

# Strategic evolution to deliver sustainable value

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The Board of SUEK is committed to overseeing the creation of sustainable value for all of SUEK's stakeholders, including employees, customers and the communities in our regions.

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2018 was a transformational year for SUEK. We took advantage of the favourable market environment to evolve and develop our business whilst continuing to scrutinise the company's capital allocation to ensure its long-term resilience.

We advanced two main strategic routes that would drive efficiencies to boost our margins and also diversify our revenue streams. The first is a focus on supplying high-CV coal products for premium markets and the second is downstream integration into power generation, delivering synergies to ensure we remain one of the lowest cost producers globally.

We paid special attention to a thorough review and update of our business processes and corporate governance procedures to support the integration of the power generating assets acquired during the year. A key element which we are continuing to develop is a consistent environmental and safety culture throughout the enlarged business,

including transparent reporting at every level. This is critical to ensuring we continue to improve our environmental, health and safety performance.

Although SUEK is not publicly listed, we are committed to providing public-level disclosure, for the benefit of all of the company's stakeholders. The Board of Directors also takes responsibility for ensuring that the company observes international best practices in terms of corporate governance.

In 2018, we welcomed Tom Cairns to the Board as a new Non-Executive Director and member of the Audit Committee. His experience in finance and investment and his knowledge of the energy sector adds to the Board's competences. Former Executive and Non-Executive Directors Kuzma Marchuk and Olga Vysotskaya left the company in September. We thank them for their contribution to the work of the Audit Committee and the Board in general, and wish them success in their further endeavours.

The new composition of the Board of Directors reflects the profile and scale of our operations. With the strategic acquisition of SGC, we conducted a thorough induction for the Board into the Russian power sector and SUEK's new power assets. The Board remains excited about the prospects for the combined, and strengthened, SUEK.

Our primary focus for 2019 will be to oversee the successful integration of SUEK's Energy Segment and the achievement of synergies with our very strong coal business, as well as SUEK's progress in further consolidating its position in the high-CV coal market.

ALEXANDER LANDIA,  
CHAIRMAN OF THE BOARD OF DIRECTORS