

Attracting talent and empowering progress

Q:

How does SUEK use modern technologies to improve its employee training programmes?

A:

SUEK operates an advanced Staff Training and Development Centre in Leninsk-Kuznetsk. There we use interactive video courses and VR technologies such as a Virtual Mine training simulator, an interactive electronic simulator for roof mounted monorail mine suspension locomotives, etc. With software modeling we are able to simulate certain process conditions and potential hazards that can occur underground, in order to develop a behavioural algorithm. This helps with developing our employees' professional skills and reducing the number of incidents.

In Buryatia and Zabaikalye we use simulators for training drivers of dump trucks, truck cranes, hydraulic excavators, bulldozers, increasing employee qualifications and ensuring mine equipment is operated reliably, efficiently and safely.

In 2020, we plan to purchase a BelAZ simulator, install a multifunctional training complex for auxiliary mine rescue teams and develop an automated computer-based training system called 'Roadheader' for the Centre in Leninsk-Kuznetsk.

Dmitry Syromyatnikov,
Human Resources and Administration Director



Our priorities

- Motivate and empower employees to contribute to achieving the company's strategic goals
- Continuously increase industrial safety standards and labour productivity at all operations
- Improve working conditions for employees and enhance living standards
- Improve employee retention rate
- Attract and retain highly promising and skilled personnel, provide ongoing training and talent development opportunities
- Nurture the company's succession pool and promote the industry to attract young talent
- Further develop our corporate culture

Our regulatory framework

- International and Russian Employment Law
- Sectoral and regional agreements with trade unions
- Collective bargaining agreements
- Our Corporate Social Policy
- Our Code of Corporate Ethics
- UN Global Compact
- UN SDG's

Our approach

A workforce of talented and committed employees who believe in SUEK's mission, share our values, and prioritise safe, professional and honest work, is the solid foundation for achieving our strategic goals.

Our HR strategies are outlined in the company's Social Policy and aimed at further developing our corporate culture and a safe, all-inclusive work environment. Ensuring that we have a highly skilled and engaged workforce is crucial to the success of our business, therefore we deploy a wide range of tools to identify and recruit the best candidates and support their ongoing development. We encourage creative and innovative thinking to support continuous improvements in the business.

We act in strict compliance with the labour laws of the countries where we operate and our Code of Corporate Ethics, whilst maintaining international best practices.

SUEK is fully committed to fair treatment and working conditions for all employees and categorically does not use or condone child labour, or any form of forced labour or modern slavery. We are an equal opportunity employer and guarantee the absence of discrimination based on nationality, gender, origin, age, educational or socio-economic background, religious, political or other beliefs, etc. The company recognises the lawful right of workers to form voluntary associations to protect their rights and interests and is fully supportive of our employees' freedom of association.

Our HR strategy is also strongly aligned to the SDG's to uphold the UN's global efforts to ensure healthy lives and promote well-being for all at all ages, ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, achieve gender equality and full and productive employment and decent work for all.

SUEK's Nomination and Compensation Committee of the Board of Directors oversees the implementation of the company's HR strategy and controls incentives and Management Board appointments.

For our stance on human rights, see <http://www.suek.com>

For our Social Policy and Code of Corporate Ethics, please visit our website <http://www.suek.com>

HR management structure



Overview

SUEK is one of the largest employers in the Russian coal and energy sectors. In 2019, our average headcount was 66,245 people. Despite the headwinds such as challenging local labour market dynamics and the current demographic composition of Russia, we maintained a stable staff turnover rate in the coal business segment. We also reduced turnover at our energy segment year-on-year with the completion of the restructuring process. The sufficiency of qualified personnel in 2019 was 99% in the Coal Segment and 96% in the Energy Segment.

Promoting diversity

The socio-demographic characteristics of our workforce remained consistent. Whilst we remain focused on increasing female representation within our company, the number of men continues to significantly exceed the number of women in our workforce. This is largely due to the nature of our production processes and Russian legislation¹ which deters and sometimes limits women's opportunities to work in hazardous working conditions.

Despite the challenges, we are working hard to encourage women to join our company. Our efforts are directed at (and not limited to): ensuring suitable facilities in the workplace, creating conditions that allow women to thrive at all levels of the organisation and targeted leadership development programmes.

¹ In accordance with the Russian Government Decree No. 162 of 25 February 2000 to approve the list of arduous jobs and jobs with harmful or dangerous working conditions forbidden to women, women are not allowed to occupy a significant number of underground roles.

² All data excluding Reftinskaya GRES.

Staff remuneration and incentivisation

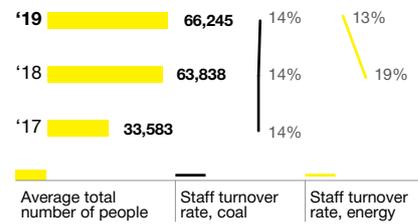
One of our main priorities is ensuring we maintain an effective staff remuneration system that enables us to recruit and retain qualified staff.

SUEK regularly monitors trends in the Russian labour market, 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, energy and logistics sectors to help us further understand industry trends. Regular analysis of market data enables us to remain confident that we are offering employees competitive working conditions, to plan and adapt our HR management policy accordingly to reflect external economic influences.

SUEK's financial incentive system includes a constant part and a conditionally variable part fixed 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.

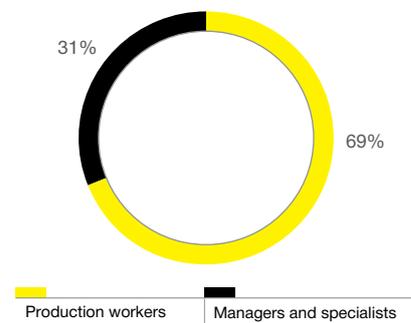
With our continued focus on increasing employee engagement and retaining qualified employees, we have also developed a special bonus system for those employees participating in long-term strategic projects and operational improvement programmes. This incentivises employees to meet the set targets, and improves cross-functional interaction and expertise exchange. In 2019, over 500 employees participated in this incentive programme.

Average headcount and staff turnover rate²

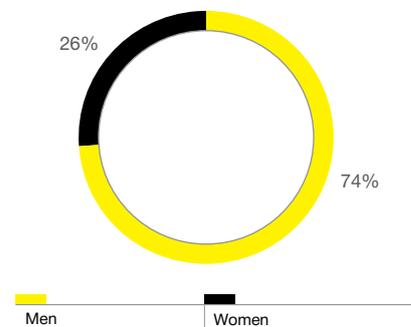


Composition of employees²

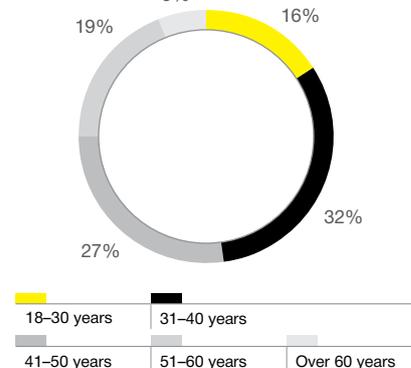
BY PERSONNEL CATEGORIES



BY GENDER



BY AGE



Social support

Our relationships with employees are largely governed by the principles of social partnership. SUEK's employee benefits package is developed based on applicable law and overseen by industry agreements with trade unions and collective bargaining agreements. Approximately 92% 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 facilities and 80% in the energy business
- Combined insurance for industrial accidents
- Financial aid for pensioners, parental leave and premium medical treatment, or financial support for the funerals of company employees
- Financial compensation during children's summer holidays and for medical treatment
- Financial assistance and welfare payments to former employees

For information about additional social benefits offered to our employees, see our Sustainable Development Report for 2018-2019.

~92%

of employees are covered by collective bargaining agreements

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. The Russian Independent Trade Union of Coal Industry Workers (Rosugleprof) and the Independent Trade Union of Russian Miners (NPG), in which around 64% of SUEK's employees are involved, are active at the company's facilities. In the Energy Segment, employees are involved with a sectoral All-Russia Electric Trade Union.

At a local level, trade unions are consulted during the negotiation of collective bargaining agreements as well as on matters such as issuing regulatory acts relating to social and labour relations, labour protection and remuneration. Union representatives also have regular interaction with managers at our operations. Following consultation with trade union representatives, SUEK develops work schedules and terms of employment, and approves vacation schedules and employee incentive systems.

Employee training and development

SUEK's staff training system is designed to create conditions that promote the professional fulfilment of employees and ensure the systematic development of their professional and managerial competencies, thereby establishing SUEK's talent and succession pool.

The key areas of staff development are:

- Professional training including retraining, qualification advancement, advanced and cross-functional training
- Developing a talent pool for key management positions
- Training young professionals (targeted education, practical training, internships, mentorship programmes)

Professional training

SUEK's Corporate University is an analytical, methodological and advisory centre committed to knowledge management and the development of human resources. The University's programmes are modular in nature and focused on teaching the principles of lean manufacturing and calculating cost-effectiveness. In 2019, more than 450 employees completed training at the University.

SUEK also runs a regional network of occupational training facilities for our employees. This includes 14 training centres and workshops, which have been licensed by Russian state education authorities. Their primary functions comprise empowering employees with new sets of skills as well as further developing their existing qualifications. In the reporting year, more than 39,000 people were trained at our own educational institutions. As our priority is to create a workplace free of occupational hazards, we gave special attention to labour and industrial safety training programmes.

In 2020, the company will participate in the 'Older generation' federal project in the Kemerovo region, which is dedicated to training employees close to retirement age. The main focus of the project will be developing participants' mentoring skills and lean technologies skills.

Succession pool

We use a step-by-step training system to develop the company's succession pool: from site engineers and mine supervisors to the CEO's deputies. This not only provides in-house career opportunities but also enables us to develop a pool of highly qualified candidates to fill managerial vacancies.

In 2019, we:

- Formalised the requirements for various positions, and correspondingly updated our talent pool composition and developed candidates for succession

- Created a uniform model of assessing and developing our employees' managerial competencies
- Completed the recruitment and training of the mobile managerial succession pool of the procurement unit

Training and development of young professionals

To attract young, talented professionals into our business, SUEK participates in youth forums, holds professional skills contests, job fairs, and provides vocational guidance for pupils and applicants. We run educational classes on the energy industry for high school students in the cities of Abakan, Minusinsk, Nazarovo and on the coal industry in Borodino, Nazarovo and Sharypovo. We cooperate actively with Russia's leading and vocation-oriented mining universities. Over 50 students currently participate in SUEK's targeted education programmes. We also attract students to internships at our facilities every year.

To develop the potential of young employees, the company offers a mentoring system. We have created a new, interactive induction course and we have adopted tailored induction regulations at key units. In addition, experienced coaches are allocated as mentors for young employees with high potential.

39 hours
of training per employee
on average in 2019

>150
requests

were processed through
our feedback channels in 2019

Corporate culture and internal communications

SUEK's corporate culture is based on long-standing labour traditions and the Code of Corporate Ethics. Internal communications are key to promoting the values of our corporate culture. We use a number of communications channels:

- Meetings between employees and managers
- Corporate media system, including intranet portal
- Information stands, plasma panels, brochures in corporate transport, and electronic newsletters
- Employee surveys
- Hotline
- 'Alarm Sheet' feedback system
- Sustainable Development reports

For our corporate values, see Stakeholder Engagement on page 48.

Ethics and integrity are built into our corporate culture. The Company has an effective system in place to enforce compliance with the Code of Corporate Ethics. Its highest collegial body is the Ethics Commission, which addresses the complex employee ethical issues. In 2019, over 150 requests were submitted and reviewed through various feedback channels included in SUEK's Code Compliance System.

The majority of issues are resolved at the level of ethics coordinators appointed at each unit, while the rest are referred to the Ethics Commission. Most of the issues discussed at the Ethics Commission meetings in 2019 were related to social conditions and employees' personal issues.

As part of the programme to enhance SUEK's corporate culture and internal communications system, in 2019, we continued work on the following areas:

- Upgrade of the company's intranet portal
- Promoting the Code of Corporate Ethics through creative competitions
- Developing a feedback system to maintain an open dialogue with employees and ensure two-way communications, including updating the telephone hotline
- Training sessions for ethics coordinators on best practices and communications skills, as well as skills for influencing change

It is important that we receive regular feedback from our employees and continually identify areas for improvement. In 2019, we carried out an employee survey to measure perceptions of SUEK in seven regions where we operate. The survey included questions around SUEK as an employer, criteria for choosing a place of work and reasons for changing the previous place of work, involvement in the company's work, perceptions of the staff turnover issue, satisfaction with their quality of life, etc. The vast majority of SUEK employees said they were satisfied with their working conditions and consider it prestigious to work at SUEK.

For the survey results, see Stakeholder Engagement on page 49 and the Sustainable Development Report for 2018-2019.

A key focus in 2020 will be the development of our face-to-face communication system. We will also integrate the Reftinskaya GRES and Krasnoyarskaya GRES-2 into SUEK's structure, introducing our corporate rules and standards, while maintaining and continuously improving the best practices that are currently in place at the plant.