

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 Committee¹

SUEK regularly rotates its Board of Directors. In 2020, Alexander Landia, Klaus-Dieter Beck and Iain 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 Brikho, 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 Brikho, 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 methodological recommendations for organising the work of the board of directors in a joint stock company'. Independent Directors are not affiliated to:

- SUEK
- SUEK's substantial shareholder
- SUEK's substantial counterparty or competitor
- State or municipality

Status of Board members as at 31 December 2020

7

NON-EXECUTIVE DIRECTORS, including

4

INDEPENDENT DIRECTORS

INDUCTION AND FAMILIARISATION PROCEDURE

Upon election, the Corporate Secretary familiarises Directors with the company's activities and policies. Directors get full access to an updated database of documents containing all materials from previous meetings, minutes and resolutions of the Board of Directors and Committees, alongside internal documents of the company. For a deeper understanding of individual topics, they meet with top managers who provide more detailed information on a given work area.

¹ Approved and began work on 24 February 2021.

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. In 2020, 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 Brikho, 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 CEO, providing members with 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.

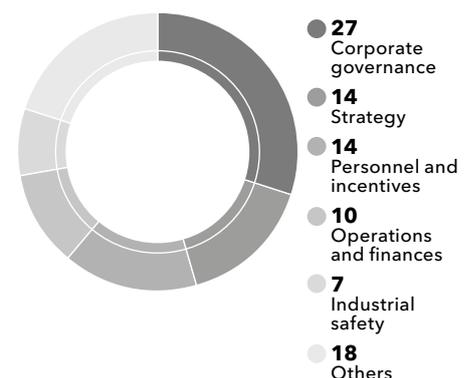
Key matters considered at Board meetings in 2020

Category	Comments, explanations, resolutions
Strategy	<p>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.</p> <p>The Board reviewed SUEK's development programmes and approved a number of investment projects to further increase the efficiency of all business segments.</p> <p>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.</p> <p>The Board paid special attention to revising the Group's HR strategy focused on incentivisation, talent management and corporate culture.</p>
Sustainable development	<p>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.</p> <p>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.</p> <p>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 consumers. The Board cooperated closely with the company's management teams on the implementation of all COVID-19-related measures.</p>
Corporate governance	<p>While monitoring the effectiveness of corporate governance in the company, the Board of Directors considers the relevance of corporate policies and other documents, and evaluates the balance of the Board composition and the effectiveness of Directors.</p> <p>In 2020, the Board considered the following significant matters:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>

Directors' participation in meetings of the Board of Directors in 2020

Director	Board meetings	Audit Committee	Nomination and Compensation Committee	Strategy Committee
Total number of meetings	18	8	3	3
Michael Baumgärtner	18	8	2	3
Klaus-Dieter Beck	7 ¹	-	1	1
Samir Brikho	11 ²	3	1	2
Juerg Seiler	10 ²	4	1	2
Mikhail Kuznetsov	1 ²	1	1	1
Alexander Landia	7 ¹	-	1	1
Iain Macdonald	3 ¹	3	1	1
Andrey Melnichenko	18	4	3	3
Vladimir Rashevsky	18	2	3	3
Vladimir Hlavinka	18	-	3	3
Stefan Judisch ¹	11	7	1	3

Matters considered at Board meetings in 2020



PRIORITY MATTERS TO CONSIDER IN 2021

- Updating functional strategies in the field of human resources, procurement, industrial and environmental safety and information technology
- Refining the logistics segment's strategy
- Enhancing the efficiency of the Internal Audit Service
- Further developing the risk management system
- Improving the long-term and short-term personnel incentivisation system

¹ Retired from the Board on 5 June 2020.

² Joined the Board on 5 June 2020.

BOARD EFFECTIVENESS AND EVALUATION

The Board's effectiveness is assessed on a regular basis. The assessment is overseen by the Nomination and Compensation Committee based on a questionnaire, refined annually to meet changing business priorities and the objectives of the Board. Each Director assesses various aspects of the Board's activities and the Chairman's work. While the Directors express their general approval of the Board's effectiveness, they will also recommend specific improvements. In 2020, due to a significant change of the Board of Directors, no evaluation was carried out.

REMUNERATION

BOARD

Members of the Board of Directors are paid remuneration and/or reimbursed for expenses related to the performance of their duties during the period of their appointment. The amount of such remuneration and compensation is decided by the General Meeting of Shareholders.

The criteria for determining remuneration to members of the Board of Directors are established by the Regulation 'On remuneration of members of the Board of Directors', approved by the General Meeting of Shareholders of SUEK on 5 June 2020. Remuneration is paid to members of the Board of Directors in proportion to the period of their work in the Board of Directors and committees.

In 2020, Board members received a total of \$1.3m in remuneration.

THE INFORMATION ON BOARD'S REMUNERATION IS ALSO DESCRIBED IN REGULATIONS ON THE BOARD OF DIRECTORS PRESENTED ON THE CORPORATE WEBSITE WWW.SUEK.COM

MANAGEMENT

Goal setting at SUEK is based on the corporate-wide strategy as well as functional and segment strategies approved by the Board of Directors, which set strategic goals and objectives for the medium- and long-term (three to five years). These goals and objectives are translated into business plans and budgets (annual, three-year), and contribute to the top-level goals and KPIs that support their achievement. Top-level goals and KPIs for the CEO and top management are discussed annually with the Nomination and Compensation Committee and then approved by the Board of Directors. After this, the goals and indicators are communicated to levels of lower management depending on their areas of responsibility level of authority, and are confirmed by the heads of the relevant departments and business units.

The indicators used for the annual assessment and calculation of remuneration include both the economic performance of the company and indicators of achieving the sustainable development goals (ensuring the required level of industrial and environmental safety, social security of employees, contribution to the development of the regions where SUEK operates).

One of the fundamental requirements of the incentive system for the CEO and top managers of SUEK is ensuring the appropriate level of industrial safety. LTIFR is a crucial indicator affecting the size of remuneration.

Environmental indicators are included in the KPI map for those managers responsible for the implementation of programmes aimed at environmental protection.

The weight of general corporate indicators varies from 20-50% of the bonus map, depending on the functional area. Individual indicators evaluating the performance of managers account for 50-80% of the weight of the bonus map.

The total remuneration paid out to the top management and the CEO of SUEK in 2020 was \$6.2m.

LIABILITY INSURANCE FOR BOARD MEMBERS

Since 2006, the company has been adhering to the policy of liability insurance for members of the Board of Directors and key executives (D&O). For the period from April 2020 to April 2021, JSC SOGAZ was selected as the insurance service provider.

The amount of coverage for all Board members, in accordance with the insurance policy (liability limit), is \$15m.