

OUR APPROACH TO SUSTAINABILITY

We are committed to creating lasting and sustainable value for all our stakeholders.

We know we have a responsibility to look after our employees, their families and local communities, and the natural habitats through the geographical spread of our operations. Sustainability is also an integral part of our efforts to help meet global energy demands, as we contribute to making homes warmer, cities brighter, and improve the quality of life around the world.

Our aim is to produce coal safely, making every effort to minimise injuries and fatalities, and to minimise the environmental impact of our business activities. By introducing new technologies to boost productivity and product quality, rationalise water and energy use, and minimise waste and emissions, we intend to contribute to the global fuel supply in the most sustainable way possible.

As one of the largest companies with assets in Russia, we play an important role in the lives of our employees and their families. We have an influence and impact on local communities, and on society as a whole.

In order to achieve our goals, we know that we need to create a favourable and enabling working environment, maintain constructive dialogue with the state and society, and promote social stability in the regions where we operate. For these reasons, we view sustainability as one of our core business principles.

Our strategic priorities regarding sustainability include:

- Improving our systems in order to maximise health and safety across the Group;
- Providing professional and personal development for our employees, including training, education and skills enhancement, and incentivising and motivating our people to improve their performance and ensure high standards of health and safety;
- Minimising the environmental impact of our operations, maximising resource efficiency and introducing innovations in coal mining and processing;
- Improving the quality of life for our employees, their families and the communities in the regions where we operate, and encouraging sustainable socio-economic development by participating in local community projects.

Our core sustainability focus areas and activities are outlined in the following corporate documents:

- Environmental Policy;
- Occupational Health and Safety Policy;
- Quality Policy for Coal Products;
- Corporate Social Policy;
- Information Policy;
- Agreements defining our social and economic relationships with employees.

Our production sites undergo regular audits to assess our compliance with OHSAS 18001 occupational health and safety requirements, ISO 14001 environmental management standards and ISO 9001 quality management standards.

When implementing our corporate social policy, we follow relevant international principles and standards, including the United Nations Global Compact, the Social Charter of Russian Business, ISO Standard 26000 (Social Responsibility Manual), and the recommendations of the Global Reporting Initiative (GRI).



Our position on climate change

In December 2015, 195 countries, including Russia, sent delegations to the United Nations Climate Change Conference, where participants supported a global agreement to address climate change by making cuts in greenhouse gas (GHG) emissions. Russia committed to restrict its anthropogenic GHG emissions to 70-75% of 1990 levels. Indeed, Russia has already fulfilled its obligations, cutting emissions by 43% including the carbon absorption capacity of its large forest territories. The Russian coal industry and coal-fired power generation have contributed to this progress, cutting CO₂ emissions from thermal coal combustion by 50% compared to 1990 levels.

At SUEK, we recognise that the production of coal and coal-fired generation are associated with GHG emissions, and we are deeply aware of our responsibilities to help preserve the Earth's environment for current and future generations. As a major coal producer, we also recognise our responsibility to continue providing the energy people need.

In our view, environmental problems are part of a complex and multi-faceted scientific and sustainable development agenda. It's an agenda that also embraces the need to support economic development

and to help to improve the quality of life of billions of people in developing nations. As the most affordable and widely available fuel on Earth, coal will long be a vital and cost-effective resource to meet rising demand for energy across the world.

The task we share with many others, therefore, is to develop and introduce new coal-production and energy-generation technologies and working practices that will help to reduce environmental impact while continuing to meet global energy demands.

We will therefore:

- research and invest in technologies that improve the efficiency and safety of our production processes;
- continue to implement measures aimed at further decreasing our own emissions, including the use of methane captured from our mines for energy generation;
- invest in our washing capacity to reduce ash and increase calorific value to decrease emissions during combustion; and
- work in partnership with our peer group to meet shared targets for reduced emissions across the coal industry.

43%
CO₂ emissions
reduced in Russia
from 1990 levels

50%
CO₂ emissions
cut by Russian
coal industry
and coal-fired
power generation
from 1990 levels

FOR MORE INFORMATION REFER
TO OUR CORPORATE SOCIAL
RESPONSIBILITY REPORT



Stakeholder engagement

We understand the importance of maintaining positive and efficient cooperation and harmonious relationships with all our stakeholders. These relationships are underpinned by honesty, transparency and mutual respect, with a view to creating long-term, lasting value.

As one of the largest companies with assets in Russia, SUEK's business activities impact a range of stakeholders. At the same time, the stakeholders also have an impact and influence on the company.

Our key stakeholder groups include:

- Shareholders;
- Financial stakeholders and potential investors;
- Employees;
- Customers;
- Suppliers and business partners;
- Local communities in the regions where we operate;
- Specialist and public organisations;
- State authorities.

The basic principles which guide our engagement and cooperation with stakeholders are outlined in our Code of Corporate Conduct and in our Communications Policy. These principles include:

- Maintaining good relations with all stakeholders;
- Respecting the interests of all stakeholders and promoting active cooperation based on honesty, transparency and mutual respect;
- Treating all stakeholders equally, with no preferential treatment or bias;
- Providing access to adequate, comprehensive and reliable information about the company;
- Observing high ethical standards in all business conduct;
- Abiding by applicable laws and other regulations.

The communication channels we use to engage our stakeholders include the corporate website, press releases, press tours, conferences, media interviews and visits to production sites. We also organise round table discussions, seminars, conferences and public hearings to disclose information that might be of relevance and interest.

In addition, our employees have access to corporate mass media, the SUEK intranet portal, website, telephone hotline and conferences. We also organise regular meetings at production sites between management and employees to provide company updates and discuss topical issues.

Employees

Across the business we offer fair remuneration, fulfil our social commitments and provide professional skills development and training for our staff. We also aim to provide a safe working environment in line with international standards, while developing social programmes aimed at improving the quality of life of our employees and their families.

Financial stakeholders and potential investors

With regard to financial stakeholders and potential investors, our main aim is to demonstrate the company's investment potential by developing our corporate governance and operational efficiency. We try to maximise opportunities and channels for the disclosure of relevant information. For example, our website has a special section for investors where we publish information on our strategies, production and financial performance. We also report this information in the media.

Customers

When it comes to customers, we focus on providing the highest-quality service, which means ensuring seamless, uninterrupted and timely delivery of coal shipments. We are constantly improving our product quality and strive to personalise our approach with each and every one of our customers. We have also developed an IT system dedicated to customer claims, ensuring we respond to all queries and communications in a timely and efficient way.

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Specialist and public organisations

Engagement with specialist and public organisations allows us to improve efficiencies across our operations. We invite these organisations to assess our social and environmental programmes and help us address complex industry issues. Our relations with such bodies rely on open dialogue, transparency and parity.

Suppliers and business partners

In our relations with suppliers and business partners, we try to nurture constructive and long-term business partnerships. The key guiding principles in this area include adhering to business ethics and observing contractual obligations. To this end, we hold open tenders for selecting suppliers, convene regular business meetings, participate in professional unions and associations in Russia and abroad, and publish relevant information in the media.

KEY STAKEHOLDERS

Local communities

We work with local communities to improve the quality of life of our employees, their families and the general public in the regions where we operate. Our programmes focus on upgrading social infrastructure, including improvements to housing and education and healthcare facilities. We also develop local entrepreneurship and support environmental projects. We strongly believe that the active participation of local communities in delivering change is a necessary precondition for sustainable regional development.

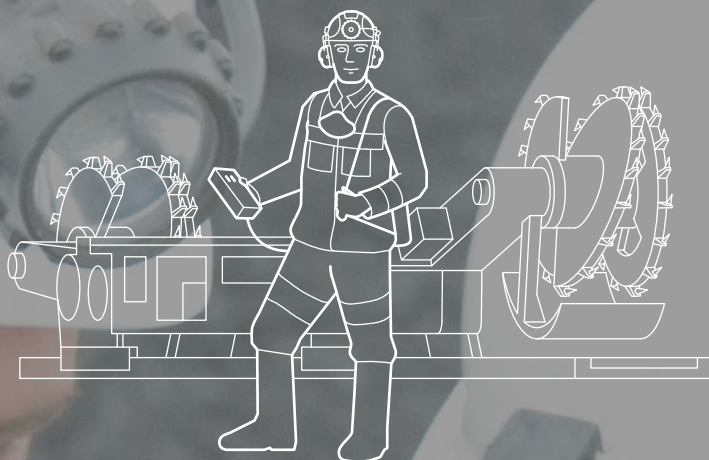
State authorities

Our cooperation with state authorities is based on strict adherence to all applicable laws and requirements. Our key goal in this area is to foster partnerships that ensure sustainable business operations through participation in regional economic development, community support and environmental protection.

Shareholders

We engage with shareholders by ensuring sustainable growth for the company and increasing its long-term value. We always respect shareholders' rights and enable full access to all necessary company data and information.

HEALTH AND SAFETY



One of SUEK's top priorities as an employer is to provide a safe working environment for our people and minimise the risks related to coal production.

Priorities:

- Continually improving the mechanisms and methods for ensuring occupational and workplace safety;
- Addressing atmospheric safety issues to prevent accidents and minimise the negative impact of coal dust on employees;
- Ensuring our production sites have the latest equipment and introducing modern safety systems and monitoring instruments;
 - Ensuring our health and safety information system functions at a Group-wide level;
- Improving the skills and capabilities of safety professionals through dedicated training provision, educating staff on safe working practices and improving workplace discipline;
- Developing and implementing measures to reduce the negative impacts of coal production on employee health and wellbeing;
- Ensuring all employees are supplied with modern, high-quality work clothes and protective equipment, in line with our corporate standards; and
- Implementing special preventive medical programmes.

Health and safety at work

Across our industrial facilities, the system we have put in place for managing health and safety complies with the most up-to-date international standards and is designed to minimise injuries and accidents at our production sites. Our corporate health and safety standards cover both company staff and contractors providing services at our sites and facilities. Our production facilities undergo regular audits to assess our compliance with the OHSAS 18001 occupational health and safety management standard.

To minimise industrial risks, every year the company reviews and updates a comprehensive range of health and safety measures. In 2015, SUEK allocated \$46m to health and safety programmes, interventions and initiatives.

Overview

From 2011 to 2015, the lost time injury frequency rate (LTIFR) across SUEK's production sites went down from 2.02 to 1.23. In 2015, the LTIFR was down 18% on the previous year with total lost time amounting to 8,071 days. Our production sites recorded 62 industrial injuries, compared to 77 in 2014.

FOR MORE INFORMATION
SEE OPERATING REVIEW ON
PAGES 53-56.



It is with deep regret that we announce that there were five industrial fatalities at our production sites in 2015. The main causes of these fatalities were organisational failures, violations of health and safety regulations, and a lack of discipline and skill in key health and safety areas. During the year, special commissions carried out in-depth inquiries into the incidents, investigating all causes and circumstances. The findings from these inquiries have since been used to develop measures designed to prevent such incidents from occurring again in the future.

Our efforts to improve health and safety systems and emergency response procedures are coordinated by the Industrial Safety Committee of JSC SUEK's Management Board. In 2015, the Committee reviewed a number of important health and safety issues, and heard reports from regional managers on programmes planned for 2016 to improve health and safety at our open pits. It also reviewed a working group report on the implementation of key measures to improve our Group-wide health and safety system, and looked at proposals for emergency 'self-escape' measures for miners. The concept of self-escape includes the provision of tools and

organisational measures to enable miners to leave hazardous areas in the event of an emergency. The main idea is that miners should be able to follow self-escape procedures on their own, with a view to engaging them in emergency prevention and ensuring they are in a constant state of preparedness.

Measures to improve health and safety

Improving the reliability of multifunctional health and safety systems and systems for monitoring underground air and gas conditions

Currently, the Group's production facilities use the following multifunctional health and safety systems:

- A system for tracking the location of our workforce and maintaining communications with them via wi-fi and underground radio;
- Gas level sensors;
- Air condition monitoring systems.

These systems enable us to:

- track the location of our workforce in underground mine shafts;
- equip personnel with the tools and training they need to raise an alarm in the event of an emergency, regardless of where they might be;

Health and Safety Policy

In 2015, SUEK approved a company-wide corporate Occupational Health and Safety Policy. Within this policy, the SUEK management defined their obligations regarding health and safety and set out the key principles that all SUEK employees must follow in order to eliminate workplace injuries and accidents across the Group.

These core principles include:

Safety first and foremost

Before any job is undertaken, the ability of those involved to complete the project safely must be considered and assessed. If the pursuit of industrial/commercial objectives looks likely to compromise safety in any way, these objectives must be reviewed or cancelled.

Zero injuries and accidents

All accidents and injuries must be treated as emergencies. They are a clear indication that something is wrong in our approach to managing health and safety.

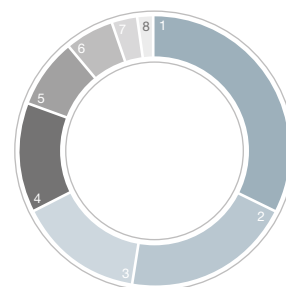
Zero tolerance for concealment

Full transparency around health and safety issues must be ensured at all times; any concealment or non-disclosure of information relating to health and safety will be taken extremely seriously.

Professionalism and competence

An employee can only be assigned a job if he/she has the right qualifications and skills to complete it.

Allocation of funding for health and safety in 2015



1. Technical measures 32%
2. Mine rescue teams and other emergency response units 20%
3. Procurement of personal protective equipment 15%
4. Improvements to hygienic and technical conditions in workplaces 14%
5. Organisational measures 8%
6. Health and safety research and design work 6%
7. Procurement of equipment and instrumentation 3%
8. Insurance 2%

- conduct search and rescue operations for people in underground mine areas; the systems we currently employ enable us to accurately track people within 20 metres and also to locate them through up to 20 metres of rock.

We have developed a range of measures designed to improve the reliability of these multifunctional health and safety systems. At the JSC SUEK head office in Moscow, for example, we have a situational control centre designed to monitor the state of the company's industrial health and safety system in real time. At this centre we also analyse system parameters and coordinate efforts with regional branches and industrial facilities during emergencies.

In addition, we have established a centralised health and safety control and analysis centre in Kuzbass. At the centre, our health and safety controllers receive information about atmospheric conditions and gas levels in our mines. This information, displayed on large screens in our regional office, is monitored 24/7 to ensure production teams operating in the Kuzbass region are not adversely affected by atmospheric conditions.

Improving gas drainage

Across our mine sites, we remove methane from our mining areas through a system of integrated gas drainage wells. To maximise the efficiency of the gas drainage process, we are constantly introducing new methods, equipment and technology. Furthermore, to ensure we are more energy efficient, we use some of the methane removed from the workings to generate heat and electricity at the mines. This also allows us to reduce our greenhouse gas emissions, thereby minimising our environmental footprint.

FOR MORE INFORMATION ON
METHANE UTILISATION
SEE PAGES 74-75.



Improving mine ventilation

We have recently increased the amount of fresh air supplied to high-capacity longwall sections of our mines from 1,500 m³ per minute to 2,500 m³ per minute. In total, between 2007 and 2015 fresh air consumption within our mines increased by a factor of 1.5, from 93,798 m³ per minute to 140,600 m³ per minute.

Reducing coal dust

SUEK mines have strict requirements for stone-dusting, and a high consumption of inert dust to reduce the risk of coal dust explosions. Actions include:

- Delivering a threefold increase in stone-dusting in our Kuzbass mines in the past five years, from 6,100 to 18,040 tonnes a year;
- Improving the quality of stone-dusting in our mines through the use of mechanical stone-dusting units.

We are also constantly looking to enhance the efficiency of our measures to reduce coal dust emissions; recent achievements in this area include:

- Introducing vacuum collection, transportation and discharge of fine coal dust at the washing plants located in Khakasia and Buryatia;
- Completing a key stage of the Vanino Bulk Terminal modernisation programme for coal dust suppression; the terminal is now equipped with fog generation units and unique foam generators that suppress dust using foam and water – a unique technology that has never been used anywhere else before.

Tighter health and safety controls

SUEK Group has introduced a zero-tolerance policy for violations of health and safety regulations. Preventing such violations plays a huge role in reducing the risk of accidents and injuries. To this end, we have developed and introduced specialised software to keep track of all health and safety related incidents. The software prevents shift tasks being issued until all identified health and safety violations have been dealt with. The system has already been deployed at all mining and processing sites across the Group.

Personnel training and development

We work hard to ensure all staff have the knowledge, skills and training they need to carry out their roles safely and responsibly. All equipment purchased by the Group comes with a special training video showing how to maintain high levels of health and safety during assembly, operation and maintenance.

In 2015, all of our coal mining facilities in Kuzbass and Buryatia carried out pre-shift employee health and safety awareness assessments. The initiative, which features special quiz terminals, was launched after the implementation of a pilot project at the Komsomolets mine in 2014.

In July, the company held an annual conference in Khakasia on health, safety and the environment led by JSC SUEK's Chief Operations Officer. More than 150 employees took part in the conference, which focused on the company's health and safety performance in 2014 and targets for 2015. It also included a seminar with production site directors and heads of HSE units. During the seminar, participants learned how to use modelling methods to assess health and safety risks.

Promoting health and safety

SUEK has developed a series of video manuals on health and safety regulations that must be followed when performing specific jobs. These videos are accessible via information panels in office buildings, briefing rooms and on company buses. All SUEK production sites have health and safety notice boards to help promote and reinforce core safety messages.

SUEK's production sites feature an HSE feedback system called Alarm Sheet, whereby employees can write down any hazards associated with a specific workplace or process. The idea is to engage and include our workforce in the development of a health and safety culture. In the reporting year, the company organised a special health and safety contest under the slogan 'Reward Vigilance'. All winners were awarded prizes from SUEK.

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Identifying employees prone to excessive risk-taking

We constantly test candidates applying for job vacancies and engineering positions to determine whether or not these potential hires are prone to excessive risk-taking. Our tests include factors such as a candidate's risk appetite, and their ability to learn and follow rules. These tests form an integral part of our recruitment and selection process, informing our hiring decisions at all levels.

Provision of modern work clothes and personal protective equipment

We have deployed an automated system to keep track of personal protective equipment (PPE) across the Group. This system is designed to improve the quality of PPE and ensure all workers are supplied and equipped in accordance with regulatory requirements, corporate standards and working conditions. It also enables us to improve the planning and procurement of PPE over the long term.

Healthcare

In order to minimise the risk of occupational diseases, SUEK makes every effort to reduce the adverse impact of industrial environments on employee health and wellbeing.

As part of our commitment to improve working conditions, we have developed standard requirements for special clothes, footwear and other PPE utilised by SUEK employees. In 2015, we increased the reliability of key PPE items, such as footwear, hard hats, respirators and goggles, and introduced work clothes inspections at the start of production shifts to ensure Group-wide compliance with our corporate standards.

Since 2010, we have been working to identify occupational diseases in their early stages, reduce lost time due to medical conditions, and organise regular medical check-ups and healthy lifestyle promotion. All our employees are offered comprehensive healthcare, which includes education about various medical conditions, consultations, diagnostic services and treatment.

The Group-wide Health Programme not only improves the living standards of our employees, but also translates into savings for the company as it reduces lost time due to injuries and illness. In the period 2010-2015, across the company time off for sick leave reduced by 50%, averaging seven days per employee per year.

Appreciating the importance of employee health and wellbeing, we have set up a special medical unit at our office in Moscow, staffed by highly skilled practising doctors. The main functions of the unit are to:

- Introduce our Policy on Health Safety and Healthcare at Hazardous Industrial Facilities;
- Provide medical support for all health and safety programmes across our industrial processes;
- Provide effective management of the SUEK healthcare service;
- Organise, plan and monitor the implementation of mandatory medical campaigns; and
- Develop corporate regulations and manual and methodological recommendations in accordance with the company's health, safety and healthcare policy.

We always try to make sure all our employees understand the importance of looking after their own health and adhering to health and safety regulations at work. Our goal is to develop effective health and safety measures that take into account both industrial and individual risk factors.

As part of our efforts to ensure adherence to labour laws and protect the health of our employees, in 2015 we carried out a special assessment of working conditions at our production sites in Khakasia, Zabaikalye, Buryatia, Krasnoyarsk, Khabarovsk and Primorye. The assessment included identifying workplace risk factors and updating workplace classifications in accordance with hazard levels. We used the findings of the assessment to offer fringe benefits and extra compensation to employees working in hazardous and adverse environments, and adjusted payroll tax accordingly. In addition, in order to consolidate, systematise and analyse these findings, we began to deploy a specialised computer programme called Labour-Expert Management. Similar assessment is being carried out in Kuzbass.

Health School programme

In 2015, as part of our commitment to health and safety, we implemented the following initiatives:

- Developing manuals on healthy eating for company employees and employees of catering services, including a seven-day menu of low-calorie dishes. Two promotional booklets, 'Basic Principles of Healthy Eating' and 'Diets Best Suited for Various Medical Conditions', were produced, as well as billboards promoting healthy dietary habits;
- Implementing a programme called 'Water' to ensure our miners drink sufficient amounts of mineral water before, during and after their shifts. Water is critical for miners, who tend to lose salts and microelements at an accelerated rate; it also helps to prevent gastrointestinal conditions;
- Helping to prevent viral infections by administering flu, pneumococcus and tick-borne encephalitis vaccinations;
- Organising sports and entertainment events in all regions as part of our anti-smoking programme. We also produced an educational video demonstrating the damaging effects of nicotine on the body.

OUR PEOPLE



Our people are one of our key assets. We constantly strive to create safe working conditions and offer all employees opportunities for professional growth and career advancement.

Priorities:

- Efficiently employ the talents and skills of our staff;
- Create good conditions for work and recreation;
- Improve our professional training system and offer people a wider range of career advancement opportunities within the Group;
- Build and promote a corporate culture.

Overview

The SUEK Group is represented in ten countries and regions in the world and is one of the largest employers within the Russian coal mining industry. In 2015, we had an average annual headcount of 32,124 people, 74% of whom were production workers and 26% were managers, specialists and administration staff.

The socio-demographic characteristics of our workforce remain fairly consistent from year to year. In 2015, the average age of SUEK employees was 40.2 years, while the ratio of men to women remained practically unchanged from 2014, with men making up 75% of our staff and women 25%.

Remuneration and benefits

SUEK Group monitors trends in the labour market on an ongoing basis, paying particular attention to remuneration and fringe benefits in the regions where we operate. We seek to offer our employees competitive remuneration, rewarding those who achieve high productivity, show initiative and adhere to health and safety requirements.

The company offers an incentive scheme for management staff based on the achievement of individual and Group targets, as well as key performance indicators designed to engage employees with strategic objectives.

The following social package extends to all employees within our Russian business units. It is based on current legislation, industry agreements with trade unions and collective arrangements:

- Voluntary medical insurance;
- Payment upon retirement of 15% of an employee's average salary for each year of employment in the coal industry;
- Payment for travel to holiday resorts for employees and their families;
- Financial aid;
- Supply of coal to miners for domestic heating;
- Compensation for energy and other expenses.

In 2015, total expenditure linked to benefits prescribed in collective arrangements amounted to \$22m.

We also provide non-monetary incentives for our employees. Employees credited with making significant contributions to the development of the Group and the coal industry in general are nominated for state, industry and corporate awards. In addition, every year, on the eve of Coal Miner Day, we hold professional skills competitions, with valuable gifts and cash bonuses for the winners.

Training and staff development

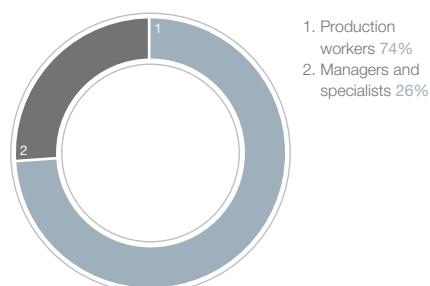
In our approach to professional development, our areas of focus are: professional training, retraining, qualification enhancement, training in new occupations, and training replacements for key positions at different levels.

We currently offer professional training to workers at special training centres and Group facilities. We have 16 dedicated training facilities licensed to offer professional training, retraining and secondary occupation courses, as well as qualifications enhancement courses for all key production roles.

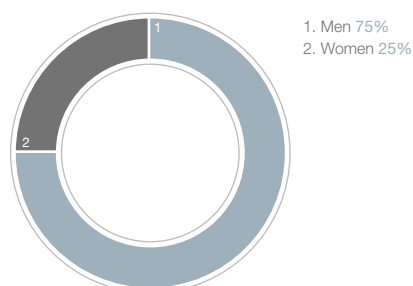
Our training programme for key positions involves a set of core requirements that candidates must meet. For each position, we have developed a list of candidates who are offered training to develop relevant competencies and skills. Our replacement training programme, meanwhile, includes the following positions: Regional Manager, Extraction Company Manager, Technical Manager, Repairs Shop Manager, Production Area Manager, Production Area Mechanic, and Mining Supervisor. In addition, in collaboration with the Saint Petersburg Mining University and the Kemerovo Professional Development Institute, we provide a series of Mining Mastery School courses.

In 2015, we launched a new professional development and HR reserve programme for the position of Senior Company Engineer and Production Director. 30 people took part in the scheme, while 264 people in total received training as part of various HR reserve programmes.

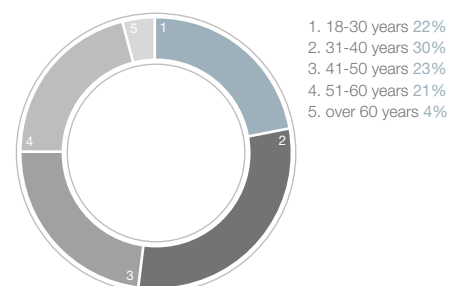
Composition of employees by type



Gender diversity of employees



Composition of employees by age



We also continued to roll out our Locomotive programme that aims to hone the leadership skills of our most talented employees. Participants are selected either during HR reserve programme training or through the recommendations of production facility managers. Every year, 40 people take part in the programme.

Working with young staff

Across SUEK Group, we aim to nurture and develop talent from an early age. Offering training to students and getting them involved in our projects while they are still studying enables us to locate young talent and facilitate graduate hiring and orientation. As of late 2015, over 400 students from seven universities enrolled in our additional training programme for mining specialists.

Since 2012, we have been involved in the Applied Science Youth Forum Mining School. The Forum is designed to identify the most talented young people and students and engage them with real-world production challenges. In 2015, 166 young specialists took part in the Forum, which received the backing of the Ministry of Energy of the Russian Federation and key universities, as well as leading fuel and energy companies.

Each year, the Forum winners receive training under the Presidential Programme for the Training of Engineers, including additional courses in leading Russian mining universities, learning the basics of lean production through internships at Toyota production facilities, as well as internships at mining companies in Australia. In addition, in 2015 the winners of the Investment Ideas Competition were given the opportunity to take part in the international China Coal and Mining Expo as part of the delegation of the Ministry of Energy of the Russian Federation. We also regularly support the mining categories of the Russian National Fuel and Energy Championships.

All SUEK's production facilities have youth councils and implement programmes for the youth movement members. These measures extend to over 800 members, as well as to all students undergoing additional training offered by the company.

Communications within the company

Our Group-wide internal communications system consists of tools for encouraging employee engagement and motivation. We inform personnel of company developments via bulletin boards at production sites, brochures, the information portal, our monthly corporate newspaper and reference meetings with production site management and senior management.

As part of our efforts to develop our internal communications, in 2015 we revised our Corporate Ethics Code. We updated our main objectives and corporate values, and added new recommendations regarding how employees should behave at work.

At all operational sites, ethics coordinators will ensure the Code is adhered to across the Group. These coordinators will undergo special training in communication, conflict resolution and complaints management. Workers can submit complaints via a multi-channel telephone line accessible via a single number, and through an anonymous online submission form hosted on the corporate portal. Employees can also use special mail boxes at production sites or speak directly to their ethics coordinator.

In 2016 and beyond, the approved Corporate Ethics Code and compliance system will serve as a key platform for communicating with personnel and other relevant parties.

FOR MORE INFORMATION
ABOUT SUEK'S VALUES
SEE PAGES 10-13.



Project management system improvements

As part of our efforts to improve project management in 2015, we refined our general incentive scheme to encourage greater employee engagement with projects across the Group. In addition to long-term strategic projects, the scheme now extends to other programmes aimed at achieving significant operating improvements, increasing business process efficiency and driving business development. The new project management incentive scheme will help to ensure project team stability and sustainability.

In 2015, there were 387 participants in the long-term projects incentive scheme, including specialists and managerial staff. We anticipate that, due to the introduction of the new scheme and the implementation of new projects, significantly more employees will take part in the incentives programme in the future.

ENVIRONMENT



We aim to develop our business in a sustainable manner, ensuring our present activities enhance, rather than compromise, environmental conditions and quality of life for future generations. For this reason, in all our programmes and investment decisions we consistently look to address environmental issues and concerns.

Priorities:

- Create conditions that facilitate employee involvement in environmental risk mitigation activities, and enable the improvement of our environmental management system and production indicators;
- Allocate relevant financial, engineering, human and other resources for these purposes and ensure their efficient use; and
- Disclose environmental reports, ensuring transparency regarding environmental information, and engage public and local authorities in preparing, discussing, making and implementing environmental decisions.

Our approach

SUEK is highly aware of the environmental impact of its operations and the environmental risks inherent in coal mining and processing. Consequently, we view environmental protection as an integral part of our business. When planning our operations, we carefully assess environmental risks and seek to minimise environmental impact. In 2015, we invested \$15m in environmental activities.

Fully committed to the concept of sustainable development, we have implemented a range of projects designed to gradually mitigate our impact on the environment. These include the reduction of hazardous emissions, responsible water usage, waste disposal and processing, land reclamation and energy efficiency. We also participate in global initiatives aimed at averting climate change and preserving biodiversity.

We are guided by international practice in the field of environmental management, including the ISO 14001 environmental management system standards. Our production facilities are regularly audited by independent auditors who assess our compliance with these and other standards. In 2015, our Chernogorsky open pit and washing plant and Vostochno-Beisky open pit in Khakasia were certified ISO 14001:2004-compliant.

We also provide training so our employees can enhance their environmental knowledge and qualifications, and we collaborate with research bodies and specialist organisations to introduce innovative and efficient environmental safety technologies. We also regularly publish information relating to the results of our sustainable development projects and activities.

Air

In order to improve mine safety, we regularly conduct mine gas drainage. This process results in methane (natural gas) emissions, which account for 88% of SUEK's total air emissions.

In all our mining areas, we carry out comprehensive gas drainage where methane content exceeds 10 m³/tonne of coal, which includes the preliminary removal of gas from working coal seams, and the extraction of gas from mined-out areas. It is achieved via drilled surface holes and mine openings.

In 2015, as part of our commitment to reduce our environmental impact and support the Kyoto Protocol agreements, we continued to utilise captured methane for power generation to reduce greenhouse gas emissions into the air.

Our Kirova and Komsomolets facilities are equipped with gas recovery systems and gas engine plants that capture gas and use it for the generation of heat and electricity. In 2015, we utilised almost 7.51 million m³ of methane captured from mined-out areas, including:

- 2.9 million m³ for electricity generation;
- 1 million m³ for boiler combustion; and
- 3.6 million m³ for flare combustion.

The rest of our air emissions relate to CO, NO_x, SO₂, which are below the limits prescribed by legislation.

Additionally, we work to decrease dust pollution across the whole production and transportation cycle – from mine to port. We have recently introduced state-of-the-art technology for the vacuum collection, transportation and discharge of fine coal dust at our washing plants in Khakasia and Buryatia. In 2015, we completed a key stage of the Vanino Bulk Terminal modernisation programme for coal dust suppression; the terminal is now equipped with fog generation units.

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Methane utilisation (million m³ of CH₄)

2015	7.51
2014	5.68
2013	5.09
2012	5.89
2011	5.99

The effect from methane utilisation (\$m)

2015	0.8
2014	1.2
2013	1.1
2012	0.9
2011	1.2

Water

The Group's production sites are equipped with industrial wastewater and sewage treatment facilities. Most of our wastewater is natural water that is pumped out of mining areas during mining operations, with characteristics typical of local groundwater.

Through our continuous pollution control and resource conservation efforts, in 2015 our wastewater pollution levels decreased to 0.26 kg per tonne of production, or by 11% year-on-year.

In 2015, we continued efforts to design and construct advanced treatment facilities for mine, open-pit and household wastewater, and overhauled our existing water supply and sewage system. These efforts should further reduce the concentration of pollutants in wastewater at a number of our facilities. During the year, we implemented the following projects:

- Design of a treatment facility for mine and household wastewater at our Taldinskaya-Zapadnaya 1 mine;
- Design of a mine water treatment facility at our Severnaya mine in the Khabarovsk region (Urgal);
- Design and construction of a physical and chemical treatment facility for industrial and household wastewater at our Pavlovsky open pit in Primorye;
- Design of a mine water treatment facility at our Vostochno-Beisky and Izykhsky open pits in Khakasia.

Energy efficiency

Our 'Energy Saving and Energy Efficiency Programme' is designed to reduce the company's energy consumption and production, thereby minimising our overall environmental impact.

At each of the Group's facilities, we regularly measure and monitor our main energy-consuming equipment, which enables us to plan energy consumption and costs more effectively. In addition, as part of our analysis of the Group's energy balance, we conduct detailed energy audits on a regular basis.

Since 2014, we have been running an energy-saving incentive programme for staff. We have also developed ambitious energy efficiency plans for 2015-2017, when the consumption of key energy resources is expected to be reduced by an average of 4-5% per m³ of extracted rock.

By implementing this project, we intend to:

- continue to commission modern, highly efficient equipment;
- upgrade our main production and auxiliary equipment;
- introduce an integrated automated system to control electrical equipment;
- equip new machines with fuel consumption metering and performance monitoring systems;
- use additional equipment to reduce the consumption of energy resources;
- introduce energy management systems, including incentive schemes designed to reduce energy consumption by promoting best practice and ensuring staff are engaged and interested; and
- optimise production processes to boost the operating efficiency of energy-consuming equipment through idle time reduction, route optimisation etc.

In 2015, SUEK's electricity consumption rate per unit of output decreased by 6% compared to 2014. This strong decline in energy consumption was driven by the commissioning of modern high-performance, energy-efficient equipment such as excavators and mining trucks. In addition to purchasing new equipment, we have focused on the upgrade of existing equipment to cut down energy consumption. For example, we have upgraded excavators operating at the Borodinsky, Berezovsky, Nazarovsky, Chernogorsky and Vostochno-Beisky open pits.

At our facilities in Khakasia and Krasnoyarsk, we also introduced an energy management system in 2015 that should allow SUEK facilities to systemise and standardise energy efficiency efforts.

We also made considerable efforts to improve the reliability of metering data for energy consumption. Many of the Group's facilities now have automated measuring systems in place that quantify the financial value of electric power consumption. At our high-consuming facilities, these systems are used to clarify and calculate settlements with electricity suppliers.

Across the SUEK Group's facilities, we have a number of systems designed to track energy consumption for commercial purposes. In 2015, we introduced a system that tracks consumption for technological purposes, focusing on individual pieces of equipment in specific production areas. We also set up a single energy control office for the entire Kuzbass region, as well as a single control system for our production units in Khabarovsk (Urgal).

In addition, all fuel-consuming machinery has been equipped with automated control systems, including a performance monitoring system for mine trucks and other transport. This has enabled us to develop an effective fuel consumption management system based on reliable instrumental measurements.

Total wastewater

(million m³)

2015	106.2
2014	103.3
2013	110.1
2012	158.3
2011	168.3

Land reclamation and biodiversity

Most of the waste generated from coal mining consists of non-hazardous overburden stored in internal and external dumps. It is used for filling sinkholes, backfilling, and the reclamation of land disturbed by mining operations, in accordance with approved mineral resource deposit development programmes.

On lands disturbed by SUEK mining projects, we run extensive reclamation projects, including rock dump levelling, soil remediation, tree planting and landscaping. In partnership with the Research Institute of Agrarian Problems of Khakasia, for many years we have been conducting a unique land reclamation and research project, the aim of which is to develop recommendations on biological forestry restoration. This process involves the creation of 'biodynamical' focal points in the hollows between coal dump ridges. In the autumn, the rock waste in the hollows becomes seeded with grass,

bushes and trees which we treat with bio-fertilisers. During the winter, the seeds are protected by snowfall from wind and solar radiation. They then emerge in the spring to create a humus layer that allows the spread of plants across the dump areas, helping to improve floral diversity and grass cover. In seven to ten years this reclamation method can transform coal dumps into comprehensive ecosystems.

Furthermore, as part of our cooperation with the Global Environmental Facility (GEF) and the United Nations Development Programme (UNDP), we are now supporting the implementation of the Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations project. We also finance the environmental outreach campaign of the Nature foundation within the Russian Geographic Society Festival intended to defend Far Eastern leopards and Amur tigers and support activities of the Leopard Land Park in the Primorye region.

Supporting Leopard Land Park

In 2015, SUEK launched a programme of support for the Leopard Land Park in the Primorye region. The Land of the Leopard National Park was founded in 2012, following a decree from the Russian Government. This project focuses on protecting rare feline species, and comes under the patronage of the Chief of Staff of the Presidential Executive Office, Sergei Ivanov.

The Park has been instrumental in saving the Amur leopard, one of the world's rarest feline species, and driving up their numbers. Today, experts believe there are about 80 Amur leopards in the wild, most of them living in Primorye. During 2015, SUEK provided financial support for a number of conservation activities within the Park. We also provided funding for a series of outreach and promotional campaigns for the Nature Foundation and the Russian Geographic Society, also aimed at protecting Far Eastern leopards.

In September, SUEK earned the right to name one of the Primorye leopards following a charity auction at the Eastern Economic Forum, the proceeds from which were donated to the Land of the Leopard National Park. We held a naming competition among SUEK employees and their families, finally deciding on the name Aman, after the Governor of the Kemerovo region, Aman Tuleev.

COMMUNITIES



The overarching strategic goal of our social activity is the comprehensive development of the regions in which we operate. For us, this means improving quality of life for our employees, their families and local people and communities.

Priorities:

- Revitalise local communities;
- Expand and diversify our social programmes;
 - Promote employment;
- Expand the range of local social welfare services; and
- Introduce innovative technologies and approaches within the social sphere.

Our approach and focus areas

Our social strategy is closely linked to our business strategy, and all community programmes and activities we initiate align with and support our business objectives. One of our core focus areas is capacity building, which enables the further development of local infrastructure and knowledge. We are guided in this area by our firm belief that the development of human capital is the basic pre-condition for the sustainable development of regions and territories. Furthermore, by engaging local people in initiatives designed to improve their local communities and environments, we believe we can deliver positive change by helping to develop social resilience and independence.

To this end, cooperating and consulting with community stakeholders to assess their needs and aspirations forms a core part of our social strategy and programmes. This not only helps us to connect the needs of our stakeholders to our business priorities, but also maximises opportunities for local community development.

To ensure we make a meaningful impact on local communities in the regions where we operate, we focus on the following key areas of social activity:

- Environment;
- Education;
- Sport and healthy lifestyle;
- Healthcare;
- Improving and developing infrastructure;
- Leisure, culture and unlocking creative potential;
- Improving local self-government;
- Developing local social and business activity, increasing personal fulfilment opportunities;
- Affordable housing, services and utilities.

The primary tool for the implementation of our social policy is a non-profit charity fund called 'SUEK to the Regions'. Covering all our territories of operation, the fund develops and implements its own programmes, taking into account specific local needs and priorities.

Major projects in 2015

Despite the challenging economic environment, in 2015 we continued to implement our social initiatives as planned, in accordance with our strategy. We continued our focus on long-term projects and initiated new programmes aimed at creating favourable social conditions and addressing key development issues.

Education

During the year we conducted a number of educational projects, including:

- The 'Talent Pool Development Project', aimed at providing vocational guidance for young people and facilitating real-time communication between the labour market and education. Targeting employees of educational institutions and representatives of the municipal education departments, the project also helps us to identify potential future talent among student bodies.
- 'Modernising the Municipal Labour Force Training System', aimed at improving the municipal education system and developing the coal industry's talent pool, in compliance with all current requirements. Already underway in the Kemerovo region, this project targets teaching personnel from regional universities and colleges, HR managers within Kuzbass companies and students at technical universities. Project participants have been trained in creating an integrated educational environment for workers and engineers.
- The 'Golden Candidates Pool Project', an inter-regional student competition designed to identify promising ideas for the development of the coal industry, and find and support creative young professionals for the innovation economy. Students from a range of target universities participate, with category winners receiving a diploma and scholarship.

- Financial support to local schools, including the purchase of textbooks and interactive whiteboards and the financing of repair and restoration work. This project aims to encourage the best graduates and reward the best teachers, while also assisting in the organisation of school holidays and providing support to other educational charity funds.

Sports and a healthy lifestyle

In 2015, we provided support for a number of youth sport programmes and events. We also financed the repair and construction of various sports institutions, and purchased sports equipment and inventory. In the Krasnoyarsk region, we built a winter sports complex and purchased gymnastic equipment for the Training Centre for Gymnasts in Kuzbass. Among other projects, we also provided financial support for:

- A regional girls' volleyball tournament, called 'Spring Drops';
- A sports festival called 'Eyes on the Victory';
- An Athlete of the Year competition in Kemerovo;
- A children's open rugby tournament;
- A regional chess tournament; and
- A municipal basketball competition in Krasnoyarsk.

In 2015, we also held the SUEK Olympic Games for children – an event aimed at promoting sports and healthy living among teenagers in the Krasnoyarsk region. The Games were attended by 130 young athletes who competed in futsal, volleyball, basketball, chess and other sports.

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Healthcare

We carried out a range of healthcare initiatives during the year, including:

- A treatment and rehabilitation project for children in the regions where we operate, implemented in partnership with the Department for Presidential Affairs of the Russian Federation. As part of this project, each year over 150 children, including children from orphanages and socially disadvantaged families, are treated in a rehabilitation centre in the Moscow region. Thanks to the most advanced equipment and innovative techniques, the centre offers quick and thorough diagnosis, enabling the development of effective treatment and rehabilitation programmes.
- Co-financing partnerships with charitable funds for the treatment of seriously ill children, and financial support for the purchase of modern medical equipment. Project partners include the following charity funds: Rusfond, 'Gift of Life', 'Happiness to Children', 'Let there Always Be Me', 'Mercy' and others. In 2015, we purchased medical equipment for the Krasnoyarsk Regional Hospital of War Veterans and fitness equipment for a rehabilitation centre in Kuzbass.
- Financial support for the treatment of mining veterans. Covering treatment and procedures at the health centre of the Department for Presidential Affairs of the Russian Federation, this project enables miners to gain access to qualified medical examinations and receive special procedures and recommendations. Over 40 mining veterans visit the centre each year.

Improving and developing infrastructure

In 2015, we implemented several infrastructure and development projects, including:

- A competition called 'Comfortable Living Environment', which takes place in all the Russian regions in which we operate. The competition aims to identify, distribute and support the best ideas for the development of the natural environment. During the regional and inter-regional phases, winners receive financial support to implement their plans and proposals. In 2015, 15 winning projects received funding exceeding \$46,000. They included initiatives designed to improve memorials dedicated to the Great Patriotic War.
- A competition called 'Best Yard: Turn the Dream into Reality', held in the Krasnoyarsk region, aimed at developing the local community of Borodino. Local citizens who want to improve the quality of life in their town and, in particular, the grounds of their buildings, are invited to put their ideas forward. The winning groups are awarded with the installation of children's playgrounds in their yards.

Leisure, culture and unlocking creative potential

As part of our commitment to supporting leisure and culture, in 2015 we:

- Supported initiatives designed to preserve national cultures, programmes and activities and promote the spiritual development of people. For example, we provide assistance to a programme focused on 'Historical and Cultural Heritage as a Resource for Social and Cultural Development', and financial support to the International Eco-Ethnic Festival of Puppet Theatres, 'Chir Chayaan', in Khakasia, and a Buryat wrestling competition in Buryatia.

Youth Entrepreneurship Project

SUEK's Youth Entrepreneurship Project works to promote small businesses and engages students in entrepreneurial activities. The participants learn about entrepreneurship and take their first steps towards launching their own business ventures or enterprises.

In 2015, we created municipal teams made up of educational department employees, schoolteachers, entrepreneurs and representatives of municipal organisations. These teams were then deployed in Primorye, Khabarovsk and Khakasia to provide support to small businesses and help students learn about entrepreneurship. This was followed by workshops and training for the municipal teams on setting up and solving problems relating to student entrepreneurship, as well as activities to engage students with small business issues through surveys, games and training.

The project led to the development of 87 fully supported student business projects. In October, the best projects were put forward as part of the inter-regional Youth Entrepreneurship Competition in Moscow.

- Provided support for cultural institutions and events, including:
 - Reconstruction of the museum-estate of the national Buryat writer Isay Kalashnikov;
 - Renovation of a cinema in Chegdomyn village;
 - Organisation of a city-wide festival called 'Farewell bell' in Kuzbass;
 - Sponsorship of children taking part in a charity event called 'We help children together';
 - Staging of a New Year's Eve performance for orphans, children with disabilities, children from large families and at-risk children in Krasnoyarsk;
 - Financing of a festival for disabled children called 'From Heart to Heart';
 - Enabling the participation of children with disabilities, and children from low-income and large families from the Khabarovsk region, in a charity gala concert at the International House of Music in Moscow;
- Helped to finance the construction and reconstruction of religious and ethno-cultural facilities.

Improving local self-government

In Khabarovsk region in 2015, we launched the SUEK Public Debate Club, the aim of which is to share our problem-solving knowledge and capabilities with local communities, identify and develop public initiatives and promote our social projects. The project includes a series of round tables, during which representatives of local communities, administrations, governments, NGOs and the 'SUEK to the Regions' fund share their experiences of solving social problems. In 2015, these meetings included:

- A round table dedicated to exploring social entrepreneurship opportunities as part of the development of Vanino village and district in the Khabarovsk region;
- Round tables in Khabarovsk focused on 'Social Entrepreneurship as an Effective Mechanism for Solving Social Problems'.

Developing local social and business activity, increasing personal fulfilment opportunities

In 2015, our social and business activity development initiatives comprised:

- Ongoing efforts as part of our 'Work Teams' programme, which aims to engage young people aged 14 to 18 in the socio-economic development of their regions, promote socialisation, provide vocational guidance, and improve the image of mining.
- Implementation of the 'Youth Entrepreneurship Project' in Khakasia, Primorye and Khabarovsk. Participation in such projects contributes to social adaptation and increases options for vocational guidance. The target audience includes employees of municipal institutions and local entrepreneurs, thereby ensuring consistent regional support for young people. In 2015, students developed 87 business projects. The programme led to the establishment of the 'School of Social Entrepreneurship Coaches' in the Kemerovo region.
- Establishment of resource centres for the development of social entrepreneurship in Kemerovo, Krasnoyarsk, Khakasia and Buryatia. The project aims to develop problem-solving capacity within local communities. The centres are established to provide support for small businesses or public organisations through targeted training of their future executives.
- The launch of the 'Future of the Territory – Future of SUEK' project, which aims to encourage social entrepreneurship among young people. The project covers Buryatia, Primorye and Kemerovo. During the year, participants attended workshops and took part in competitions dedicated to social initiatives, with the winners receiving money for their projects. Overall, 18 projects were implemented in support of mothers and children, education and youth development.



Public recognition of SUEK Group's social activities

During 2015, we received a number of awards and commendations for our social activities:

- Winner of the 'Contribution to the Solution of Social Problems' category in the 'Leaders of Russian Business: Trends and Responsibility for 2014' competition;
- Prize winner in the 'Social Partner' category for 'SUEK's Work Teams', and winner in the 'Start-up' category for 'Youth Entrepreneurship' at the Second All-Russian Competition for the best employment practices in the development of human capital;
- Prize winner at the All-Russian Competition of Student and Corporate Communication projects, at the 'Eventiade Awards 2015', in the 'Best Project for Young People' category for 'SUEK's Little Stars' festival;
- 'SUEK's Little Stars' project was also included in the 'Best Social Projects of Russia' national programme;
- Prize winner in the 'Basis of Growth' competition for supporting small and medium-sized business in the 'Regional Programme of the Year' category;
- SUEK ranked 18th out of 65 among the companies that participated in the 'Corporate Charity Leaders 2015' competition;
- SUEK Group's social programmes were included in the Donors' Forum collection of best projects under the 'Company Practices in Charity and Social Investment' category, as well as in the RSPP's Library of Corporate Practices and the Business to the Regions collection.