

**Corporate governance structure**

**General Meeting of Shareholders**

- Decisions made on the most important issues relating to our business, including the increase or decrease of authorised capital, the distribution of profit, the selection of members of the Board of Directors and our external auditors



**Board of Directors**

- Strategic planning of the company's and management's activities, general supervision and efficiency improvement
- Ensuring the successful performance of the company in the long term with respect for the interests of all stakeholders
- Ensuring the effectiveness of the corporate governance system and regular reporting on its functioning



**CEO**

- Management of the company
- Implementation of the company's strategy and policy



**Management Board**

- Ensuring the development of production, commercial and other operational plans
  - Optimisation programmes and their supervision
- Coordinating the implementation of decisions made by the company's management bodies



**Executive Management**

- Management of production, operational and commercial activities
- Performance of tasks assigned by top management, preparation of reports

- Industrial Safety Committee
- Risk Management Committee
  - Investment Committee
  - Procurement Committee
    - Budget Committee
    - Project Committee
- Sales Policy Committee



**Internal Audit Service**

- Internal checks and audits
- Preparation of reports for the Audit Committee



- Analysis of management initiatives, risk assessment and preparation of recommendations to the Board of Directors in priority areas
- Analysis and review of strategies and strategic plans
- Task setting related to investments and the company's sales strategy
- Preparation of recommendations to the Board of Directors on HR strategy, appointments and remuneration, corporate governance and social policy
- Issues related to compliance with industrial and environmental safety standards
- Supervising the preparation of financial statements and management reports
- Monitoring the implementation of budget policy and planning
- Evaluation of independent audit, internal control and risk management systems

SUEK's corporate governance system is designed to ensure the business operates in an effective and responsible way that creates value for all stakeholders.

Our corporate governance system is underpinned by the following principles:

- Treating all shareholders equally, recognising and protecting their rights

- Ensuring the efficiency of our strategic and operational management and internal control and audit mechanisms
- Ensuring the company's informational and financial transparency by providing stakeholders with accurate information in convenient formats
- Adhering to rigorous ethical standards in business

- Providing a decent, safe and healthy working environment for our employees

The key internal documents relating to corporate governance at SUEK are our Charter, Regulation on the Board of Directors, Regulation on the Management Board, Corporate Governance Code and SUEK's Code of Corporate Ethics.

## Board of Directors

The procedure for preparing, convening and holding the General Meeting of Shareholders is also governed by relevant regulations.

*Corporate documents can be found on the company's website [www.suek.com](http://www.suek.com)*

In developing our corporate governance system, we are guided by the provisions of the Corporate Governance Code recommended by the Bank of Russia, as well as by the best international practices. The company has adopted a set of recognised international approaches, namely:

- The positions of Board Chairman and CEO are separate
- The Board includes the Strategy Committee, the Audit Committee and the Nomination and Compensation Committee, all of which include Independent and Non-Executive Directors with relevant experience
- When making decisions, Board members avoid potential conflicts of interest
- 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 reviewed on an annual basis

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

## General Meeting of Shareholders

In 2019, the Annual General Meeting of Shareholders elected the members of the Board of Directors, approved the 2018 Annual Report and financial statements and re-appointed KPMG as SUEK's external auditor for 2019. It also made a resolution on the company's participation in a non-governmental organisation (Transportation Security Association).

The Board of Directors is a key element of SUEK's corporate governance system. The legislation of the Russian Federation and internal documents of the company vest the Board with the authority to ensure the efficient management of the company.

The Board of Directors runs three Committees:

- Strategy Committee
- Audit Committee
- Nomination and Compensation Committee

The activities of all Committees are aimed at improving the efficiency and quality of decisions made by the Board of Directors.

## Composition of the Board of Directors

To ensure the Board of Directors is efficient, its highly qualified members take individual responsibility and overall accountability for all decisions made by the Board. The composition of the Board of Directors is balanced and complies with all applicable requirements from the shareholders and best international practices. The directors' experience in mining, energy and finance contributes to quality strategic management and helps address the challenges faced by the company.

SUEK regularly rotates its Board of Directors. In August 2019, Tom Cairns and Natalia Izosimova left the company. At the same time, Vladimir Hlavinka, a power industry expert, and Michael Baumgärtner, experienced in finance, joined the Board.

Four Directors are Independent: Michael Baumgärtner, Klaus-Dieter Beck, Vladimir Hlavinka and Iain Macdonald (their independence is confirmed by the Board's decision). Seven Board members are Non-Executive Directors: Michael Baumgärtner, Klaus-Dieter Beck, Vladimir Hlavinka, Stefan Judisch, Alexander Landia, Iain Macdonald and Andrey Melnichenko. The Board also includes SUEK's CEO, Vladimir Rashevsky. Alexander Landia serves as the Chairman of the Board.

## Selection and nomination policy

The Nomination and Compensation Committee oversees the selection and nomination of new Board members and ensures that it is well balanced and that the competences of Directors will support the achievement of the company's strategic objectives.

Candidates for the Board are Directors who have knowledge of the coal-mining sector, the electric power and the heat generation industries; they should also be highly proficient in finance, investment and risk management.

The criteria that Independent Directors must satisfy are defined in SUEK's Corporate Governance Code and comply with the Corporate Governance Code recommended by the Bank of Russia. Board members are elected for the period up until the next Annual General Meeting, with the possibility of re-election. The Nomination and Compensation Committee evaluates the compliance of prospective Board members with the independence criteria.

## Induction and familiarisation procedure

The company has developed an induction programme for newly elected Board members, which aims to familiarise Non-Executive Directors with the business, the activities of its subsidiaries and the rules and practices adopted by the management bodies.

Upon election, Directors are granted full access to materials and minutes from all previous Board of Director and Committee meetings.

Control over the induction procedure is exercised by the Corporate Secretary.