

# Addressing the challenges, enhancing sustainability

**Alexander Landia,**  
Chairman of the Board of Directors



*In light of the challenging macro conditions, in 2019 we concentrated on improving operational efficiency and enhancing the performance of our business segments to offset the impact of volatility in the global energy markets, and ensure the sustainable development of the company.*

The Board reviewed the latest macroeconomic forecasts until 2028 and approved SUEK's consolidated strategy to 2023. Accordingly, we adjusted the targets for our main functional strategies in sales, logistics and the regional strategies for our coal and energy units, and approved key investment projects.

In the Coal Segment, we focused particularly on projects aimed at boosting the company's production of higher margin and competitive products that meet to the demands of our customers. In the Energy Segment, we approved deals to expand our presence in strategically important regions.

In logistics, the Board approved a major transaction for the purchase of railcars to increase our self-sufficiency in this area, which will give us more control over costs and delivery times.

We continued to closely control the consolidation of the energy business. In 2018 we had determined that by exchanging best practices between the two segments we would ensure the combined company would benefit from the strongest competencies of both. Therefore, in 2019 we carefully monitored the progress of this approach. Today, the consolidation process is either completed or is at its final stage across all functions. The remaining

work will be completed in the first quarter of 2020 in accordance with the plan approved by the Board of Directors.

In order to ensure smooth strategy implementation, at our Board of Directors meetings we regularly reviewed the motivation system for top and line management. Thus, we continued to improve the incentive system for senior management, with a focus on the needs of stakeholders. The 2020 targets we set for top management include sustainable development KPIs.

Given the focus on sustainability and growing scale of our operations,



we required transparent and detailed reporting at all levels for issues such as such as corporate culture, labour safety, environmental protection and stakeholder engagement. In particular, Klaus-Dieter Beck, a member of the Board of Directors and the Nomination and Compensation Committee, visited the Kuzbass mines several times during the year to assess the status of industrial safety, as well as production and mine development efficiency. The remaining Board members were able to discuss issues of industrial and environmental safety, incentivisation of production personnel, development of youth and the region in general during a visit to the Kuzbass region in September. We also reviewed the results of an employee satisfaction survey SUEK ran in 7 regions of presence and approved certain initiatives proposed by the management

to further enhance the company's social engagement.

Although SUEK is not a publicly listed company, we are guided by the best principles of public disclosure for the benefit of all of our stakeholders. The Board of Directors ensures that the company adheres to the best international corporate governance practices. We are proud that in 2019, SUEK received international certificates for compliance and anti-corruption management.

In 2019, two new independent Directors, Vladimir Hlavinka, who has diverse experience in the power industry including nuclear, and the transformation and development of energy businesses, and Michael Baumgärtner, who has significant experience in finance and asset management, joined the Board of Directors

as members of the Nomination and Compensation Committee and the Audit Committee.

Natalia Izosimova and Tom Cairns left the Board of Directors in August. We thank them for their contribution to the Board's work and wish them success in their future endeavours. The updated composition of the Board of Directors is consistent with the profile and growing scale of the company.

In 2020, we will focus on ensuring that the company's management successfully implements the chosen strategy and has all necessary resources and motivation instruments to benefit all stakeholders.