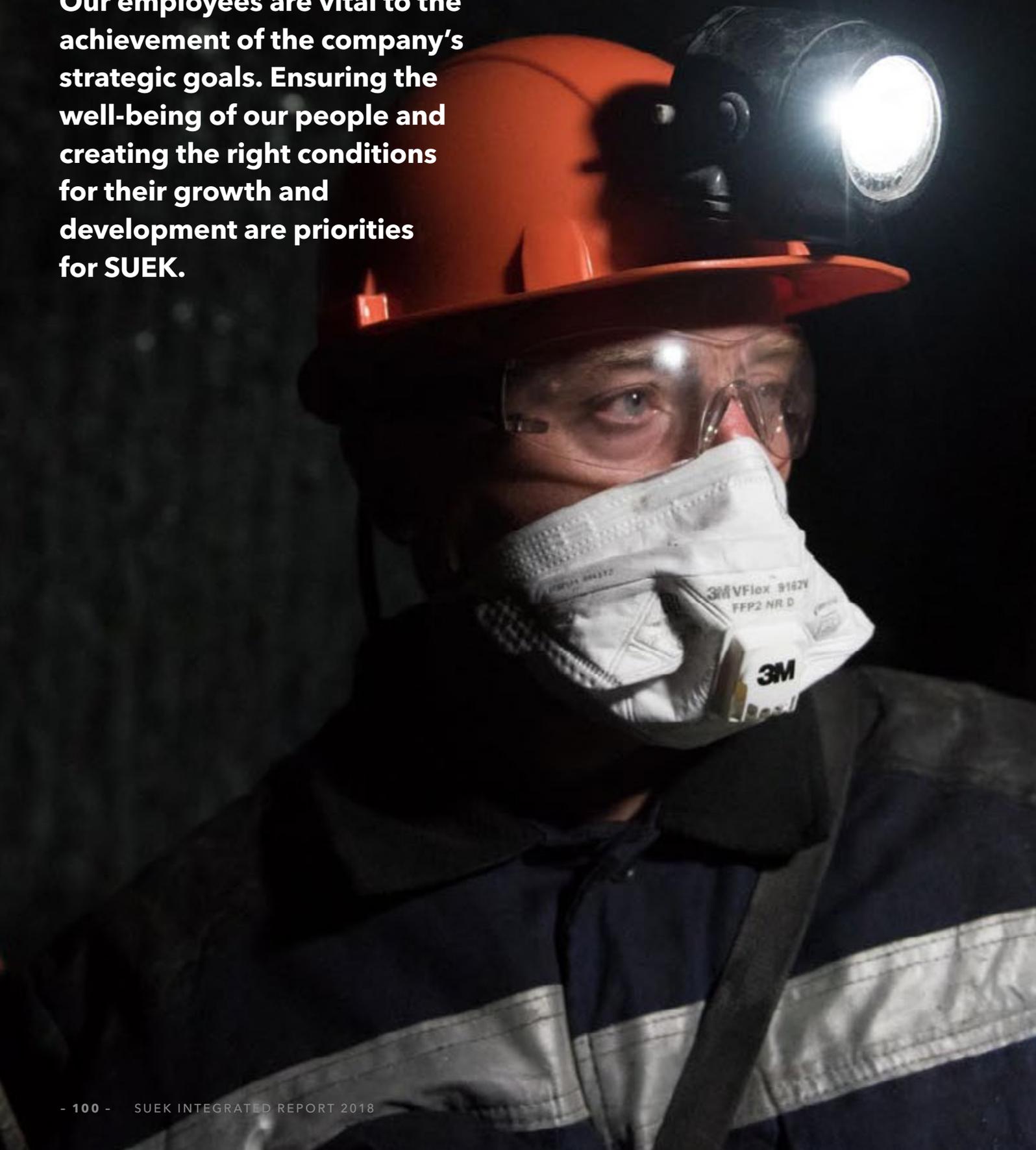


Greater scale, combined skills

Our employees are vital to the achievement of the company's strategic goals. Ensuring the well-being of our people and creating the right conditions for their growth and development are priorities for SUEK.





Our priorities

Recruit qualified and motivated employees to meet the company's requirements

Increase the level of industrial safety at our sites and facilities

Develop our employees, improve working conditions and living standards

Improve the efficiency of HR cost management

Improve labour productivity and headcount management

Nurture the company's succession pool and recruit young professionals

Develop our corporate culture and internal communications

Our approach

Our HR strategies and initiatives comply with Russian labour laws and SUEK's Code of Corporate Ethics.

SUEK does not use child labour or any form of forced labour and guarantees equal rights and the absence of discrimination based on nationality, gender, origin, age, religious or other beliefs, etc. The company recognises the lawful right of workers to form voluntary associations to protect their rights and interests, including the right to form and join trade unions.

HR management issues are regularly reviewed at meetings of the Board of Directors' Nomination and Compensation Committee (for details, see p. 119).

HR management structure

Board of Directors' Nomination and Compensation Committee

- Monitoring the implementation of the HR strategy
- Control of nominations, motivation, social policy, occupational health and safety

SUEK's HR division

- HR management methodology
- Strategic planning and control: corporate regulations, incentivisation management, labour relations and headcount

HR function at subsidiaries

Coordination and operational management:

- Planning payroll and social payments
- Implementation of HR and social policy taking into account regional specifics

Regulatory framework of our relations with employees

- Russian labour laws
- Sectoral and territorial agreements with trade unions
- Collective bargaining agreements
- Corporate Social Policy
- Code of Corporate Ethics

Our 2018 key achievements: Headcount planning and staff expenses

- Developing labour standards for operators of the main production equipment at underground mining works
- Introducing automated accounting for labour costs
- Regulating the methodology of piecework remuneration and monthly bonuses for open-pit workers

Recruitment and retention

- Increasing internal staff mobility between the company's facilities and regions. Programmes for workforce redistribution between production facilities enable us to retain qualified personnel within the company and focus on solving priority tasks
- Further development of a housing programme for employees of the coal business
- Implementation of a programme to attract young people to the company: school graduates in SUEK's operating regions are offered training at higher education institutions in subjects required to work at SUEK; we have also set up a youth forum to help identify and recruit talented young people

FOR MORE INFORMATION ABOUT OUR CORPORATE SOCIAL POLICY, SEE WWW.SUEK.COM/ABOUT-US/CORPORATE-GOVERNANCE/BY-LAWS/



Q. What synergy effects are you expecting in terms of the HR function?

A. While integrating the two businesses, we focus on exchanging best practices between the two teams. As previously independent companies, SUEK and SGC have developed strengths in different areas. Our aim is for the combined Group to benefit from the expertise of both.

Although the two businesses have different production processes, we see value in, and have already started, an exchange of experiences between our specialists in health and safety, environment, personnel training, social technologies and internal audit. We have optimised financial accounting and IT.

The integration has significantly expanded the management talent pool. Managers and top managers now have new opportunities for personal development due to the increased scale and complexity of operations.

Q. How will you ensure SGC employees adopt the Group's common values?

A. Following the introduction of the compliance system into the combined company, in 2018 we analysed and compared the values of both businesses. As a result, in January 2019 we approved the Code of Corporate Ethics for SGC.

DMITRY SYROMYATNIKOV,
HUMAN RESOURCES AND
ADMINISTRATION DIRECTOR

Overview

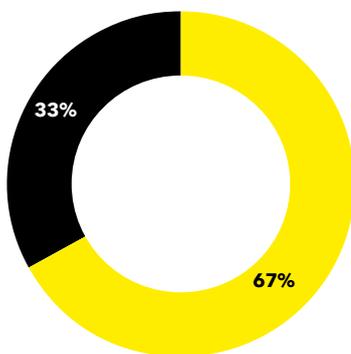
Following the consolidation of SGC, in 2018 SUEK expanded its geographic footprint to operate in 11 regions of Russia and 12 countries, cementing its position as one of the largest employers in the Russian coal and energy industry. Our average headcount was 63,838 people.

The socio-demographic characteristics of our workforce remained consistent. The ratio of men to women was practically unchanged from 2017: the number of men is significantly greater because of the nature of our production processes¹.

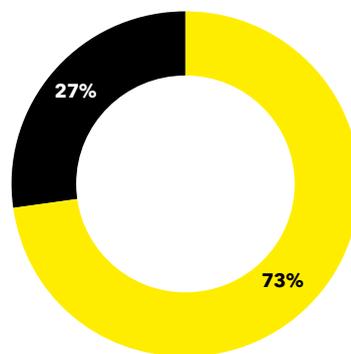
 FOR MORE INFORMATION ABOUT HR STRATEGIC PRIORITIES AND KPIS, SEE PAGE 32; FOR HR RISK MANAGEMENT, SEE PAGE 49.

Composition of employees (%)

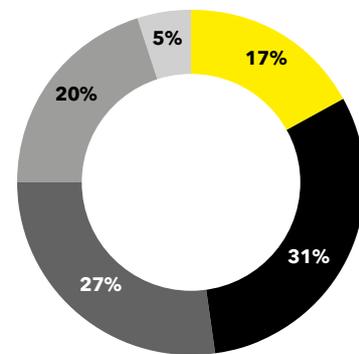
By personnel categories



By gender



By age



● Production workers ● Managers and specialists

● Men ● Women

● 18-30 years ● 41-50 years ● Over 60 years
● 31-40 years ● 51-60 years

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.

Performance management and remuneration

One of our main priorities is ensuring we maintain an efficient staff remuneration system that enables us to recruit and retain qualified staff. SUEK's remuneration system creates a fair and transparent relationship between the achievement of the organisation's goals, results, the quality of our employees' work and their remuneration.

SUEK regularly monitors the Russian labour market, analyses the best practices in labour remuneration and staff incentives and studies trends in the provision of guarantees and benefits. We frequently take part in salary surveys for companies in the mining, coal and energy sectors, to help us further our understanding of industry trends.

By analysing this data, we can remain confident that we are offering employees competitive working conditions, and we can plan and adapt our HR management policies to reflect external economic influences.

SUEK's financial incentives system is based on key performance indicators (KPIs), which, in addition to business indicators, include industrial safety, the observance of regulatory requirements, meeting the company's liabilities and cooperation with stakeholders.

Depending on an individual employee's level of responsibility and personal professional objectives, the weighting of these components in contributing towards their final bonus can vary.

Our bonus system also takes into account other conditions that affect the size of the bonus. This is primarily to incentivise employees to operate in the most correct, rational and safe way. The most common of these conditions are related to observing industrial safety rules and reducing injuries.

We have also developed a special bonus system for employees participating in projects. This includes long-term strategic projects, operational improvements and business development programmes. It incentivises employees to meet the set project and programme targets. Our incentives system also helps SUEK retain qualified employees, improves cross-

functional interaction and encourages the sharing of experience between departments, including in different regions of the company's operations. In 2018, 501 employees participated in this long-term incentive programme as part of their involvement in one or more projects.

Social support

We run social programmes aimed at improving the living standards of our employees and their families. The benefits package for SUEK's Russian employees is developed based on applicable law, industry agreements with trade unions and collective bargaining agreements. A combination of collective bargaining agreements and bilateral territorial agreements with trade unions guarantees that we fulfil our social commitments. Approximately 91% of our employees in the coal business are covered by collective bargaining agreements.

Staff turnover rate (%)

Coal

2018	14.3
2017	14.3
2016	13.6

0 p.p.

COMPARED TO 2017

Energy

2018	19.2
2017	11.5
2016	16.9

7.7 p.p. 

COMPARED TO 2017

SUEK employees are offered the following social benefits:

- Voluntary medical insurance, including rehabilitation treatment for occupational diseases which, since 2014, we have extended to all employees at our production sites and facilities. At the power business 90% of employees are covered by this programme
- Financial aid for pensioners, parental leave and premium medical treatment, or financial support for the funerals of company employees
- Compensation for children's summer holidays and for medical treatment or rehabilitation
- Sport and cultural events
- Financial assistance and welfare payments to former employees

In addition, coal business workers are provided with the following social benefits:

- Accident insurance
- Payment for travel to holiday resorts for employees and their families
- Supply of coal to miners for domestic heating and compensation for energy expenses
- Payment upon retirement of 15% of an employee's average salary for each year of employment in the coal industry
- Free and subsidised meals

Our employee relations are based on the principles of social partnership. The Russian Independent Trade Union of Coal Industry Workers (Rosugleprof) and the Independent Trade Union of Russian Miners (NPG), which around 64% of SUEK employees are involved with, are active at the company's facilities. In our energy companies, employees are involved with a sectoral All-Russia Electric Trade Union.

The Russian Branch Association of Employers of the Coal Industry (RBAECI) actively participated in the development of a new Federal Industry Agreement on the coal industry, the parties to which are employees of the Russian Independent Coal Workers Union and employers - industrial companies RBAECI. Its signing in January 2019 marked the confirmation of the social partnership between trade unions, workers and employers.

>90%

OF EMPLOYEES COVERED BY VOLUNTARY MEDICAL INSURANCE

Employee training and development

SUEK's staff training system is designed to develop the company's human capital. The system's main objective is to create conditions that promote professional fulfilment among employees, ensure the systematic development of their professional and managerial competencies, and thereby establish SUEK's talent and succession pool.

The key areas of staff development are:

- Professional training (including retraining, qualification enhancement, training in related occupations)
- Developing talent for key management positions
- Training young professionals (targeted education, practical training, dual training)

In 2018, we achieved the following key results in these areas:

- Approximately 32,000 employees were trained in our own training centres and workshops
- We ran programmes to identify and attract the most talented young people to the company (youth forums, professional skill contests, job fairs, engagement with specialised educational institutions, targeted education, etc.)
- We created and updated our succession pools for key positions and divisions
- We continued our work on a unified model of managerial competencies for the entire company. This model should ensure the unity of principles and approaches to assessment, training and development processes

32,000

EMPLOYEES TRAINED IN 2018

- Currently, 17 selected company executives are being trained under the 'Strategic Management in Mining Companies' MBA programme run by the MISiS National University of Science and Technology in Moscow

SUEK runs a regional network of occupational training institutions for all of its employees. This includes 14 training centres and workshops with state licences. Their primary functions are training employees in new skills and adding to their qualifications. Labour and industrial safety are a key area of focus for these training programmes.

SUEK's Corporate University provides the core basis for the company's personnel training and development system. It ensures that key groups of employees are consistently improving their skills, and provides an analytical, methodological and advisory centre for knowledge management and human resources development.

In 2018, the company introduced a new tool for staff training and development: an electronic library of business books. This service is available to all employees around the clock and is free of charge, in both mobile and audio formats.

We have also devised a step-by-step training system to develop the company's succession pool: from site engineers and mine foremen to the heads of regional production companies. This provides career opportunities within the company and enables us to develop a pool of qualified candidates to fill managerial positions as they become vacant.

SUEK runs a continuous recruitment process of young professionals. Targeted education for students, especially those from the regions where the company operates, improves our selection process and accelerates the integration of new recruits. The selection process starts at school. We offer occupational guidance to pupils and school graduates in the key regions where the company operates. In the cities of Abakan, Minusinsk and Nazarovo we run educational energy classes for high school students. We cooperate actively with Russia's leading and vocation-oriented mining universities. Over 50 students currently participate in SUEK's targeted education programmes.

Corporate culture and internal communications

SUEK's internal communications system is aligned to the company's general approaches to internal and external communications. Its main objective is to ensure the most open and effective dialogue with our employees.

Our primary internal communications channels include:

- Meetings of employees and managers
- Corporate intranet portal, both at our production facilities and head office
- Corporate media system
- Employee surveys and their analysis
- Hotline
- 'Alarm Sheet' feedback system
- Bulletin boards, plasma panels, brochures in corporate transport, information stands and electronic newsletters
- Sustainable development reports

Our corporate culture is based on the company's mission and longstanding work, and respects professional traditions.

As part of our programme to develop our corporate culture and internal communications system in 2018, we continued to implement our Code of Corporate Ethics across the company through a dedicated information campaign and thematic competitions dedicated to corporate values.

We ran a number of internal awareness campaigns in support of corporate initiatives: these included producing brochures about SUEK's facilities and the communities where we operate and recruiting employees from other regions. We developed the methodology for the work of our Ethics Coordinators, which includes manuals for handling staff communications, ethics fundamentals, general algorithms for dealing with common ethical situations and ethics case studies from other companies.

As part of the consolidation of SGC, and in connection with our new compliance system for the enlarged company, in 2018, we analysed and compared the existing corporate values in both Segments. We subsequently decided to approve a common Code of Corporate Ethics, and this shared document was approved in January 2019.