12)</td>
<td>(320)</td>
<td>(220)</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>(1,349)</td>
<td>(1,349)</td>
</tr>
</tbody>
</table>

The tax effects of temporary differences that give rise to deferred taxation are presented below:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities</td>
<td>247</td>
<td>628</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>159</td>
<td>62</td>
</tr>
<tr>
<td>Prepaid expenses and accruals</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Environmental and other provisions</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Employee benefit obligations</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Trade accounts and other receivables</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Inventory</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(1,778)</td>
<td>(1,886)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(1,827)</td>
<td>(1,942)</td>
</tr>
<tr>
<td>Right-of-use assets (note 12)</td>
<td>(220)</td>
<td>(220)</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>(1,331)</td>
<td>(1,349)</td>
</tr>
</tbody>
</table>
Unrecognised temporary differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and distribution of dividends, including distribution on a tax-free basis when certain conditions are met, and it is probable that the temporary difference will not be reversed in the foreseeable future, amounted to 3,843 million USD (31 December 2019–3,229 million USD).

Management believes that sufficient taxable profits will be available, against which the unused tax losses can be utilised by the Group in the unlimited future period. For presentation purposes certain deferred tax assets and liabilities are offset in accordance with the accounting policy.

### 28. RELATED PARTY TRANSACTIONS

Related parties are considered to include the ultimate beneficiary, affiliates and entities under common ownership and control of the same principal ultimate beneficiary. The Company and its subsidiaries, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties.

Transactions with related parties not dealt with elsewhere in the consolidated financial statements are as follows:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transshipment in the ports from EuroChem group</td>
<td>77</td>
</tr>
<tr>
<td>Cost sales to DEC group, which was an associate of a company with the same principal ultimate beneficiary till June 2020</td>
<td>44</td>
</tr>
<tr>
<td>Other energy sales</td>
<td>64</td>
</tr>
<tr>
<td>Other sales to EuroChem group</td>
<td>67</td>
</tr>
<tr>
<td>Purchases of goods and services from EuroChem group</td>
<td>68</td>
</tr>
<tr>
<td>Purchases of goods and services from other companies</td>
<td>34</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2</td>
</tr>
<tr>
<td>Remuneration of the Board of Directors and the Management members</td>
<td>12</td>
</tr>
</tbody>
</table>

The outstanding balances with related parties are as follows:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts and other receivables from EuroChem group</td>
<td>13</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5</td>
</tr>
<tr>
<td>Payables to EuroChem group for the acquisition of subsidiaries (see note 33)</td>
<td>282</td>
</tr>
<tr>
<td>Trade accounts and other payables to EuroChem group</td>
<td>20</td>
</tr>
</tbody>
</table>

### 29. COMMITMENTS

**Capital commitments.**

The following key capital expenditures were approved:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted</td>
<td>889</td>
</tr>
<tr>
<td>Not yet contracted</td>
<td>1,406</td>
</tr>
<tr>
<td>Total</td>
<td>2,395</td>
</tr>
</tbody>
</table>

### 30. CONTINGENCIES

#### Insurance

The insurance industry in the Russian Federation is in the process of development, and some forms of insurance protection common in developed markets are not yet generally available at commercially acceptable terms. The Group has limited coverage for its mining, processing, transportation and energy generating facilities for business interruption or for third-party liabilities in respect of property or environmental damage arising from accidents on the Group’s property or relating to the Group’s operations. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain operating assets could have a material adverse effect on the Group’s operations and financial position.

#### Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

#### Taxation contingencies in the Russian Federation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management’s best estimate of the probable outflow of resources embodying economic benefits which will be required to settle such liabilities.

Management believes that it has provided adequately for all tax liabilities based on its interpretation of the tax legislation. However, the relevant authorities may have differing interpretations, and the effect could be significant.

#### Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions in which it operates. The Group’s operations involve disturbance of land, discharge of materials and contaminants into the environment and other environmental concerns.

The Group’s management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates. However, changes in environmental regulations are currently under consideration in the Russian Federation. The Group is continually evaluating its obligations relating to new and changing legislation. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology and incur future additional material costs to meet more stringent standards.

#### The Russian Federation risk

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. This change in the environment did not have a significant effect on the Group’s operations, however, the longer-term effects of the imposed and possible additional sanctions are difficult to determine. The Group implemented relevant compliance policy, continuously monitors economic sanctions and analyses their effect on the Group’s financial position and operation results.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.
Business environment.
On 11 March 2020, the World Health Organization declared a new coronavirus infection (COVID-19) a pandemic. The global markets began to experience significant volatility. Together with other factors, this has resulted in a sharp decrease in the oil price, stock market indices and coal prices, as well as a depreciation of the Russian rouble. Responding to the potentially serious threat the COVID-19 presents to public health, the Russian and other countries' government authorities have taken extensive measures to contain the outbreak, including imposing restrictions on the cross-borders movement of people, entry restrictions for foreigners and instructing business community to transfer employees to working from home. The scope and duration of these events against the backdrop of the second wave of COVID-19 remain uncertain and may have further significant influence on the economy and companies operating in this environment.

The management of the Group is taking necessary precautions to protect the safety and well-being of employees against the spread of COVID-19. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group’s products; its supply chain; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants.

Taking into account the above-mentioned measures and the Group’s current operational and financial performance along with other currently available public information, management does not anticipate significant adverse impact of the COVID-19 outbreak on the Group’s financial position and operating results. However, it may be difficult to predict the impact of the COVID-19 in the medium and long term perspective. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects of the COVID-19 pandemic.

The consolidated financial statements reflect management’s assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

### 31. FAIR VALUE MEASUREMENT

The fair value of assets and liabilities is determined with reference to various market information and other valuation methods as considered appropriate. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data.

Financial instruments carried at amortised cost.
At 31 December 2020, the fair values of financial instruments carried at amortised cost, which are mainly loans, payables and receivables, did not materially differ from the carrying values. For payables and receivables this is based on their short-term nature, and loans fair values were calculated based on the present value of future cash flows (including interest) discounted at market interest rate.

Financial instruments carried at fair value.
Fair values of derivative financial assets and liabilities were determined using inputs from observable market data, which correspond to Level 2 of the hierarchy of fair values.

Mining assets carried at fair value.
The fair value of mining assets was determined using discounted cash flow method corresponding to Level 3 of the hierarchy of fair values (see note 4).

### 32. FINANCIAL RISK MANAGEMENT

In the normal course of its operations, the Group is exposed to market (including foreign currency and interest rate), credit and liquidity risks. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out through regular meetings of a risk management committee of operational management and by the central treasury department. The Board of Directors approves principles for overall risk management. In addition, operational management has developed policies covering specific areas, such as foreign currency risk, interest rate risk and the use of derivative and non-derivative financial instruments.

#### 32.1. MARKET RISK

Market risk is the risk that changes in market prices, such as coal prices, foreign exchange rates and interest rates will negatively impact the Group’s results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk management includes the analysis of foreign currency and interest rate risks.

**Interest rate risk**
Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The total net unhedged liability which exposes the Group to interest rate risk amounts to 4,115 million USD (31 December 2019–2,952 million USD). The Group’s interest rate risk arises primarily from long-term borrowings. The Group’s borrowings at variable interest rates are primarily denominated in USD. Borrowings at variable interest rates expose the Group to a cash flow interest rate risk. The Group monitors the risk and, if necessary, manages its exposure by entering into variable-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable interest rates to fixed interest rates.

An increase or decrease in the floating interest rate by 1 percentage point, provided that the amount of outstanding balance remained constant for the whole year, would have decreased or increased profit for the year by 41 million USD (2019–30 million USD).

**Foreign currency risk**
Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

A significant portion of the Group’s revenues are denominated in USD, whereas the majority of the Group’s expenditures are denominated in RUB. Accordingly, operating profits may be adversely impacted by the appreciation of the RUB against the USD. The risk of negative fluctuations in the USD/RUB exchange rate for future revenue streams is naturally hedged by the USD borrowings.

The Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB</td>
<td>USD</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Balances with third and related parties</td>
<td>440</td>
</tr>
<tr>
<td>Prepaid and recoverable taxes</td>
<td>35</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>42</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(13)</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>(203)</td>
</tr>
<tr>
<td>Trade accounts payable and Accruals</td>
<td>(81)</td>
</tr>
<tr>
<td>Other creditors</td>
<td>(19)</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>(21)</td>
</tr>
<tr>
<td>Accrual for vacation payments</td>
<td>(35)</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>(19)</td>
</tr>
<tr>
<td>Intra-group balances</td>
<td>(1,117)</td>
</tr>
<tr>
<td>Intra-group receivables</td>
<td>220</td>
</tr>
<tr>
<td>Intra-group borrowings</td>
<td>(1,044)</td>
</tr>
<tr>
<td>Intra-group payables</td>
<td>(356)</td>
</tr>
<tr>
<td>Total net liabilities</td>
<td>(1,586)</td>
</tr>
</tbody>
</table>
A 10% devaluation of functional currencies against foreign currencies at the reporting date would have the following effect on the profit or loss for the year and the equity including effect on derivatives:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>(Increase)/decrease in equity</th>
<th>(Increase)/decrease in profit or loss for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB</td>
<td>115</td>
<td>161</td>
<td>46</td>
<td>36</td>
</tr>
<tr>
<td>USD</td>
<td></td>
<td>50</td>
<td>30</td>
<td>81</td>
</tr>
</tbody>
</table>

### 32.2. CREDIT RISK

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to a financial loss to the Group. The Group minimises its exposure to this risk by ensuring that credit risk is spread across a number of counterparties. Trade receivables comprise international companies and large Russian companies, and credit is only extended to these customers after rigid credit approval procedures. The maximum exposure to credit risk is represented by the carrying amount of counterparties. Trade receivables comprise international companies and large Russian companies, and credit is only extended to these customers after rigid credit approval procedures. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

At 31 December 2020 4% of total trade receivables were due from the Group’s largest customer and 22% of the total trade receivables were due from the Group’s next 19 largest customers (31 December 2019 – 8% and 26%, respectively).

The table below analyses the Group’s trade receivables into relevant groupings based on ageing.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Gross</th>
<th>Allowance for doubtful debts</th>
<th>Gross</th>
<th>Allowance for doubtful debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due for less than 12 months</td>
<td>559</td>
<td>150</td>
<td>407</td>
<td>30</td>
<td>124</td>
<td>123</td>
</tr>
<tr>
<td>Past due for more than one year</td>
<td>725</td>
<td>133</td>
<td>592</td>
<td>62</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Total</td>
<td>833</td>
<td>283</td>
<td>550</td>
<td>92</td>
<td>253</td>
<td>245</td>
</tr>
</tbody>
</table>

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Gross</th>
<th>Additional allowance for doubtful debts</th>
<th>Bad debt recovered</th>
<th>Bad debt written-off</th>
<th>Effect of translation to presentation currency</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>More than one year</td>
<td>69</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Not past due</td>
<td>591</td>
<td>725</td>
<td>725</td>
<td>725</td>
<td>725</td>
<td>725</td>
<td>725</td>
<td>725</td>
</tr>
<tr>
<td>Past due for more than one year</td>
<td>124</td>
<td>123</td>
<td>123</td>
<td>123</td>
<td>123</td>
<td>123</td>
<td>123</td>
<td>123</td>
</tr>
</tbody>
</table>

Analysis of credit quality of cash and cash equivalents, including bank deposits, based on credit ratings of independent agencies 'Standard & Poor's', 'Fitch Ratings' and others is listed in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>(Increase)/decrease in equity</th>
<th>(Increase)/decrease in profit or loss for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A- to AAA</td>
<td>28</td>
<td>48</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>BB- to BBB+</td>
<td>113</td>
<td>85</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>BB to BB+</td>
<td>28</td>
<td>30</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>14</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>183</td>
<td>177</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

### 32.3. LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. Recently global and Russian capital markets have experienced significant volatility, including a lack of available sources of financing and significant fluctuation of the Russian Rouble against the USD and the Euro. Despite stabilisation measures undertaken by various governments, markets remain volatile.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group expects that cash generated from operations will be the major source of the Group’s liquidity in 2021 and will be sufficient to cover the capital expenditures programme of the Group. In addition, management believes that the Company will be able to attract additional sources of financing in order to refinance existing short-term facilities.

The central treasury department of the Group maintains flexibility in funding by ensuring the availability of credit line facilities. The unused portion of these lines at 31 December 2020 totalled 2,499 million USD (31 December 2019 – 2,889 million USD). The table below analyses the Group’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows to maturity, including interest payments.

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Due in the first year</th>
<th>Due in the second year</th>
<th>Due thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 December 2020</td>
<td>6,583</td>
<td>6,947</td>
<td>1,903</td>
<td>2,087</td>
<td>2,957</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,224</td>
<td>1,808</td>
<td>237</td>
<td>273</td>
<td>2,260</td>
</tr>
<tr>
<td>Net-settled derivative liabilities</td>
<td>519</td>
<td>519</td>
<td>519</td>
<td>519</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>8,417</td>
<td>9,399</td>
<td>3,024</td>
<td>2,350</td>
<td>4,195</td>
</tr>
</tbody>
</table>

### 32.4. CAPITAL RISK MANAGEMENT

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns to equity holders and benefits for other stakeholders.

The Group defines capital as shareholders’ equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares. This strategy remains unchanged from prior years.
### 33. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

<table>
<thead>
<tr>
<th>Subsidiary by country of incorporation</th>
<th>Principal activity</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murmansk</td>
<td>Port facilities</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>LLC ‘Murmansk Bulk Terminal’</td>
<td>Port facilities</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Moscow Region</td>
<td>Transportation services</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Krasnodarskiy krai</td>
<td>Port facilities</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Altai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘Barnaul Generation’</td>
<td>Energy generation</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>JSC ‘Bylesenergo’</td>
<td>Energy generation</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Novosibirsk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘SibEco’</td>
<td>Energy generation</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Kemerovo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘SUEK-Kuzbass’</td>
<td>Energy generation</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>JSC ‘Kuzbassenergo’</td>
<td>Energy generation</td>
<td>99.9%</td>
<td>99.9%</td>
</tr>
<tr>
<td>JSC ‘Kemerovo Generation’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Krasnoyarsk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘SUEK-Krasnoyarsk’</td>
<td>Brown coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>JSC ‘Raznez Naznensky’</td>
<td>Brown coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>JSC ‘Yenisei Territorial Generating Company (TGC-13)’</td>
<td>Energy generation</td>
<td>99.3%</td>
<td>99.3%</td>
</tr>
<tr>
<td>JSC ‘Naazero GRES’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Khakassia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LLC ‘SUEK-Akhakassia’</td>
<td>Hard coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>LLC ‘Vostochno-Beykkytnyzes’</td>
<td>Hard coal extraction</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Buryatia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘Ranez Tugnokol’</td>
<td>Hard coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Zabaykalskiy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘Ranez Khivnarsky’</td>
<td>Brown coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Khakassia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC ‘Uragkugol’</td>
<td>Hard coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>JSC ‘Dalchimugol’</td>
<td>Port facilities</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Primorske</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LLC ‘Primorskeugol’</td>
<td>Brown coal extraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>LLC ‘Stavdroning Company ‘Maly port’</td>
<td>Port facilities</td>
<td>49.3%</td>
<td>49.3%</td>
</tr>
<tr>
<td>LLC ‘Primorske GRES’</td>
<td>Energy generation</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUEK AG</td>
<td>Export sales of coal</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Republic of Cyprus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUEK LTD</td>
<td>Debt holding company</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Business combinations

**ACQUISITION OF KRASNOYARSKAYA GRES-2.**

In March 2020, the Group acquired generating and other assets of Krasnoyarskaya GRES-2 for 156 million USD from a third party. The core activity of the acquired business is generation and sales of energy. Along with the acquired assets, the Group obtained control over all processes of generation and sales, acquired rights and obligations under key contracts were transferred to the Group. The Group recognizes the acquisition of the assets of Krasnoyarskaya GRES-2 as a business combination since assets represent a unified complex for generation of electricity and the Group also acquired all key processes, altogether representing the attributes of the business. The fair value amounts of the acquired assets, mainly presented by property, plant and equipment, and assumed liabilities at the date of acquisition were estimated at 158 million USD and 2 million USD, respectively. Before the Group completed the process of obtaining permits and licenses required to operate Krasnoyarskaya GRES-2, the acquired assets were leased back to the seller. Under the terms of the lease, the Group has control over business processes and financial results, thus, at the time of the transitional period, the Group consolidates Krasnoyarskaya GRES-2. In October 2020, the Group obtained permits and licenses required to operate Krasnoyarskaya GRES-2 and the lease back agreement has ended. The effect of the consolidation of the acquired assets on the consolidated revenue is 50 million USD for the year ended 31 December 2020. The effect on the consolidated profit or loss for the year ended 31 December 2020 is not significant.

**ACQUISITION OF REFTINSKAYA GRES.**

In October 2019, the Group acquired generating and other assets of Reftinskaya GRES for 345 million USD, including a contingent consideration described below, from a third party. In 2019 and in 2020 the Group paid for the acquisition 259 million USD and 57 million USD, respectively. As at 31 December 2019, the Group also recognised a contingent consideration at fair value of 24 million USD and allocated it to the generating assets. In 2020 the Group reassessed the fair value of the contingent consideration to the amount of 15 million USD, and the change in the fair value was recognised in other income. The last contingent payment is in 2024. In 2020 the Group finalised purchase price allocation for this business combination, assessed, the carrying amounts of the acquired assets, mainly presented by property, plant and equipment, and assumed liabilities at the date of acquisition were estimated at 353 million USD and 8 million USD, respectively.

**Acquisition of subsidiaries under common control**

**ACQUISITION OF PRIMORSKAYA GRES.**

In November 2020, the Group acquired from a related company 100% of LLC ‘Primorskaya GRES’ for 49 million USD. The principal activity of the acquired company is generation and sales of energy. Since the acquisition of the LLC ‘Primorskaya GRES’ represents a transaction under common control the consolidated financial statements of the Group were retrospectively restated to reflect the effect of the acquisition as if it had occurred on 5 June 2020, at the date when common control was established.

As LLC ‘Primorskaya GRES’ did not prepare IFRS financial statements, the independent appraisal of assets and liabilities was performed on the date of acquisition of control by the related company. The difference between the transaction price and the net assets of the company was recorded in retained earnings in the amount of 5 million USD. The carrying amount of assets, mainly presented by property, plant and equipment, and liabilities of LLC ‘Primorskaya GRES’ at the date of acquisition was estimated by the related party at 73 million USD and 13 million USD, respectively, and at 63 million USD and 14 million USD as at 31 December 2020. Other transactions in equity and consolidated cash flow statement include additional contribution to capital made by the prior owner in the amount of 8 million USD. The effect of the consolidation of LLC ‘Primorskaya GRES’ on the consolidated revenue is 85 million USD for the year ended 31 December 2020. The effect of the transaction on the consolidated profit or loss for the year ended 31 December 2020 is not significant.

**ACQUISITION OF TUAPSE BULK TERMINAL AND MURMANSK BULK TERMINAL.**

In December 2020, the Group acquired LLC ‘TuapseBulk Terminal’ and LLC ‘Murmans BULK Terminal’ for 114 million USD and 168 million USD, respectively, from EuroChem group to strengthen position on the logistics market. Since the acquisition of companies represents a transaction under common control the consolidated financial statements of the Group were retrospectively restated to reflect the effect of the acquisition as if it had occurred on 1 January 2019, at the beginning of the earliest comparative period presented. The transaction was accounted for using predecessor IFRS accounting at the carrying amount of the assets and liabilities. Other transactions in equity and consolidated cash flow statement divided paid to the previous shareholder in the amount of 28 million USD in 2020 (62 million USD in 2019).
The carrying amount of assets and liabilities of acquired subsidiaries is presented below:

<table>
<thead>
<tr>
<th>At the acquisition date</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>64 78</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>12 16</td>
</tr>
<tr>
<td>Other assets</td>
<td>4 2</td>
</tr>
<tr>
<td>Trade accounts and other receivables</td>
<td>17 24</td>
</tr>
<tr>
<td>Inventories</td>
<td>1 1</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11 —</td>
</tr>
<tr>
<td>Long-term lease liabilities</td>
<td>(12) (15)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(5) (5)</td>
</tr>
<tr>
<td>Trade accounts and other payables</td>
<td>(4) (4)</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>(1) (1)</td>
</tr>
<tr>
<td>Net assets</td>
<td>87 96</td>
</tr>
</tbody>
</table>

**NON-CONTROLING INTERESTS.**

Information of LLC "Vostochno-Beyskiyrazrez" that has significant non-controlling interests is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>154 285</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>44 55</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(29) (55)</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(61) (15)</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>163 270</td>
<td></td>
</tr>
<tr>
<td>Accumulated non-controlling interests</td>
<td>32 135</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>131 139</td>
<td></td>
</tr>
<tr>
<td>Net profit/(loss) for the year</td>
<td>3 (2)</td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) allocated to non-controlling interests</td>
<td>2 (1)</td>
<td></td>
</tr>
<tr>
<td>Revaluation of mining assets</td>
<td>(21) (22)</td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>21 11</td>
<td></td>
</tr>
<tr>
<td>Cash flows used in investment activities</td>
<td>(16) (11)</td>
<td></td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(6) (13)</td>
<td></td>
</tr>
<tr>
<td>Dividends to non-controlling interests</td>
<td>3 6</td>
<td></td>
</tr>
</tbody>
</table>

**34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

In January 2021, SUEK LTD redomiciled from the Republic of Cyprus to the Russian Federation.
SUEK’s response
Due to climate change

203 Indirect economic impacts
203-1 Explanation of the material topic and its Boundary
Stakeholder engagement and materiality, pp. 58-59

203-2 The management approach and its components
Our approach to sustainability, pp. 70-72
Community development, pp. 102-106

203-3 Evaluation of the management approach
Community development, pp. 102-106
Business model, pp. 24-25

203-4 Significant indirect economic impacts
Community development, pp. 102-106

204 Procurement practices
203-1 Explanation of the material topic and its Boundary
Stakeholder engagement and materiality, pp. 58-59
Supply chain, pp. 98-101
Supply chain, pp. 98-101
Supply chain, pp. 98-101
Community development, p. 104

205 Anti-corruption
203-1 Explanation of the material topic and its Boundary
Compliance management system, pp. 124-125

203-2 The management approach and its components
Compliance management system, pp. 124-125
Community development, pp. 102-106

203-3 Evaluation of the management approach
Community development, pp. 102-106

205-1 Operations assessed for risks related to corruption
SUEK has a corporate risk management system that covers all divisions and businesses of the company. Risk assessment is carried out on a regular basis. Risk management, pp. 60-69

205-2 Communication and training about anti-corruption policies and procedures
Compliance management system, pp. 124-125

205-3 Confirmed incidents of corruption and actions taken
During the reporting period, no cases of corruption were detected.

207 Tax
203-1 Explanation of the material topic and its Boundary
Risk management, pp. 60-69

203-2 The management approach and its components
Compliance management system, pp. 124-125
Financial Statements, pp. 140, 149, 155

203-3 Evaluation of the management approach
Financial Statements, pp. 140, 149, 155
Risk management, pp. 60-69

207-2 Tax governance, control, and risk management
Risk management, pp. 60-69

207-3 Country-by-country reporting
Financial Statements, pp. 152-154

Environmental
301 Materials
301-1 Explanation of the material topic and its Boundary
Environmental, p. 79

301-2 The management approach and its components
Environmental, p. 79

301-3 Evaluation of the management approach
Environmental, p. 79

301-4 Materials used by weight or volume
Environmental, p. 79

301-5 Recycled input materials used
Environmental, p. 79

301-6 Environmental impact of energy consumption of products
Environmental, p. 79

302 Energy
302-1 Explanation of the material topic and its Boundary
Stakeholder engagement and materiality, p. 58

302-2 The management approach and its components
Climate projects and energy efficiency, pp. 60-65
Climate projects and energy efficiency, pp. 60-65

302-3 Evaluation of the management approach
Climate projects and energy efficiency, pp. 60-65

302-4 Energy consumption outside of the organisation
Accounting is not conducted due to the lack of legislative requirements.

Wastewater discharged (million m³)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of water withdrawn from sources including underground reservoirs, surface reservoirs and wastewater from other companies (million m³)</td>
<td>137.2</td>
<td>135.8</td>
<td>154.8</td>
<td>146.6</td>
<td>143.2</td>
</tr>
<tr>
<td>Transferred to other consumers (without usage) (million m³)</td>
<td>121.9</td>
<td>122.6</td>
<td>138.3</td>
<td>132.0</td>
<td>140.1</td>
</tr>
<tr>
<td>Total volume of water withdrawn from sources including underground reservoirs, surface reservoirs and wastewater from other companies (million m³)</td>
<td>137.2</td>
<td>135.8</td>
<td>154.8</td>
<td>146.6</td>
<td>143.2</td>
</tr>
<tr>
<td>Transferred to other consumers (without usage) (million m³)</td>
<td>121.9</td>
<td>122.6</td>
<td>138.3</td>
<td>132.0</td>
<td>140.1</td>
</tr>
<tr>
<td>Transferred to other consumers (without usage) (million m³)</td>
<td>252.7</td>
<td>227.8</td>
<td>202.4</td>
<td>238.0</td>
<td>203.0</td>
</tr>
<tr>
<td>Transferred to other consumers (without usage) (million m³)</td>
<td>0.0005</td>
<td>0.0009</td>
<td>0.0001</td>
<td>0.0001</td>
<td>0</td>
</tr>
<tr>
<td>Coal Wastewater discharged (million m³)</td>
<td>137.2</td>
<td>135.8</td>
<td>154.8</td>
<td>146.6</td>
<td>143.2</td>
</tr>
<tr>
<td>including contaminated without cleaning</td>
<td>43.5</td>
<td>34.2</td>
<td>29.2</td>
<td>25.9</td>
<td>36.1</td>
</tr>
<tr>
<td>insufficiently cleaned</td>
<td>63.2</td>
<td>6.8</td>
<td>70.4</td>
<td>59.0</td>
<td>45.7</td>
</tr>
<tr>
<td>regulatory clean</td>
<td>3.9</td>
<td>3.8</td>
<td>5.9</td>
<td>0</td>
<td>4.5</td>
</tr>
<tr>
<td>cleaned</td>
<td>2.6</td>
<td>5.3</td>
<td>26.7</td>
<td>40.5</td>
<td>43.4</td>
</tr>
<tr>
<td>Transferred to other consumers (after use)</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.0</td>
<td>0.397</td>
</tr>
<tr>
<td>Energy Wastewater discharged (million m³)</td>
<td>2,011.2</td>
<td>2,033.2</td>
<td>1,802.5</td>
<td>1,914.3</td>
<td>1,793.1</td>
</tr>
<tr>
<td>including contaminated without cleaning</td>
<td>–</td>
<td>11.7</td>
<td>2.5</td>
<td>2.4</td>
<td>8.1</td>
</tr>
<tr>
<td>insufficiently cleaned</td>
<td>–</td>
<td>53.1</td>
<td>27.9</td>
<td>34.4</td>
<td>29.8</td>
</tr>
<tr>
<td>regulatory clean</td>
<td>1,970.0</td>
<td>1,868.6</td>
<td>1,805.5</td>
<td>1,862.0</td>
<td>1,794.8</td>
</tr>
<tr>
<td>cleaned</td>
<td>–</td>
<td>185.6</td>
<td>10.7</td>
<td>8.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Transferred to other consumers (after use)</td>
<td>–</td>
<td>5.3</td>
<td>3.9</td>
<td>5.4</td>
<td>6.2</td>
</tr>
<tr>
<td>Logistic Wastewater discharged (million m³)</td>
<td>0.016</td>
<td>0.013</td>
<td>0.008</td>
<td>0.054</td>
<td>0.056</td>
</tr>
<tr>
<td>including contaminated without cleaning</td>
<td>0.009</td>
<td>0.009</td>
<td>0.004</td>
<td>0.018</td>
<td>0.026</td>
</tr>
<tr>
<td>insufficiently cleaned</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>regulatory clean</td>
<td>0.007</td>
<td>0.004</td>
<td>0.006</td>
<td>0.054</td>
<td>0.056</td>
</tr>
<tr>
<td>cleaned</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transferred to other consumers (after use)</td>
<td>0.131</td>
<td>0.139</td>
<td>0.033</td>
<td>0.005</td>
<td>0.44</td>
</tr>
</tbody>
</table>
305 Emissions with habitats in areas affected by operations

103-3 Evaluation of the management approach

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>18,112</td>
<td>18,687</td>
<td>19,045</td>
<td>20,427</td>
<td>21,430</td>
</tr>
<tr>
<td>Energy</td>
<td>3,872</td>
<td>2,654</td>
<td>2,556</td>
<td>2,532</td>
<td>4,688</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

305 Emissions

103-1 Explanation of the material topic and its Boundary

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>480,464.5</td>
<td>491,194.3</td>
<td>502,238.5</td>
<td>504,216.5</td>
<td>508,507.8</td>
</tr>
<tr>
<td>Energy</td>
<td>3,703.3</td>
<td>3,580.4</td>
<td>3,329.3</td>
<td>3,035.6</td>
<td>3,058.5</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

306 Waste

306-1 Explanation of the material topic and its Boundary

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>132,019.0</td>
<td>127,502.5</td>
<td>126,450.0</td>
<td>133,055.7</td>
<td>203,984.3</td>
</tr>
<tr>
<td>Energy</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

306-2 Management of significant waste-related impacts

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>132,019.0</td>
<td>127,502.5</td>
<td>126,450.0</td>
<td>133,055.7</td>
<td>203,984.3</td>
</tr>
<tr>
<td>Energy</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

306-3 Waste generated

The new GRI 306 Standard released in 2020 is effective for reports or other materials published on or after 1 January 2022. We are looking to develop our reporting of this information for future years. In the 2020 Integrated Report, we are providing the data in the previous format.

306 Waste

306-1 Explanation of the material topic and its Boundary

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>12.2</td>
<td>12.1</td>
<td>11.5</td>
<td>12.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Energy</td>
<td>0.7</td>
<td>0.7</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

306-2 The management approach and its components

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>12.2</td>
<td>12.1</td>
<td>11.5</td>
<td>12.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Energy</td>
<td>0.7</td>
<td>0.7</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

306-3 Evaluation of the management approach

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>12.2</td>
<td>12.1</td>
<td>11.5</td>
<td>12.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Energy</td>
<td>0.7</td>
<td>0.7</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Environmental, p. 79</td>
<td>Environment, p. 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
308 Supplier environmental assessment
308-1 Explanation of the material topic and its Boundary
308-2 The management approach and its components
308-3 Evaluation of the management approach
308-4 Negative environmental impacts in the supply chain and actions taken

Social
401 Employment
401-1 Explanation of the material topic and its Boundary
401-2 The management approach and its components
401-3 Evaluation of the management approach
401-4 New employee hires and employee turnover
401-5 Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-6 Labour/management relations

402 Occupational health and safety
402-1 Exploration of the material topic and its Boundary
402-2 The management approach and its components
402-3 Evaluation of the management approach

403 Diversity and equal opportunity
403-1 Exploration of the material topic and its Boundary
403-2 The management approach and its components
403-3 Evaluation of the management approach

404 Health and safety, pp. 96–101

405 Resources and investments
405-1 Exploration of the material topic and its Boundary
405-2 The management approach and its components
405-3 Evaluation of the management approach

406 Non-discrimination
406-1 Exploration of the material topic and its Boundary
406-2 The management approach and its components
406-3 Evaluation of the management approach

GRI Standards Indicator and General standard disclosures

403-19 Work-related injuries
403-20 Health and safety, pp. 91–94

403-8 Charges for violation of environmental legislation, including

403-9 Unauthorised presence in the hazardous area near the

403-10 All unauthorised activities are prohibited

403-11 Insufficient organisation of work on unloading metal pipes from a gondola car using a crane

403-12 Insufficient fastening of equipment to the diesel locomotive

403-13 The transportation of equipment was carried out with a deviation from the technical documentation

403-14 Technical modernisation of the suspended monorail to ensure its safe operation

403-15 Stakeholder engagement and materiality, pp. 58–59

403-16 Our people and corporate culture, pp. 96–97

403-17 Worker training on occupational health and safety

403-18 Health & safety, pp. 96–97

403-19 Programs of upgrading employee skills and transition assistance programs

403-20 Our approach to sustainability, pp. 70–73

403-21 Stakeholder engagement and materiality, pp. 58–59

403-22 Health & safety, p. 91

403-23 Our people and corporate culture, p. 96

403-24 Health & safety, pp. 95–96

403-25 Our people and corporate culture, pp. 96–97

403-26 Health & safety, pp. 91–92

403-27 Health & safety, pp. 89–90

403-28 Our approach to sustainability, pp. 70–73

403-29 Our people and corporate culture, pp. 96–97

403-30 Our people and corporate culture, p. 96

404-1 Programs of upgrading employee skills and transition assistance programs

404-2 Averages hours of training per year per employee

404-3 Programs of upgrading employee skills and transition assistance programs

405-1 Diversity and equal opportunity

406-1 Incidents of discrimination and corrective actions taken

406-2 SUEK’s response

406-3 SUEK’s response

ADDITIONAL INFORMATION / CONTINUED

SUEK INTEGRATED REPORT 2020
Incidents of violations involving rights of indigenous peoples

SUEK does not operate in the areas of residence of small and indigenous peoples. In the framework of the current legislation of the Russian Federation, the boundaries of license areas cannot include territories inhabited by them.

During the reporting period it was not revealed.

SUEK’s social programmes are assessed in numerous ESG ratings and competitions. For more information see our corporate website: http://www.suek.com/media/news/

SUEK’s coal reserves were audited by SRK Consulting (UK) Limited as of 1 January 2019. The data are presented taking into account the production of assets for 2019 and 2020.

The reporting of SUEK’s Coal Reserves is presented using the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mines Council of Australia (the JORC Code).

1 The reporting of SUEK’s Coal Reserves is presented using the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mines Council of Australia (the JORC Code).

2 This amount also includes reserves of other production assets in the Krasnoyarsk region, the total share of which in the total structure is insignificant.

3 This total does not include the extensions of reserves that were acquired in 2019/2020 after the SRK audit.
In return, they received a guarantee on the return of invested funds supported by an increase in sold capacity prices during the subsequent 10 years.

**DPM-2 (COMMod)** The programme, launched by the Russian government in 2019 as a continuation of DPM-1, guarantees a return on investment in heat and power capacity development up until 2031.

**ESG** Environmental, social and governance criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments.

**FOB** ‘Free On Board’ means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss or damage to the goods passes to the buyer at the named port of shipment.

**CIF** Cost, insurance and freight, prices are determined by agreement of the parties.

**HELE** High-efficiency, low-emissions calorific value of 6,000 kcal/kg NAR.

**Coal calorific value of 6,000 kcal/kg NAR.**

**GlobalCOAL NEWC Index** Index based on the thermal coal at the Port of Newcastle in Australia with coal calorific value of 6,000 kcal/kg NAR.

**CRI** Coal Resource Index.

**System Operator of the Unified Energy System** An organisation that carries out centralised operational dispatch control in the Unified Energy System of Russia.

**SRK** Consulting is an independent, international consulting practice that provides advice and solutions mainly in the earth and water resource industries.

**HELE** High-efficiency, low-emissions calorific value of 6,000 kcal/kg NAR.

**High-CV coal** have a calorific value of 6,600 kcal/kg.

**Installed capacity** Amount of energy that a power station is able to produce.

**Life-of-mine model** is specifically designed for each coal production unit based on 3D geology, using special mining software, and covering the production process for the total duration of mining.

**OPEC** A group of 24 oil-producing nations, made up of the 14 members of the Organization of Petroleum Exporting Countries (OPEC), and 10 non-OPEC members, including Russia.

**Northern Sea Route** A shipping route lying east of Novaya Zemlya and specifically running along the Russian Arctic coast from the Kara Sea, along Siberia, to the Bering Strait.

**RAEX** A credit rating agency established in Germany.

**Sized coal** which has passed through a screening process and is grouped into ranges according to size of particles. It is used mainly by households for heating purposes.

**System Operator of the Unified Energy System** A shipping route lying east of Novaya Zemlya and specifically running along the Russian Arctic coast from the Kara Sea, along Siberia, to the Bering Strait.

**Energy in coal that can be converted into actual heat.**