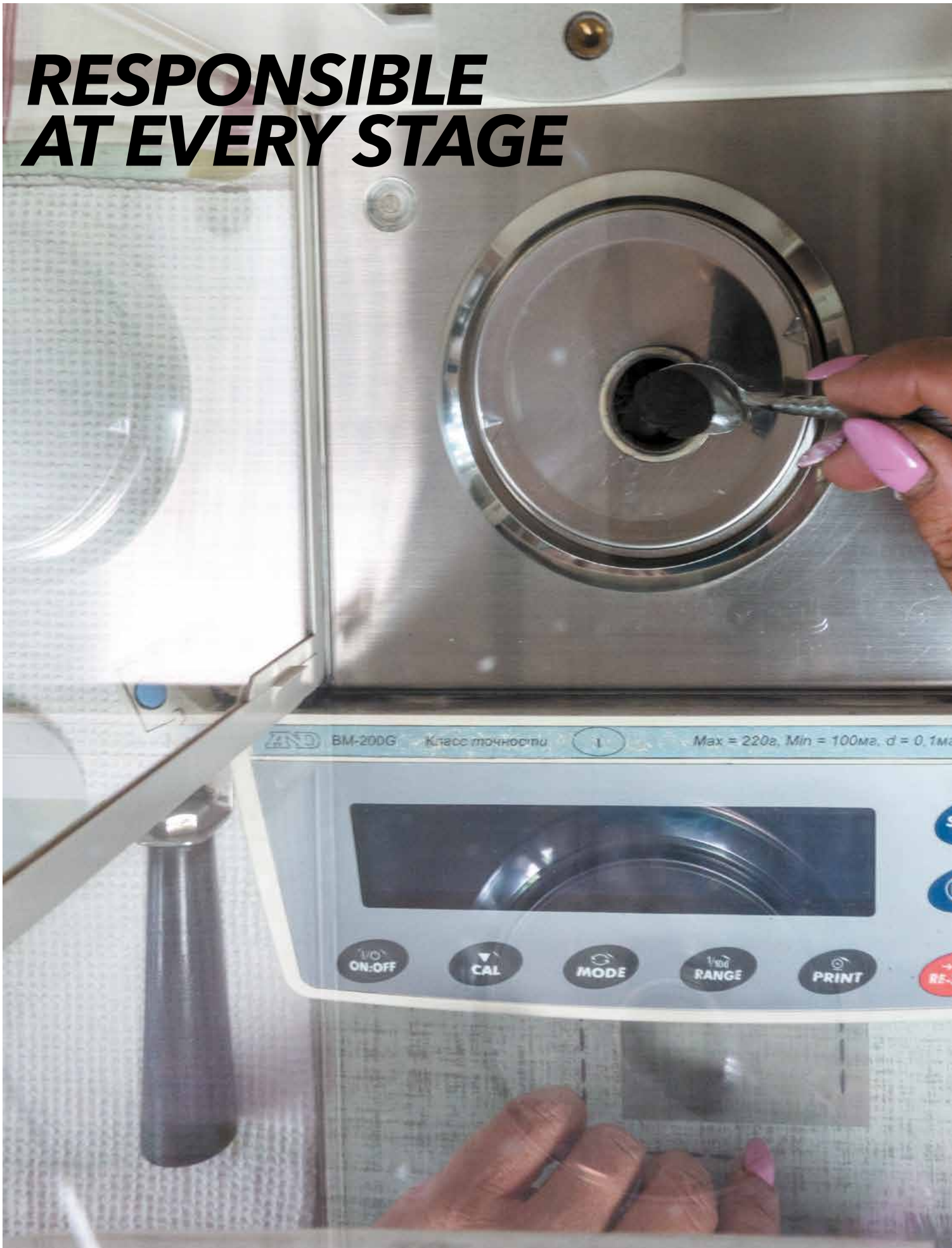


RESPONSIBLE AT EVERY STAGE





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

Legal capacity	Availability of materials and equipment necessary to fulfil contractual obligations
Absence from sanctions lists	Absence of fines and litigation, including those related to violations of environmental and industrial safety standards
Availability of certificates and permits for the relevant types of activities, including environmental	

OUR REGULATORY FRAMEWORK

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

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 and our partners.

In 2020, SUEK was certified for compliance with ISO 55001, an international standard for systematic 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 automated 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 long-term partners, who understand the opportunities, which working with SUEK can offer their business, and are willing to plan ahead with us and grow with us. For this reason, we are very careful in how we select our partners. We aim to establish and maintain business relations with organisations that act in good faith, care about their reputation and demonstrate compliance with ethical and anti-corruption standards while doing business.

To minimise the risks of entering into business relationships with counterparties that may be involved in fraudulent and/or corrupt activities, we prefer to work directly

#risk management | #COVID-19

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.

A major focus was on improving the convenience of online services for our heat consumers and we introduced contactless service in customer service centres.

In addition, we continuously monitored the key sales markets and maintained close contact with coal consumers so that we could promptly make any necessary adjustments to our coal supply plans.

Thanks to the comprehensive measures we have taken, the company was able to maintain stability along the entire supply chain and gave meaningful support to the residents of the regions where we operate, both as part of our primary business activities, and also through our volunteer efforts.

FOR MORE DETAILS ON SUEK'S MEASURES TO FIGHT AGAINST THE PANDEMIC, SEE CEO'S STATEMENT ON PP. 18-19, 'HEALTH AND SAFETY' ON P. 91 AND 'COMMUNITY DEVELOPMENT' SECTIONS ON P. 104

with suppliers and limit our purchases from intermediaries.

When registering on SUEK's trading platform, a potential supplier must accept the requirements of SUEK's Compliance Policy and confirm their respect for human rights. Contractors working at our production assets are required to follow our corporate industrial, occupational and

environmental safety standards.

We include related obligations in our contractor agreements and regularly check contractor compliance.

In 2020, the company engaged over 14,000 suppliers. Almost all — 99.5% — are located within Russia and 66.2% — in the regions of the SUEK's presence.

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 mechanised 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 the end users of our products 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-Mobis 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.

FOR MORE INFORMATION ON STAKEHOLDER ENGAGEMENT IN HEAT SUPPLY QUALITY CONTROL, SEE 'STAKEHOLDER ENGAGEMENT AND MATERIALITY' ON P. 58

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 heat consumer days. These are interactive online broadcasts with the heads of SGC's units, where consumers can ask questions and receive answers live.

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 techniques 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 ESG 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 ESG 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.

FOR DETAILS, SEE ENVIRONMENT SECTION ON PP. 74-79

+120%

USERS OF SGC'S CUSTOMER MOBILE APPLICATION

+60%

USERS OF PERSONAL ACCOUNTS ON SGC'S WEBSITE IN 2020