

SUEK PLC's Corporate Governance

Company overview

SUEK PLC is the holding company for the SUEK Group, a vertically integrated coal business headquartered in Cyprus, with mining and logistics assets in Russia and a distribution network throughout the world.

SUEK PLC's main functions include:

- Operating as an investment holding company by managing its shareholdings in subsidiaries;
- Overseeing the activity of JSC SUEK and SUEK AG;
- Acting as the decision-making authority on large-scale investment projects;
- Managing the treasury activities of the Group;
- Setting long-term strategic and business targets;
- Preparing consolidated financial reports of SUEK PLC and its subsidiaries in line with International Financial Reporting Standards (IFRS).

Board structure

As of 31 December 2014, the Board of Directors comprised five members:

- Vera Bulenkova;
- George Cardona;
- Alina Constantinou;
- Alexander Lavrov;
- Maxim Streknev.

The composition of the Board changed during the year. On 18 August 2014, Kuzma Marchuk, Vladimir Rashevsky and Kirill Shein resigned from the Board, while Alexander Lavrov was appointed as a director.

At meetings of the Board of Directors, one member is elected to chair the meeting.

In the event that a Board meeting cannot be held due to time constraints, decisions may be made by the Standing Committee of the Board. In addition to its Chairperson (the position held by Vera Bulenkova in 2014), it comprises at least two other directors. The Committee is authorised to make decisions on most topics which come within the remit of the Board of Directors subject to limits on its authority, notably concerning the value of transactions which it may approve.

Board meeting attendance

In 2014, the Board of Directors held nine meetings while the Standing Committee held 11 meetings. The Board made 15 decisions in writing (in absentia). The average Board meeting attendance was four to five members while meetings of the Standing Committee were normally attended by three to four directors.

Director	Board of Directors	Standing Committee
Total number of meetings	9	11
Vera Bulenkova	9	11
George Cardona	5	–
Alina Constantinou	9	10
Alexander Lavrov ¹	1	–
Kuzma Marchuk ²	–	–
Vladimir Rashevsky ³	–	–
Kirill Shein ⁴	8	9
Maxim Streknev	9	11

¹ Alexander Lavrov joined the Board on 18 August 2014.

² Kuzma Marchuk resigned from the Board on 18 August 2014.

³ Vladimir Rashevsky resigned from the Board on 18 August 2014.

⁴ Kirill Shein resigned from the Board on 18 August 2014.

The Board's activity during the year

During 2014, the Board continued to oversee the strategic financing and structuring of the Group and its subsidiaries.

The Board is responsible for ensuring the Group's financing needs are appropriately met and that the legal structuring and governance of its subsidiaries is in line with shareholder interests.

Over the year this included:

- Overseeing the Group's restructuring programme, including liquidations, buy-outs and legal restructuring of several Group entities;
- Acting as the core financing centre for the Group through review and approval of bank credit facilities and the allocation of this financing through intragroup loan agreements structured to ensure the Group's overall debt portfolio remained manageable;
- Exercising control over subsidiaries through the review and approval of related-party and material transactions as well as of other matters requiring shareholder approval;
- Considering and approving senior appointments in Group companies, for example, confirming the appointment of General Managers at subsidiaries.

SUEK PLC's Board of Directors as at 31 December 2014

GEORGE CARDONA, 63

Appointment to the Board

George was elected to SUEK PLC's Board in October 2011.

Skills and experience

George was previously Head of Strategy at HSBC Group, and then subsequently appointed General Manager of International Banking. He has sat on the Board of a number of banks and financial companies in Europe and the US. In 1979, he was appointed Special Adviser to the UK Treasury during Margaret Thatcher's administration.

George was formerly a Board member of EuroChem, Russia's largest mineral fertiliser producer, where he served as Chairman of its Strategy Committee, and he was also formerly a Board member of JSC SUEK.

Education and qualifications

George graduated from Trinity College, Oxford, with honours in Philosophy, Political Science and Economics.

MAXIM STREKNEV, 38

Appointment to the Board

Maxim was elected to the Board in November 2012.

Skills and experience

Maxim previously worked as a corporate governance specialist for SUAL Holding, Glavstroy and ProfMedia. Since May 2012, he has supervised the cross-border, corporate governance and administration procedures of large holding structures for the SUEK Group.

Education and qualifications

Maxim is a graduate of Saratov State University, where he studied English Language, and the Diplomatic Academy of the Russian Ministry of Foreign Affairs, where he studied International Economic Relations.

VERA BULENKOVA, 42

Appointment to the Board

Vera was elected to SUEK PLC's Board in October 2011.

Skills and experience

Vera previously worked for Interfax, Deloitte (Cyprus) and Broker Credit Service (Cyprus). She joined the SUEK Group in 2007.

Education and qualifications

Vera graduated from Lomonosov Moscow State University and is a Fellow of the Association of Chartered Certified Accountants.

ALINA CONSTANTINOU, 36

Appointment to the Board

Alina was elected to SUEK PLC's Board in October 2011.

Skills and experience

Alina previously worked for Deloitte (Cyprus) where she audited and acted as a consultant, providing accounting advice to investment firms based in EU and Russia as well as a large, multi-sector, Cyprus-based holding company.

She has been a director of a number of private companies in Cyprus and is presently director of two Cyprus-based investment holding companies.

Education and qualifications

Alina graduated from Intercollege Cyprus with a diploma (with distinction) in Business Administration. She is a Fellow of the Association of Chartered Certified Accountants.

ALEXANDER LAVROV, 40

Appointment to the Board

Alexander was elected to SUEK PLC's Board in August 2014.

Skills and experience

Alexander joined the Group in 2001. From 2008 to 2014, he headed JSC SUEK's treasury. At present, he is in charge of corporate finance and treasury.

Education and qualifications

Alexander graduated with honours from the Moscow State University of Economics, Statistics and Informatics where he studied Information Systems in Economics (specialisation 'Banking').

JSC SUEK's Corporate Governance

Overview

JSC SUEK is the main asset of SUEK PLC and has a well-established corporate governance system. The main functions of JSC SUEK are:

- Day-to-day management of JSC SUEK's subsidiaries;
- Provision of transportation and freight forwarding services to JSC SUEK's subsidiaries;
- Provision of services in various areas to SUEK PLC and some of JSC SUEK's subsidiaries;
- Management of supplies to the Group's subsidiaries where there is benefit from centralised purchasing.

The system of corporate governance of JSC SUEK is based on the following principles:

- Fair treatment of the shareholder; legal recognition and protection of their rights;
- Maintaining an efficient system of internal control and audit;
- Ensuring financial reporting is full and transparent by providing stakeholders with the information they need and in accurate and understandable format;
- Adhering to ethical standards in how business is conducted;
- Providing a proper working environment for employees and addressing their social issues.

Statutory regulation

In following good corporate governance practice, JSC SUEK has adopted the Code of Corporate Governance recommended by the Bank of Russia as well as standards set out in the UK Corporate Governance Code, including:

- The positions of Chairman of the Board and CEO have been split;
- Members of the Board of Directors are re-elected and their performance assessed on an annual basis;
- Five out of nine Board members are independent non-executive directors (as confirmed by the Board);
- The Nomination and Compensation Committee is made up of three independent non-executive directors;
- The Audit Committee is comprised of two independent non-executive directors with relevant financial background;
- When making decisions, members of the Board avoid potential conflicts of interest.

Board of Directors of JSC SUEK as at 31 December 2014



ANDREY MELNICHENKO, 43
CHAIRMAN
NON-EXECUTIVE DIRECTOR (NON-INDEPENDENT)

Appointment to the Board and committee memberships

Andrey was appointed to the Board in March 2004 and is Chairman of the Strategy Committee.

Skills and experience

Over a 21-year career, Andrey has helped build some of Russia's most successful corporations. In 1993 he co-founded MDM Bank, one of Russia's largest private banks. During his time at MDM, he chaired its Management Board from 1997 to 2001 and was Chairman of the Board of Directors from 2001 until 2005. Over a number of years he has also held directorships at Russian energy company RAO UES and steel pipe manufacturer TMK.

Throughout 2014 Andrey was Chairman of the Board of Directors of EuroChem, stepping down in April 2015. He is also Chairman of the Siberian Generating Company and sits on the Management Board of the Russian Union of Industrialists and Entrepreneurs.

Education and qualifications

Andrey studied Physics at Lomonosov Moscow State University and graduated from Plekhanov Russian University of Economics, majoring in Finance and Credit.



VLADIMIR RASHEVSKY, 41
CHIEF EXECUTIVE OFFICER

Appointment to the Board and committee memberships

Vladimir was appointed to the Board in June 2011 and is a member of the Strategy Committee.

Skills and experience

He began his career in 1992, holding various positions in banking, including Vice-Chairman of the Management Board of Avtobank. In 2000, he joined MDM Bank where he was appointed Deputy Chairman of the Management Board. In December 2001, he became Chairman of the Management Board. In 2004, he became President of JSC SUEK, and was appointed CEO of the company at the end of that year.

Vladimir is a member of the Board of Directors of Interregional Distributive Grid Company of Siberia.

Education and qualifications

Vladimir graduated from the Moscow Financial Academy of the Government of the Russian Federation, majoring in Global Economics. He holds a degree in Economic Science.



ALEXANDER LANDIA, 52
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board and committee memberships

Alexander was appointed to the Board in December 2006 and is Chairman of the Nomination and Compensation Committee and a member of the Strategy Committee.

Skills and experience

Between 1993 and 2001 he was employed by Dresdner Bank in Frankfurt, the last position he held there being First Vice President Oil & Gas Global Debt. Until 2004, he was General Director, Accenture Russia and was subsequently appointed Global Gas Lead Partner. Between 2006 and 2010 he chaired the Board of Directors and in 2007 received the 'Chairman of the Year' award from the Russian Association of Independent Directors.

Alexander is an Independent Director and member of the Strategy Committee of the Board of Directors of EuroChem. He is a member of the Board of Directors of Lambert Energy Advisory (UK) and Barloworld (South Africa). Alexander is a co-founder and Director of MFEP Acquisitions I Limited (UK) and co-founder and Managing Director of Bernotat & Cie (Germany). He is also a member of the Supervisory Board of The Mobility House AG (Switzerland).

Education and qualifications

Alexander graduated from Tbilisi State University with honours, and has a Candidate's Degree (PhD) in Mathematics from the Minsk Institute of Mathematics of the National Academy of Science (Belarus).

Board of Directors of JSC SUEK as at 31 December 2014



KLAUS-DIETER BECK, 60
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board and committee memberships

Klaus-Dieter was appointed to the Board in June 2012 and is a member of the Strategy Committee and the Nomination and Compensation Committee.

Skills and experience

Klaus-Dieter joined RAG (Germany) in 1981 and worked in a variety of technical and operational roles. He became Chief Engineer of the company's Ruhrkohle Niederrhein subsidiary in Germany, and held management positions at the Rheinland and Heinrich mines between 1996 and 1998. He then joined RAG's Riverton Coal subsidiary in the US, and between 2004 and 2007 served as Senior Vice President Planning, Engineering & General Equipment Management at Foundation Coal Holdings (formerly RAG's US coal business).

Klaus-Dieter was Chairman and CEO of the Czech coal producer OKD between 2007 and 2012, during which period he was also an Executive Director of NWR NV. He was a Non-executive Director of NWR until March 2013. He has served a member of the Supervisory Board of TUEV-Nord/Hannover in Germany since 2008.

Education and qualifications

Klaus-Dieter holds a PhD and an MSc in Mining Engineering from Rheinisch-Westfälische Technische Hochschule in Aachen.



JAROSLAV MIL, 56
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board and committee memberships

Jaroslav was appointed to the Board in June 2013 and is a member of the Nomination and Compensation Committee.

Skills and experience

Jaroslav was previously CEO and Chairman of Czech energy group CEZ, leading the company through an organisational restructuring and international expansion programme. He was formerly President of the Confederation of Industry of the Czech Republic, Vice President of BUSINESSEUROPE, and served on the Board of EURELECTRIC.

Jaroslav was a member of the Board of Slovenske elektrarne, part of the ENEL group, and was CEO and Chairman of Elektrarny Opatovice, the largest independent power generator in the Czech Republic. He is a member of the Czech Government Council for Energy and Mineral Resources Strategy and advises the energy regulatory body of the Czech Republic. Jaroslav is a Managing Director of Augustin IDC and a member of the senior expert group of European Capital Partners Investments (ECPI). He is also Vice President of the Board of Trustees of the Czech Technical University in Prague.

Education and qualifications

Jaroslav holds an MSc in Economics and Management from the Czech Technical University in Prague and an MBA from Sheffield Business School.



KENT POTTER, 68
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board and committee memberships

Kent was appointed to the Board in September 2013 and is a member of the Audit Committee.

Skills and experience

A former US Army officer, Kent joined Chevron in 1974 and in a 27-year career with the company he has held financial management positions, including CFO of Chevron's North Sea operations, CFO of Tengizchevroil in Kazakhstan and CFO of Chevron Overseas Petroleum. He was appointed Senior Vice President and CFO of Chevron Phillips Chemical Company (CPCHEM) and, whilst serving as a member of CPCHEM's Board, he helped direct the merger and integration of Chevron and Phillips' worldwide chemical operations.

In 2003, Kent was appointed CFO of TNK-BP. Most recently, he served as executive Vice President and CFO of Lyondell Basell. He has previously held directorships at Black Beauty Coal Company and Texas Petrochemical Company. Kent is an Independent Director of the Board of Directors of EuroChem where he chairs the Audit Committee.

Education and qualifications

Kent holds a BS in Engineering and an MBA from the University of California, Berkeley.



RICHARD SHEATH, 52
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board and committee memberships

Richard was appointed to the Board in June 2012 and is Chairman of the Audit Committee.

Skills and experience

Richard has extensive experience of internal control, risk management and reporting. He is a Director and co-founder of Independent Audit Limited, a consultancy specialising in corporate governance. He advises boards of major companies in the UK and overseas on all aspects of governance, with a particular focus on audit and risk committees, risk governance, control culture and corporate reporting. He was formerly a Partner in the risk management consulting practice of PwC and spent six years with the firm in Russia. He began his career with the Bank of England and HM Treasury.

Education and qualifications

Richard holds a BA (Hons) from the University of York and an MBA from City University (London).



DMITRY STREZHNEV, 47
NON-EXECUTIVE DIRECTOR (NON-INDEPENDENT)

Appointment to the Board and committee memberships

Dmitry was appointed to the Board in June 2011 and is a member of the Strategy Committee.

Skills and experience

Dmitry was formerly Head of Agrodortekhsnab and Tekhsnab-2000 (road and construction machinery trading companies providing maintenance and repair services). He is a former Deputy Director of Dorstroykomplekt, a company specialising in highway engineering, and was subsequently Head of the Likino Bus Manufacturing Plant. For several years he held executive positions in RusPromAvto – a holding company which includes car, truck, bus, road and construction equipment manufacturing – and in GAZ, an automobile manufacturer.

Dmitry has served as CEO of EuroChem since 2003 and been a member of its Board since 2007. He is a Board member of Industrial Venture Company and a member of the Supervisory Board of EuroChem-Karatau. He is also Chairman of the Management Board of EuroChem Group AG.

Education and qualifications

Dmitry has an honours degree in Physics from Lomonosov Moscow State University. He also holds an MBA from the Academy of National Economy of the Government of the Russian Federation.



NICHOLAS PAGE, 47
NON-EXECUTIVE DIRECTOR (NON-INDEPENDENT)

Appointment to the Board and committee memberships

Nicholas was appointed to the Board in September 2014.

Skills and experience

His career includes nearly 25 years working for PricewaterhouseCoopers (PwC) in the UK and Russia. He was a Partner in the UK firm from 2003 to 2014, and from 2013 to 2014 was a member of the PwC Central and Eastern European (CEE) Management Board and the CEE-UK Development Committee. At PwC, Nicholas specialised in advice to financial institutions, financial sponsors and multi-national companies in relation to domestic and cross-border M&As, IPOs and restructuring.

Nicholas is a member of the non-executive Strategic Advisory Board of the School of Business & Economics at Loughborough University in the UK.

Education and qualifications

Nicholas holds a BEng (Hons) from Loughborough University and has been awarded FCA status by the Institute of Chartered Accountants of England and Wales (ICAEW).

Governing bodies

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

General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of JSC SUEK. It makes decisions on the most important issues regarding the business, including amendments to the Charter, reorganisation and liquidation, increasing or decreasing the authorised capital, distribution of profit, selection of members of the Board and the appointment of the external auditor.

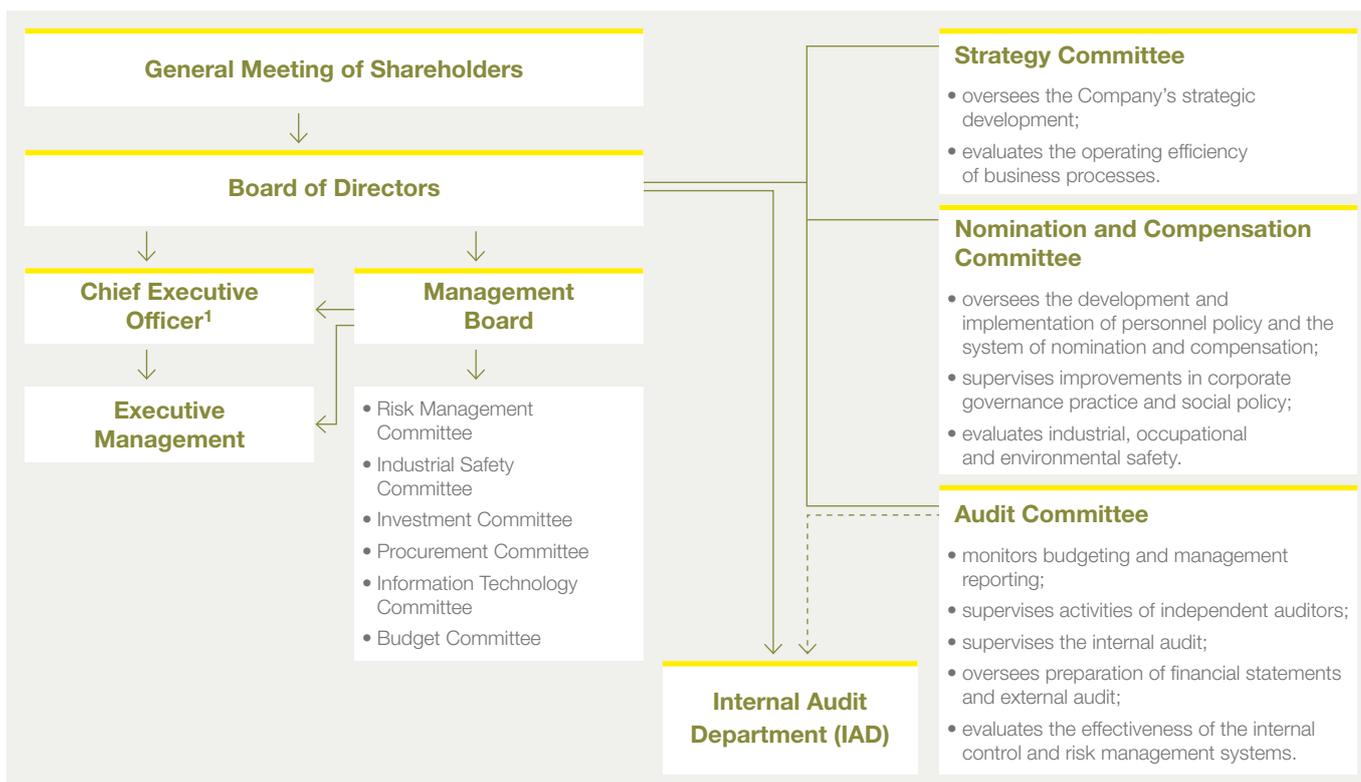
In 2014, JSC SUEK had a sole shareholder, SUEK PLC, which made decisions on the scope of the meeting. During the reporting year, major decisions included approval of a new version of the Charter, changes to the composition of the Board and approval of major deals. As part of the Annual General Meeting, the sole shareholder approved the 2013 Annual Report and financial statements, elected members of the Board of Directors, and re-appointed CJSC KPMG as the external auditor for 2014.

Board of Directors

The Board of Directors is responsible for making sure the strategy agreed between the shareholders, board and management is implemented. Its main objective is to ensure effective governance, to utilise strategic capabilities, to foster sustainable development for the long term and to increase the value of the Group's assets. It also protects the interests of shareholders and ensures disclosure of accurate information about JSC SUEK.

Since 2005, independent directors have sat on the Board of Directors of JSC SUEK. As of the end of December 2014, five out of nine Board directors, excluding the Chairman, were independent. The criteria that independent directors must satisfy are defined in the Regulation on the Board of Directors and comply with the recommendations of the Russian Code of Corporate Governance and the UK Corporate Governance Code.

Members of the Board are re-elected on an annual basis according to Russian legal requirements. The Nomination and Compensation Committee and the Audit Committee include only independent directors with relevant backgrounds.



¹ The CEO also served as a member of the Board of Directors and the Chairman of the Management Board.

The Board of Directors is made up of highly experienced professionals. Their in-depth knowledge of the industry and expertise ensures high-quality, strategic governance. In 2014, Nicholas Page joined the Board, who has acted as an expert consultant on mergers and acquisitions, IPOs and restructuring to a host of major international companies across various industries.

The non-executive Board members maintain regular contact with the management team and are well-informed about JSC SUEK, which allows them to make well-considered decisions. Between meetings, external directors receive monthly reports from the management, notifications about significant events and coal mining industry overviews.

Members of the Board consult industry experts and visit production units. During these visits directors can personally evaluate the state of our assets, communicate with production managers and assess our corporate culture first hand.



More details on Board members' visits to our production units are on page 103.

Members of the Board have access to information on the activities of all the Board committees and can attend any committee meetings. Directors use this right in practice so that typically reviews of complex and complicated issues are attended by most Board members and relevant members of the management team also take part.

The Board and committees are supported by the Corporate Secretary. Together with the CEO she helps ensure that the Board receives all necessary information for meetings in advance. Papers are prepared in two languages, Russian and English. Board members make use of mobile technology so they can access information remotely and conveniently – using an iPad, laptop or a web browser.

Composition of the Board and any changes

As of 31 December 2014 the following nine directors were members of the Board:

- Klaus-Dieter Beck;
- Alexander Landia;
- Jaroslav Mil;
- Andrey Melnichenko;
- Nicholas Page;
- Kent Potter;
- Vladimir Rashevsky;
- Dmitry Strezhnev;
- Richard Sheath.



See biographical details of the members of the Board of Directors on pages 97-99.

Throughout the year, Andrey Melnichenko served as the Chairman of the Board. Members of the Board did not own any shares of JSC SUEK during the reporting period.

Board meetings

The Board's schedule and work plan are approved for the following year with adjustments every six months. In 2014, the Board of Directors held seven in-person meetings including one meeting at a production site, and 12 in-absentia meetings. All in-person meetings benefitted from full attendance (and only one in-absentia meeting did not have 100% attendance).



See page 102 to review attendance at Board members.

Board effectiveness and evaluation

The Board's effectiveness is assessed on a regular basis. In 2014, the annual assessment was overseen by the Nomination and Compensation Committee and took the form of a questionnaire where each director assessed various aspects of the Board's activity.

The directors expressed their general approval regarding the effectiveness of the Board but also suggested specific improvements. Overall, there was satisfaction with the timing and submission of information and the way meetings were managed. However, it was proposed that in future the Board should increase the strategic focus of discussions, thereby making it easier to assess ways to enhance shareholder returns or establish the best use of capital.

Board report

Alongside regular issues (revision of strategy, budget and investment planning, setting objectives for the top managers and assessing their accomplishment), the Board's work included the review of strategic initiatives, approval of new nominations and major transactions and analysis of the short and long-term financing of the business.

During the reporting year and in light of the volatile market situation, the Board focused on maintaining the stability of the business and responding effectively to changes in the economic environment. JSC SUEK's management developed appropriate measures to reduce the impact of negative market conditions and the devaluation of the Russian Rouble. These measures included stringent investment discipline – only implementing projects which agreed with strategic priorities and provided high return on investment. A programme to improve operational efficiency and reduce production and general costs was continued.

Production safety issues were of top priority for the Board. Causes of incidents, production stoppages and accidents were reviewed in detail. The Board assessed safety performance and actions taken to prevent similar incidents in the future. The Board of Directors maintained an open and detailed dialogue with the management, helping to identify areas of strength and weaknesses on safety. This dialogue helped pinpoint the causes of incidents and develop measures to prevent reoccurrence.

The Board aims to review and to approve both the overall corporate strategy and also 'segmental strategies' covering the different aspects of its business, primarily production, logistics and sales. In 2014, the Board updated its consolidated ten-year strategy, confirmed targets by segment and programmes for brown coal and hard coal mines, and set performance targets tied into its strategic objectives. It also reviewed plans for low-margin mines and non-core activities.

A package of measures for improving the efficiency of mines and compensating for the negative situation in the coal market was implemented. Despite the economic pressures on the industry resulting from lower coal prices, the Board supported several management proposals to expand the resource base and to increase coal mining, processing and shipping capacities with a long-term market recovery in mind.

The Board reviewed the practicality of restructuring the management at a difficult time for the coal industry. So far we have completed preliminary changes in management systems and organisational structure and performance measurement in part, with the objective of ensuring that all middle managers understand the importance of generating acceptable return on equity in each segment or activity area. An action plan for meeting this objective has been developed.

The Board also helped assess whether top managers fulfilled their 2014 objectives linked to the strategic priorities.

Board remuneration

The remuneration paid to Board members is based on performance of their general functions as well as on membership and chairmanship of the Board Committees. Members of the Board of Directors also receive reimbursement of all reasonable expenses incurred in relation to their work as directors.

The total amount of remuneration paid to the Board members in 2014 was \$915,888. The total amount of expenses reimbursed to the Board members in 2014 was \$21,804.

Participation of directors in Board meetings in 2014

Director	Board meetings	Audit Committee	Nomination and Compensation Committee	Strategy Committee
Total number of meetings¹	7 (12)²	8³	6 (3)	6
Klaus-Dieter Beck	7 (12)	–	6 (3)	6
Alexander Landia	7 (12)	–	6 (3)	6
Jaroslav Mil	7 (11) ⁴	–	6 (3)	–
Andrey Melnichenko	7 (12)	–	–	6
Nicholas Page	3 (4) ⁵	–	–	–
Kent Potter	7 (12)	8	–	–
Vladimir Rashevsky	7 (12)	–	–	6
Dmitry Strezhnev	6 (12) ⁶	–	–	6
Richard Sheath	6 (12) ⁷	8	–	–

¹ Number of in-absentia meetings is provided in brackets.

² Including six in-person meetings and one meeting at a production site.

³ Including six in-person meetings and two meetings through conference calls.

⁴ Jaroslav Mil did not attend the Board meeting on 23 December 2014.

⁵ Nicholas Page became a member of the Board on 18 September 2014.

⁶ Dmitry Strezhnev did not attend the Board meeting on 19 June 2014.

⁷ Richard Sheath did not attend the Board meeting on 18 December 2014.



Board in action

Board members visited a number of production units to meet managers and to understand better the challenges these units face and the progress being made in introducing new production methods and safety standards.

In June 2014 a Board meeting took place when the directors visited Tugnuisky open pit. Directors saw how the unit's development strategy was being implemented and observed mining and blasting operations, machinery and equipment repairs, and visited the Tugnuisky washing plant and other facilities.

During the on-site meeting, members of the Board had an opportunity to talk with regional managers, to learn first-hand about operational issues affecting the mine and to congratulate them on achieving production records. They discussed plans for developing the mine and the infrastructure, including the railway loading facility and the maintenance shop. They focused on safety, working conditions and the environment and discussed the land rehabilitation issue. The Board learned about the HR policy and plans for social development of the nearest community, Sagan-Nur.

In order to personally oversee improvements in safety, members of the Nomination and Compensation Committee again visited mines in the Kuzbass region in April. They reported a satisfactory level of industrial safety in the mines and noted significant progress in the attitude of the workforce to safety as well as improved proficiency on the part of the mine managers.

During the visit to Kuzbass, members of the Board were able to consider ways to improve operational efficiency of the mines. They learned about improving underground development and reducing longwall transfer time.

Klaus-Dieter Beck, an independent director with extensive mining experience, visited Polysaevskaya, Komsomolets, and other mines located in Kemerovo in 4Q 2014. Following these visits, he presented his recommendations on improving mine safety and operational efficiency to the management. These recommendations are currently being implemented across the business.

These trips help the Board assess opportunities to implement advanced international technologies (including those used in US coal mines) and to get a feel for the differences arising from the regulatory environment in the coal industry in Russia.

Board Committees

Strategy Committee

Members of the Committee



ANDREY MELNICHENKO, CHAIRMAN



KLAUS-DIETER BECK



VLADIMIR RASHEVSKY



ALEXANDER LANDIA



DMITRY STREZHNEV

 See biographic details of Members of the Strategy Committee on pages 97-99.

Responsibilities

- Developing recommendations to the Board of Directors regarding JSC SUEK's long-term and medium-term development strategy and strategic plans of business segments;
- Reviewing investment initiatives of the management, assessing associated risks, and developing solutions which enable JSC SUEK to take advantage of and capitalise on new opportunities;
- Evaluating JSC SUEK's response to changes in the macroeconomic and market situation, reviewing its financial condition and implementing and monitoring major investment projects;
- Defining JSC SUEK's operating priorities and evaluating the operational efficiency of the management;
- Evaluating major investment projects;
- Processing of investment planning, project management and capital management.

Activity in 2014

- Review of the JSC SUEK's strategy for the next ten years as well as individual programmes by segment and area. Programmes considered included: brown coal and hard coal mines; the Kuzbass and Khakasia mines; and the development of the Tugnuisky open pit;
- Development of a comprehensive set of measures to improve the competitiveness of the business in an extremely difficult coal market. Members reviewed the situation and approved action plans regarding low-margin enterprises;
- Oversight of a number of management programmes for expanding the resource base in view of forecasts for long-term market recovery were approved. This included the review of investment projects for developing Apsatsky and Kabaktinskoe deposits and for mining in Magistralny area and assessment of projects to expand the design capacities of Zarechny and Kamyshansky open pits;
- Monitoring of work to increase the loading capacity at Vanino Bulk Terminal. The key investment projects for increasing the capacity of Yalevskogo and Kotinskaya mines were adjusted;
- Consideration of ways to improve economic performance. This included expansion of coal washing capacity and promotion of products in high-margin and high-potential Asian markets, specifically focusing on cooperation with local companies and assessment of opportunities for cost savings. In order to reduce production cost, it approved the programme for developing ancillary enterprises;
- As part of improving the investment planning processes, approval of a methodology for defining individual macroeconomic parameters for forecasting purposes as well as a methodology for transfer pricing.

6

IN PERSON MEETINGS
IN 2014

 See information on Strategy Committee meeting attendance on page 102.

Nomination and Compensation Committee

Members of the Committee



ALEXANDER LANDIA, CHAIRMAN



KLAUS-DIETER BECK



JAROSLAV MIL

 See biographic details of Members of Nomination and Compensation Committee on pages 97-99.

Responsibilities

- Supporting the management in HR strategy, nominations and compensations, corporate governance and social policy;
- Supervising compliance with the standards of industrial and environmental safety at production units and monitoring key performance indicators in this area;
- Ensuring continuity within senior management; establishing a succession pool;
- Designing development programmes for managers at various levels;
- Ensuring industrial safety procedures comply with regulatory and corporate requirements, assessing efficiency of controls in this area.

Activity in 2014

- The Committee reviewed management of human resources in 2013-2014;
- Taking into account the economic crisis, and the related cost-saving decisions, review of the economic impact of losses associated with unscheduled downtime and of the relation between cost of labour and productivity;
- Assessment of the results of a labour-rate-setting project, which has resulted in improved productivity and optimised the payroll budget, concluding that decisions on saving costs, including those involving the workforce, had been balanced and not affected operational effectiveness;
- Monitoring of steps taken to improve health and safety. Members of the Committee visited two mines in Kuzbass including Yalvskogo mine (which suffered from a major disaster the previous year), to check that production safety standards are satisfactory. Following a technical audit conducted by RAG in 2013, a programme to develop production safety functions further was defined;
- Review of staff resourcing of production units with appropriately skilled workers with a focus on the situation in mines located in remote areas with adverse climate conditions which normally find it hard to recruit – for example, the Urgal area;
- As part of the business process improvement programme, introduction of changes to the functional structure of the Production Department;
- Assessment of the performance of managers in 2013-2014 and approved new performance targets for 2014-2015;
- Review of the employee motivation programmes, particularly in relation to important projects – this included a longwall transfer strategy, an initiative for improving development rates and a programme for improving efficiency of opencast equipment;
- Supporting continuity of managers at various levels with discussion of plans for developing the required skill sets and assistance in hiring new executives, including nominations to the key executive positions in the HR and IT departments;
- Oversight of the annual assessment of the Board's work.

6

IN PERSON MEETINGS
IN 2014

3

IN-ABSENTIA MEETINGS
IN 2014

 See information on Nomination and Compensation Committee meeting attendance on page 102.

Audit Committee

Members of the Committee



RICHARD SHEATH, CHAIRMAN



KENT POTTER

 See biographic details of members of Audit Committee on pages 98-99.

Responsibilities

- Ensuring the accuracy of financial reporting;
- Supervising preparation of the management and annual financial statements; reviewing of reports of the external auditor and management letter;
- Evaluating performance of the external auditor;
- Assessing the effectiveness of the system of internal controls and risk management;
- Overseeing the work of the Internal Audit Department (IAD) including quarterly review of the results of the audits and annual review of overall auditing performance.

Activity in 2014

- Assessment of audit risks and the level of disclosure;
- Evaluation of the performance of the external auditor, audit fees, independence, and non-compliance with the policy for providing non-audit services, meetings with the auditor without management;
- Review of the strategic KPIs used for external reporting;
- Initiatives to improve the Annual Report and corporate social reports with a focus on assurance around non-financial information;
- Review of reports of the IAD on a quarterly basis, and approval of audit plans and budgets;
- Detailed evaluation of the effectiveness of the IAD including consideration of planning, report contents and presentation, audit scope, audit methodology, communication with management, reporting to the management and to the Committee, and staff management, training and professional development;
- Continuing oversight of work on improving the risk management system, mainly focused on approaches to managing key risks and IT risks;
- Review of the implementation of the anti-monopoly policy. The Committee expressed its satisfaction regarding the thorough cooperation with the Federal Anti-Monopoly Service;
- Consideration of the legal requirements in anti-corruption legislation with assessment of the status of relevant procedures and regular reviews of fraud reports to assess the trends in JSC SUEK's security level;
- Review of work on refining investment process control mechanisms; in particular, the improved investment project reporting system covering management of contents, timeline and cost;
- Review of the structure and contents of the Code of Corporate Conduct.

6

IN-PERSON MEETINGS
IN 2014

2

CONFERENCE CALLS
IN 2014

 See information on the Audit Committee meetings and attendance on page 102.

The Management Board

Overview

The activities of JSC SUEK are managed by the Chief Executive Officer (CEO) and the Management Board. The CEO is elected by the Board of Directors for an indefinite period. Vladimir Rashevsky has been the CEO since 2004 and Chairman of the JSC SUEK Management Board since 2005.

The Management Board reports to the general shareholders' meeting and to the Board of Directors. According to JSC SUEK's corporate Charter, committees and panels may be established under the Management Board. Members of the Management Board may not constitute more than a quarter of the membership of the Board of Directors.

The primary responsibilities of the CEO and the Management Board are to develop operational plans and improvement programmes and ensure they are implemented. They are also responsible for the timely and effective coordination of Board of Directors' resolutions on operational matters related to structural divisions of JSC SUEK.

Composition of the Management Board and its changes

In 2014, the composition of the Management Board of JSC SUEK did not change from the previous year.

As of 31 December 2014, the Management Board membership was:

- Vladimir Rashevsky – Chief Executive Officer;
- Vladimir Artemiev – Chief Operations Officer;
- Igor Gribanovsky – Chief Commercial Officer;
- Kuzma Marchuk – Chief Financial Officer.



For biographies of the members of the Management Board please see page 109.

Nine senior managers of JSC SUEK who were not members of the Management Board attended in-person meetings of the Management Board on a permanent basis:

- Alexander Dolgoplov – Head of IAD (Member of Risk Management Committee, Information Technology Committee, Industrial Safety Committee, Procurement Committee, Budget Committee);
- Sergei Grigoriev – Public Relations and Communications Director (Member of Industrial Safety Committee);
- Denis Ilatovsky – Director of Logistics (Member of Risk Management Committee, Information Technology Committee);
- Andrei Mironov – General Affairs Director (Member of Risk Management Committee, Industrial Safety Committee, Procurement Committee);
- Alexander Redkin – General Counsel;
- Dmitry Sizemov – IT Director (Member of Information Technology Committee);

- Sergei Tverdokhlebov – Head of Corporate Policy and Special Projects Department (Member of Risk Management Committee, Investment Committee, Budget Committee);
- Irina Zaytseva – Procurement Director (Member of Risk Management Committee, Information Technology Committee, Investment Committee, Procurement Committee, Budget Committee);
- Akhmed Bedredinov (until 7 April 2014) – Director of HR;
- Dmitry Syromyatnikov (from 8 September 2014) – Director of HR and Administration (Member of Information Technology Committee, Industrial Safety Committee, Budget Committee).

Meetings of the Management Board

In 2014, the main areas of focus were:

- Development and implementation of programmes to improve logistics, personnel management, IT management and production processes;
- Achievement of the approved budget and operational targets, taking into account the general economic recession, negative market situation and persistent decline in coal prices;
- Systematic monitoring of key actions designed to manage major risks;
- Maximising productivity across the business;
- Supporting efforts to reduce production-related injury rates and improve the 'safety in the workplace' culture;
- Improving management, operational and legal structures;
- Managing implementation of the investment programme, improving the investment process and introducing effective standards of project management;
- Improving JSC SUEK's social policy.

Management Board committees

In 2014, there were six specialised Management Board committees, which ensured interaction of the key managers and experts on core activities:

- Risk Management Committee;
- Industrial Safety Committee;
- Investment Committee;
- Procurement Committee;
- Information Technology Committee;
- Budget Committee.

All of the committees are headed by the Chairman of the Management Board – Vladimir Rashevsky, the CEO of JSC SUEK.

Risk Management Committee

In 2014, the committee focused on analysing, monitoring and mitigating the key risks for JSC SUEK. Following the resolutions and recommendations of the Audit Committee, the committee also reviewed end-of-year reports of the other Management Board committees related to managing risks.

Industrial Safety Committee

In 2014, the Industrial Safety Committee held five meetings. As a result, resolutions in a number of production safety areas were passed which included the following:

- Supporting efforts to prevent injuries, reducing production-related injury rates and improving the 'safety in the workplace' culture;
- Outcome of the 'Comprehensive action plan for ensuring the rated level of industrial safety to prevent disasters and injuries of employees at production units';
- Results of the corporate safety inspections in the regional production enterprises and practical implementation of recommendations of external auditors following industrial safety audits of Kuzbass mines.

Investment Committee

In 2014, the Investment Committee considered the development and execution of JSC SUEK's investment budget.

The committee focused on:

- Methodology of the investment process;
- Review of the Life of Mine (LoM) models of production units;
- Review and approval of investment projects;
- Monitoring and summarising the outcome of investment projects.

Procurement Committee

In 2014, the Procurement Committee approved procurement of materials and services for an approximate total of \$260m.

The major resolutions of the committee in 2014 included:

- Approval of the programme and methodology for procuring certain types of materials and services, common rules and procedures for procuring activities, criteria for selecting suppliers and contractors and regulation of activities of JSC SUEK's units;
- Approval of documentation for multi-stage tenders for procuring materials, centralised tenders for consolidated procurement of haulage services for coal and overburden, specialised equipment, drilling gas drainage boreholes and coal processing;
- Approval of projects for optimising various business processes and cost savings, including long-term fixing of prices for key suppliers, dispatching of transportation services and maximising storage facilities;

- Developing solutions to rectify deficiencies in the procurement processes at JSC SUEK's units which had been identified by the IAD.

Information Technology Committee

In 2014, the operation of the Information Technology Committee was enhanced to ensure implementation of the approved IT strategy. The committee held five meetings, as well as establishing workgroups for monitoring the automation of sales and logistics. Among other things, the committee approved the criteria for successful implementation of JSC SUEK's IT strategy and the results of IT risk monitoring.

Budget Committee

In 2014, the Budget Committee reviewed and approved:

- Key objectives for developing the budgetary process methodology, new budgeting principles and new formats of financial reporting;
- Macro variables for the budget and the schedule for preparing the budget;
- Review progress in the preparation of production and financial budgets in 2014, and target production and economic indicators for 2015;
- Budget targets for the major structural subdivisions.

Management Board remuneration

The remuneration of members of the Management Board and the CEO of JSC SUEK consists of fixed basic salary and variable bonus elements, as well as long-term incentives for completion of specific strategic projects. The fixed element is based on the official duties of the relevant manager, while the variable part of the salary is aimed at providing an incentive to accomplish strategic objectives as well as attracting and retaining key managers.

The amount of annual bonus paid is based on the achievement of KPIs, which are set annually for each member of the Management Board and the CEO on an individual basis. The KPIs are based on a detailed analysis of JSC SUEK's strategic objectives. The total remuneration paid out to the members of the Management Board and the CEO of JSC SUEK based on their performance in 2014 was \$6.5m.

Management Board of JSC SUEK



VLADIMIR RASHEVSKY, 41
CHAIRMAN OF THE MANAGEMENT BOARD

CHIEF EXECUTIVE OFFICER

Appointment to the Management Board

Vladimir was appointed in August 2005.



See page 97 for biography.



VLADIMIR ARTEMIYEV, 49
CHIEF OPERATIONS OFFICER

Appointment to the Management Board

Vladimir was appointed in January 2007.

Skills and experience

Vladimir worked for Gukovugol Industrial Association for over 15 years, beginning his career as an Overman at the Zapadnaya underground mine. In 1998, he was appointed General Director of Gukovugol, a position which he held for four years. In 2002, he was appointed Head of the Coal Industry Department at the Russian Ministry of Energy and in 2004 was appointed Head of the Mines Inspectorate for the Federal Administration of Environmental, Technological and Nuclear Supervision (Rostekhnadzor). In 2006, he became JSC SUEK's Chief Operations Officer.

Vladimir has been awarded the Order of Courage for a mine rescue operation, and holds all three degrees of the Miner's Glory medal.

Education and qualifications

Vladimir graduated from Novocherkassk Polytechnic Institute as a mining engineer and has a PhD in Engineering Science.



IGOR GRIBANOVSKY, 42
CHIEF COMMERCIAL OFFICER

Appointment to the Management Board

Igor was appointed in January 2007.

Skills and experience

Between 1996 and 2001 Igor worked at the Moscow office of the Japanese Nichimen Corporation in its Department of Coal and Metals. From 2001 to 2005, he headed the export divisions of Vostsibugol, Rosuglesbyt and SUEK. In 2005, he was appointed Managing Director of SUEK AG. In 2007, Igor was appointed Chief Commercial Officer of JSC SUEK.

Education and qualifications

Igor graduated from the Moscow State Institute of Steel and Alloys, where he studied Metal Forming. His postgraduate studies were at the Faculty of Economics of Lomonosov Moscow State University, where he majored in Public-sector Economics.



KUZMA MARCHUK, 41
CHIEF FINANCIAL OFFICER

Appointment to the Management Board

Kuzma was appointed in December 2011.

Skills and experience

Between 1995 and 1997, Kuzma held several financial positions in Deloitte & Touche, Rosexpertiza and Norilsk Nickel. In 1997, he joined the Protek Group and in 1998 he was appointed Chief Financial Officer and a member of the Board.

Between 2004 and 2010, Kuzma was Chief Financial Officer and, from 2007, a member of the Board of Directors at Uralkali, a potash mining company. He was responsible for the initial public offering (IPO) of Uralkali on the London Stock Exchange in 2007 and for the sale of Uralkali to a group of strategic investors in 2010. He joined JSC SUEK as Chief Financial Officer in 2011.

Education and qualifications

Kuzma graduated in 1995 from Plekhanov Russian Academy of Economics, where he studied Foreign Affairs of Enterprises and Organisations. The following year he graduated from Lomonosov Moscow State University's Department of Physics.

Executive Management of JSC SUEK



DENIS ILATOVSKY, 43
DIRECTOR OF LOGISTICS

Appointment to position

Denis joined JSC SUEK in 2012 as Director of Logistics.

Skills and experience

In 1994, Denis began working for the MAIR Industrial Group and in 1996 was appointed Export Director. In 2000, he worked as General Director of Saratov Metalware factory. In 2002, he was appointed Vice President of the Group, where he was responsible for investments, IT and logistics. From 2008, he worked for United Metallurgical Company (OMK), where he was simultaneously General Director of the Baltic Metallurgical Terminal (Ust-Luga) and Director of Logistics of OMK.

Education and qualifications

Denis graduated from the Moscow State Institute of Steel and Alloys in 1994. He also obtained an Executive MBA from Antwerp Management School, Belgium, and from the Institute of Business Studies in 2011.



DMITRY SYROMYATNIKOV, 48
DIRECTOR OF HR AND ADMINISTRATION

Appointment to position

Dmitry joined JSC SUEK in September 2014 as Director of HR and Administration.

Skills and experience

In his early career Dmitry spent more than six years working as a doctor. Between 1997 and 2004 he worked for Bristol-Myers Squibb, a US pharmaceutical company, where he started as a Medical Representative and then held the positions of Regional Manager, Training Manager and Sales Efficiency Manager.

In 2004 Dmitry joined the Russian Aluminium and Magnesium Institute as HR Director. In 2005, he was transferred to RUSAL Management Company, where he worked as Head of Recruitment Department, Director of Compensations, Planning and Recruitment Department. In 2007-2008 and 2012-2014 he was an HR and PR Director at Kirovsky Zavod. From April 2008 to February 2012 he was Director of HR and Administration at JSC SUEK, a role he returned to in 2014.

Education and qualifications

Dmitry graduated from Saint Petersburg State Pediatric Medical University. In 2005, he attended an MCE Human Resources Management course in Belgium.



SERGEI GRIGORIEV, 58
PUBLIC RELATIONS AND COMMUNICATIONS DIRECTOR

Appointment to position

Sergei was appointed Public Relations and Communications Director in February 2007.

Skills and experience

Sergei's early career was spent with the Soviet Union Association of Friendship Societies. From 1984 to 1990, he worked for the International Department of the Central Committee of the Communist Party, subsequently joining the USSR President's Press Office. He was formerly a political consultant and commentator; his roles included advisor to the Chairman of the All-Russian State Television and Broadcasting Company and Chief of Staff of the Department of Presidential Affairs of the Russian Federation in 2001.

From 2004 to 2006 Sergei was Vice President of the National Reserve Bank. He was then appointed Deputy General Director of the National Reserve Corporation. In 2014, Sergei was elected to the Civic Chamber of the Russian Federation and then appointed Chairman of the Commission on Development of the Real Sector of the Economy of the Civic Chamber of the Russian Federation.

Education and qualifications

Sergei is a graduate of the Institute of Asian and African Countries at Lomonosov Moscow State University. He holds a Master of Public Administration (MPA) degree from Harvard's John F. Kennedy School of Government and a PhD from Tufts University and Fletcher School of Law and Diplomacy.



ALEXANDER REDKIN, 53
GENERAL COUNSEL

Appointment to position

Alexander was appointed General Counsel in January 2008.

Skills and experience

Between 1986 and 2001, Alexander worked in the Public Prosecution Department. He subsequently joined SIDANCO – TNK-BP Management, where he held several positions including General Counsel of SIDANCO's branch in Saratov and Head of Legal Department. He joined JSC SUEK in 2005, initially as Deputy General Counsel, and then was appointed General Counsel.

Education and qualifications

Alexander graduated from the Saratov Law Institute in 1986.



IRINA ZAYTSEVA, 38
PROCUREMENT DIRECTOR

Appointment to position

Irina was appointed Procurement Director in May 2011.

Skills and experience

From 2002 to 2011, Irina worked at Uralkali, a potash mining company, where she held a number of senior positions including Director of Inventory and Logistics.

Education and qualifications

Irina graduated from Perm State University, Faculty of Law in 1998 and from the State University, Higher School of Economics in 2001.



ALEXANDER DOLGOPOLOV, 35
CHIEF AUDIT EXECUTIVE

Appointment to position

Alexander was appointed Chief Audit Executive in May 2011.

Skills and experience

From 2000 to 2005, Alexander worked as Assistant Manager in the Energy and Mining Department at PricewaterhouseCoopers. In 2005, he joined JSC SUEK as Head of the Audit Department and was subsequently appointed Chief Audit Executive in 2011.

Education and qualifications

Alexander is a graduate of the Moscow State Institute of International Relations (MGIMO), where he studied International Economic Relations, and a member of the Institute of Internal Auditors (IIA, USA).



ANDREY MIRONOV, 49
GENERAL AFFAIRS DIRECTOR

Appointment to position

Andrey was appointed General Affairs Director in July 2012.

Skills and experience

Andrey spent the early part of his career in the Federal Security Service. In 2007, he joined an oil company as Deputy General Director for security. He began his career at JSC SUEK in 2011 when he was appointed General Affairs Deputy Director and was promoted to General Affairs Director in 2012.

Education and qualifications

Andrey is a graduate of the Leningrad Higher Military Commanders' Training School, the Academy of Federal Security Service and the Academy of National Economy.