SUEK

Providing essential energy

SUEK Integrated Annual Report 2021

#20 Years of Growth and Creation

SUEK is one of the world's largest integrated energy companies.

We are providing essential energy to meet our customers' evolving needs

Find out how… **#meeting customers' needs**

Our purpose is to meet the energy needs of communities across the world by producing and transporting heat, electricity and commodities safely and sustainably.

Our strategy

Stable balance sheet	**Operational efficiency**
Efficient growth	**Sustainable development**

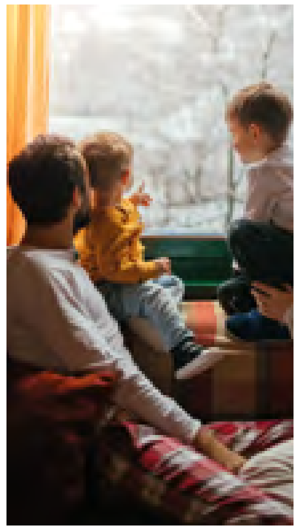
Our values

Safety and efficiency Only operating in a safe environment	**Stability and development** Stability as a result of continuous development
Professionalism and cooperation Individual mastery within a team culture	**Social responsibility** Shared responsibility for society and the world around us

As SUEK celebrates its 20th anniversary, we are evolving to provide the most efficient, economically viable and sustainable energy products and logistics to millions of people and businesses around the world.

Entering a new decade

p. 4



Meeting the needs of society

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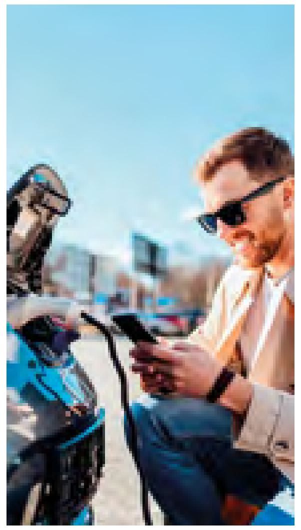

Adapting to a new world

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In this report

In this Report, each of the terms 'SUEK', 'SUEK Group', 'the Group', 'the company', 'we' refers to all companies consolidated in the IFRS financial statements of JSC SUEK (Russia), including, inter alia, International Company SUEK LTD (LLC), SUEK AG, Siberian Generating Company (SGC), National Transportation Company (NTK) and their subsidiaries. Financial, operational and sustainability performance is presented in the Report in line with IFRS statements unless otherwise stated.

Powering economies

Business diversification and synergies support SUEK's resilience during market bottoms and provide growth potential in a favourable market environment.

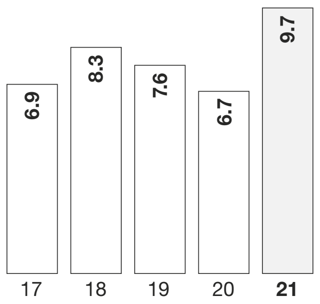
2021 highlights

Financial

Revenue ($bn)

$9.7bn

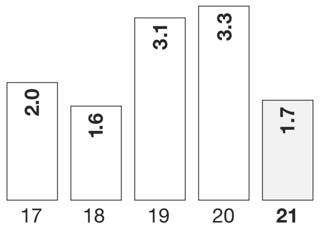
(+46%)



Net debt/EBITDA

1.7x

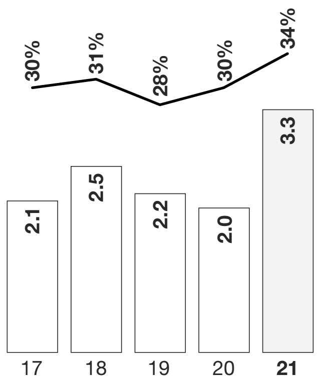
(-1.6x)



EBITDA ($bn) and EBITDA margin (%)

$3.3bn

(+68%)

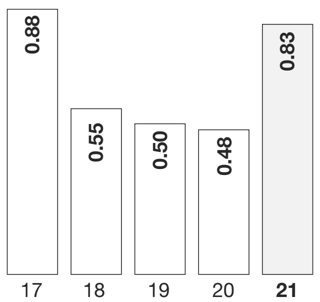


EBITDA by segment

Sustainability

LTIFR[1]

0.83

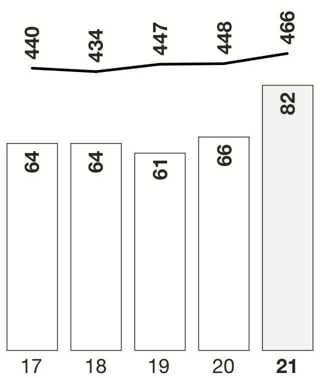


1 In 2021, we changed the methodology for calculating LTIFR by including LTIs of contractors.

GHG emissions (Mt CO_2e)

82 Mt

(+24%)

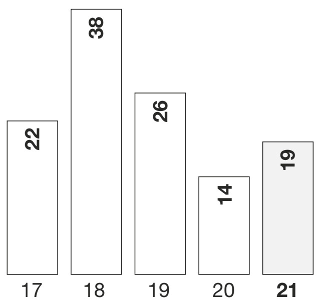


☐ Total GHG emissions (Mt of CO_2e)
– GHG emissions per unit of heat produced (kg of CO_2e/Gcal)

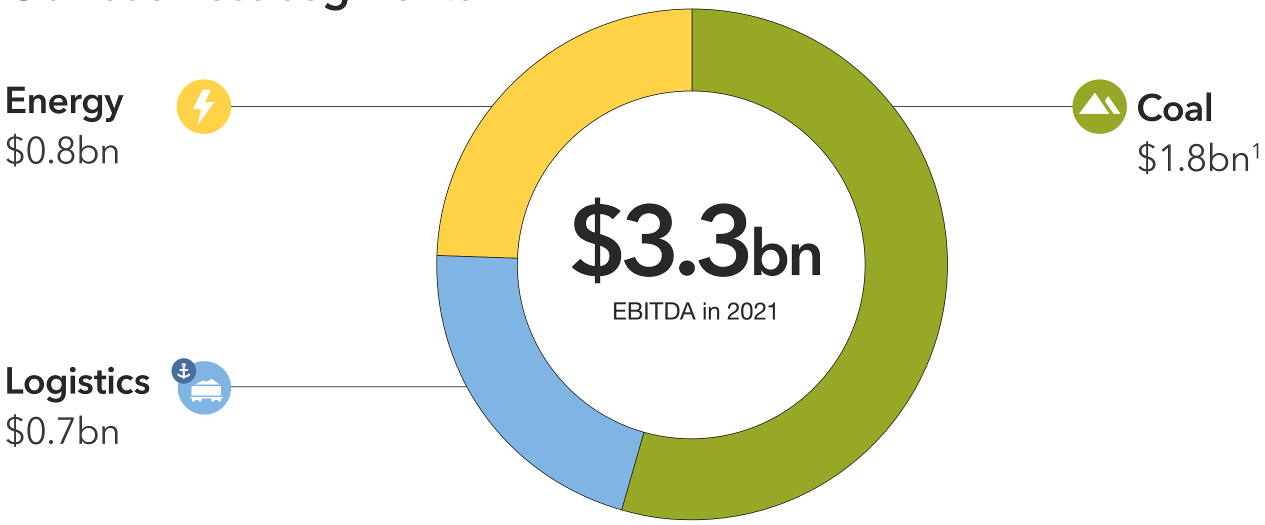
Community investment ($m)

$19m

(+36%)



Our business segments



Energy

SGC

Siberian Generating Company provides millions of households and businesses from the Urals to the Russian Far East with co-generated heat and electricity.

p. 44 Segment review and performance

40 MGcal of heat supplied in 2021

73 TWh of power supplied in 2021

Logistics

NTK

National Transportation Company transports bulk and specialised loads in a speedy, cost-efficient and environmentally safe way using high-tech railcars and ports.

p. 50 Segment review and performance

46 Mt of loads transshipped in 2021

120 Mt of loads transported in 2021

Coal

SUEK

SUEK supplies high-quality coal-based products, including low-sulphur thermal, metallurgical, sized and smokeless coal, as well as non-coal commodities.

p. 56 Segment review and performance

118 Mt of coal sold in 2021

2 Mt of non-coal commodities sold in 2021

1 Coal segment EBITDA includes the EBITDA of the corporate centre (-$45m).

Providing essential energy

Entering…

Entering our third decade, we continue to innovate and identify new products, services and markets.

While we maintain our critical role in powering domestic customers, we are also meeting the requirements of a broader export consumer base that demands exceptional quality.

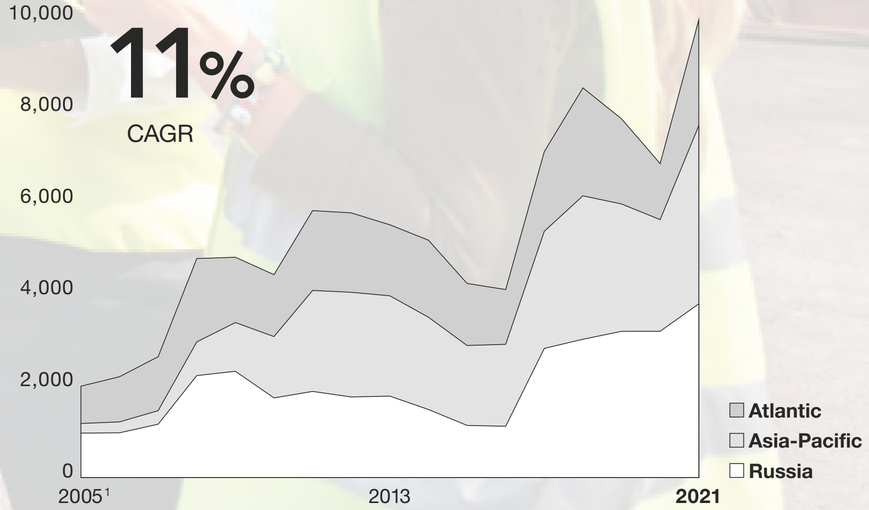
Stepan Solzhenitsyn,
Chief Executive Officer

In this section

…a new decade

20 years of increasing supply to domestic and global customers

Revenue breakdown by geographical division ($m)



1 The company started publishing consolidated statements in accordance with IFRS in 2005.

Our history

Over the past 20 years SUEK has evolved from a single product miner into the diversified national champion and one of the world's largest integrated energy companies committed to sustainable development.

2001
Major Russian coal company founded
Siberian Coal Energy Company (SUEK) is founded on mining and energy operations in the Zabaikalye and Irkutsk regions and the Republic of Buryatia.

<30 Mt coal production

2002–2004
Expanding offering for export markets
With the consolidation of assets in key regions (Kuzbass, Khakassia and Urgal), SUEK expands its production portfolio of export grade coals as well as low-cost, low-ash Krasnoyarsk coal for local consumers.

SUEK becomes the No.1 **coal producer in Russia**

2005
Vertical integration into international trading and logistics
- SUEK starts the construction of the Vanino Bulk Terminal as its key export gateway to the Asia-Pacific markets.
- SUEK founds SUEK AG export trading company in Switzerland and later opens offices in all key import regions.

$3bn total assets

2006
SUEK becomes a top-10 coal producer globally
SUEK publishes its 1st sustainability report and commits to ongoing transparency for stakeholders.

96 Mt coal production

2008
SUEK's energy business formed
based on generating assets in Kuzbass, Krasnoyarsk region, and the Far East.

$7bn total assets

2009
Key Asian export terminal launched
The Vanino Bulk Terminal begins transshipping SUEK's high-CV coal to Japanese, South Korean, Chinese and other Asian customers.

2010
Energy business begins capacity upgrade programme
The energy business begins investment to upgrade 25% of power generating capacity under the DPM-1 programme.

1st international credit rating, **received from Moody's**

$5.7bn revenue

2011
Energy assets spin-off
Control of SUEK's power generating assets is passed to the Siberian Generating Company to complete the large-scale CAPEX programme.

74 Mt railcar transportation
35 Mt port transshipment

2012–2015
Expansion of core business
- SUEK invests in coal washing in Kuzbass, Khakassia and Khabarovsk, to further improve the quality and reduce the environmental impact of its coal products.
- SUEK becomes a major shareholder in Murmansk Commercial Seaport, a key export gateway to Europe, Africa, and the Middle East.

35 TWh electricity generation
28 MGcal heat generation

88 Mt railcar transportation
47 Mt port transshipment

2016–2018
Increasing the focus on Asian markets
SUEK expands its asset base in Buryatia, Primorye and the Khabarovsk region.

>80% share of high-calorific and high-margin products in the export portfolio

2018
Energy business consolidation
- SUEK consolidates SGC strengthening vertical integration.

>105 Mt coal production
57 Mt coal exports, a historical maximum

2019–2020
Strengthening energy and logistics
- The Group grows power capacity by 60%, acquiring major power plants in the Urals and Primorye.
- The Group expands higher-capacity railcar fleet and acquires Murmansk and Tuapse fertiliser bulk terminals.

2020
1st **Independent Chairman of the Board of Directors**

1st **ESG rating (S&P) received**

$9.7bn revenue

$18bn total assets

2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

SUEK today

is an important part of the Russian and global economy.

>120 Mt railcar transportation capacity

17.6 GW installed energy capacity

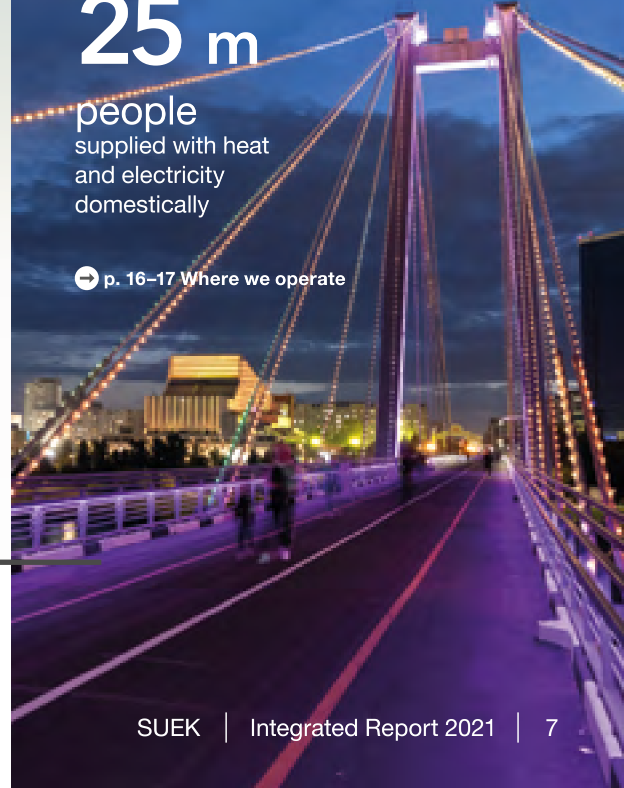
>100 Mt coal production

>50 Mt seaport transshipment capacity

40 countries served with commodities globally

6% of Russian export goods transported

25 m people supplied with heat and electricity domestically



p. 16–17 Where we operate

Focusing on sustainable supply and development

Samir Brikho,
Chairman of the Board of Directors

We are taking every effort to fulfil our commitments to millions of our customers, thousands of employees, business partners and the local communities in the regions where we operate.

Recovering demand, high prices and focused strategy delivering record results

Globally, 2021 was characterised by the rebound of economies with confidence returning to markets as countries across the world started to ease the restrictions implemented as a result of the COVID-19 pandemic. The growing demand for energy from recovering industries around the world caused an unprecedented increase in energy prices.

Against this backdrop, the coal sector benefitted from very strong pricing and international demand that reached 1 Bt. Notably, both the Asia-Pacific and Atlantic regions increased imports by more than 10%.

SUEK responded to the demand recovery in all key markets, driving a nearly 50% surge in revenue for the year, and EBITDA rose by nearly 70% compared to 2020.

Maintaining strict financial discipline is core to SUEK's approach and the company capitalised on the favourable pricing environment and strong performance to achieve a significant reduction in total debt, with the net debt/EBITDA ratio halving over the year. Meanwhile, SUEK evolved its debt profile with a debut issue of Eurobonds that were successfully placed in September, attracting more than a hundred major international and Russian investors.

Our performance during 2021 and the challenging start of 2022 demonstrated that we have the right strategy in place. However, it is the skill and dedication of our employees within every part of our business that has got us here. On behalf of the Board, I would like to express my gratitude to all of our colleagues across the Group for their ongoing commitment.

Responding to the global climate agenda

In 2021, the world focused on accelerating a response to climate change at the COP26 summit, and Russia approved its 2050 low-carbon strategy.

As the global economy continues to decarbonise, SUEK continues to ensure that communities and associated economies are supported as they transition to alternative energy sources. We are watching closely as global and national carbon regulations evolve. In 2021, we conducted an inventory of Scope 1 and Scope 2 emissions and we are planning to develop our corporate climate strategy in 2022.

At the same time, we are already implementing programmes that deliver carbon reduction. Coal remains an essential heat source for millions of people in Siberia where natural and economic factors do not support a fast transition to low-carbon energy and where temperatures are below zero degrees for more than half of the year.

SUEK is committed to ensuring reliable heat supplies even during extreme cold, while investing significantly to reduce the environmental and carbon impact of our products. Our ongoing programme to substitute standalone boiler houses with heat co-generated at our CHPPs and upgrade heat pipes continues to reduce pollutant and CO_2 emissions. In 2021, we replaced 40 old boilers, saving 0.3 Mt of carbon emissions. In total, we expect this programme to deliver over 1 Mt of carbon savings annually and reduce pollutants in 11 cities and towns several times over.

We are also maximising our coal washing volumes, and rolling out technologies in areas such as mine methane capture and utilisation and reforestation. In 2021, direct greenhouse gas emissions from our mining facilities decreased by over a quarter, and more than 5 million m^3 of methane was utilised.

All of these efforts are extremely important to support international efforts to pursue a social and economic development strategy while lowering greenhouse gas emissions in the utilities sector.

Looking after our people

As a top-10 private employer in Russia, we are fully aware of our responsibility to society. We are immensely proud of our significant contribution to the social and economic development of the regions where we operate, and where we have committed to improving the living standards of current and future generations. SUEK operates in 27 Russian single-industry towns and employs 73,000 people, whose welfare is directly connected with the long-term sustainable future of our operations.

At the Board level, the Health, Safety and Environment Committee, launched at the beginning of 2021, oversees progress on improving all areas of sustainability across the business. We took important decisions in 2021 to drive developments to our safety culture, and to ensure we are offering highly competitive employment packages so that we can further attract and retain the best talent.

We also continue providing anti-crisis support to our employees and members of local communities. We run initiatives to improve sanitation and health rehabilitation, and support local employment, engaging with local job centres to retrain employees of small and medium businesses that have had to close as a result of the COVID pandemic and economic volatility.

Resiliently facing the challenges

The resilience of our business is grounded on many years of hard work and the significant evolution and diversification of our company.

Following the announcement of sanctions against Russian businessmen, Mr Andrey Melnichenko withdrew from the beneficiaries of the Group, and we made changes to the Board of Directors to ensure compliance and Board effectiveness. Facing the challenges caused by geopolitical tensions, we are taking every effort to fulfil our commitments to millions of our customers, thousands of employees, business partners and the local communities in the regions where we operate.

SUEK is committed to ensuring reliable heat supplies even during extreme cold, while investing significantly to reduce the environmental and carbon impact of our products.

Meeting our customers' needs

Stepan Solzhenitsyn,
Chief Executive Officer

What were the key highlights for the business in 2021?

2021 was distinguished by the desire to improve efficiency across our whole supply chain and deliver a strong financial and sustainability performance amid elevated market demand.

We were pleased to respond effectively to robust consumption in our markets on the back of the economic recovery from the global pandemic. We achieved record growth in our Energy business, reflecting our acquisitions made in 2019-2020 and rebounded energy demand, and a solid performance in our Coal and Logistics segments.

Assisted by strong market prices, we delivered a record financial performance generating revenues of almost \$10bn, with EBITDA increasing by more than a billion to \$3.3bn.

Taking advantage of the favourable market environment and our solid cash flows, we reduced our net debt to EBITDA ratio to the comfortable level of 1.7x.

What challenges did you face in 2021?

Elevated demand combined with changing COVID-related restrictions created logistical bottlenecks, increased competition for skilled workers, delayed equipment supplies and drove up costs. We worked hard to ensure that our vertically integrated value chain operated smoothly and reliably to enable us to meet all requests from both domestic and export customers, and to proceed with our key capacity upgrade programmes.

We are thankful to our long-term suppliers, customers and employees who helped us manage these headwinds.

What key CAPEX projects did you focus on?

For some time, our key CAPEX priority has been increasing the reliable supply of central heating to millions of people, while improving the quality of air in our regions. In 2021, reduction of emissions became an important additional focus.

In Krasnoyarsk, SGC commissioned three modern electrostatic precipitators at CHPP-1, which catch up to 99% of solids, and built new wastewater treatment facilities at CHPP-2. In the Altai region, which had switched to a new heat market model, a heating main was built from the Abakanskaya CHPP to the city of Chernogorsk, making it possible to replace old, unreliable boiler houses and reduce fuel consumption for heating residential areas. A similar project is now underway in Kuzbass, at Belovskaya GRES, where a new heating main has facilitated the replacement of six polluting boiler houses.

Two further important projects started in 2021 under the state-supported DPM-2 programme. We began the upgrade of the Primorskaya GRES, covering half of the energy-deficient Primorye region, and the Tom-Usinskaya GRES in southern Kuzbass, where industrial energy consumption is growing rapidly.

In the commodities business, we continued to upgrade our mining and washing facilities in the east, primarily in the Khabarovsk region, which are favourably located in relation to our priority export destinations. Aided by new equipment, our Chegdomyn washing plant reached the milestone of 10 Mt per annum of clean coal production while also constructing an up-to-date water treatment facility.

Accordingly, we continued to invest in our Vanino Bulk Terminal in the Khabarovsk region to expand its capacity to 40 Mt.

How did you support your customers during the period?

As a customer-centric business, we constantly monitor the changing preferences of our consumers to ensure we are always able to provide the most appropriate service and support our valuable long-term relationships. We carry out regular customer satisfaction surveys and have built speedy, convenient customer communications and interaction channels.

In 2021, we expanded our digital communication channels to help our end-consumers avoid in-person visits to customer centres. We also introduced IoT systems to automatically measure and adjust the heating temperature in customer apartments.

For our international clients, we optimised logistical routes to ensure on-time supplies to Mediterranean customers, in light of bottlenecks at traditional ports.

What were the priority HR issues you had to manage?

Safety was the major focus as it is critical to everything we do. In 2021, although SUEK's overall safety performance was in line with industry standards, it was imperative that we respond to the fatal accidents that occurred with our employees and contractors with a reassessment of our corporate safety system. This has included recalibrating KPIs at all levels to ensure that safety breaches and incidents are correctly reported, and we have also included contractor safety within reporting. We look forward to further improving our safety culture and performance.

Greater competition for talent was another challenge due to a recovery in the labour market following a period of stagnation during the pandemic. We worked hard to retain skilled workers, including taking measures to improve the attractiveness of our competitive pay packages and ensuring our training and career development programmes demonstrate our long-term investment in and commitment to our employees.

As the COVID-19 pandemic continued, we also maintained strict prevention measures. Our campaigns to encourage vaccination ensured that most of our employees received their first, second, and even booster doses of the vaccine during the year.

What is your response to the challenges posed by 2022?

The geopolitical tensions posed risks to all areas of operations. The diversification of all our sources of funding, procurement, and customer base enabled us to flexibly find the optimal solution to proceed with our operations. And we will take every effort to remain a reliable partner for our customers, employees and communities in the areas where we operate.

In April 2022, the Board appointed Maxim Basov as new Chief Executive Officer of SUEK Group.

Maxim Basov, a graduate of New York University, has executive experience in coal and metals and mining sector, including Kuzbassugol and Severstal-Resurs, as well as positions at several metallurgical companies. From 2003 to 2021, Maxim was Chief Executive Officer of the Rusagro Group.

Maxim Basov will face the task of leading our company through this period of acute adaptation to new conditions, a result of dire geopolitical tension. In the last several weeks, we have seen a drastic change in the availability of financing, commercial relationships, sea-based and land-based logistics, and in our work with equipment suppliers and services.

Samir Brikho,
Chairman of the Board of Directors

Providing essential energy

Meeting…

We developed our business model and services to maintain a secure and high-quality supply of electricity, heat and commodities all year round.

Reliable heat and power supply

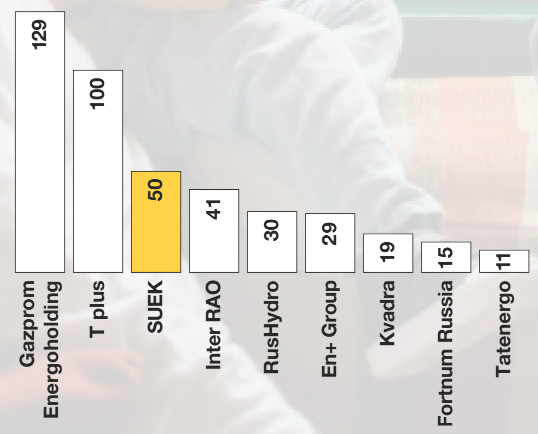
Our supplies of affordable utilities are vital to support the lives of millions of people in many regions of Russia, where temperatures are below freezing for more than six months of the year.

SUEK is the No.1 supplier of central heating to the eastern part of Russia. We also account for over 6% of Russian electricity supply.

In this section

…the needs of society

SUEK is a top-3 heat producer in Russia (MGcal)



50 MGcal
Heat output in 2021

A leading vertically integrated energy company

With assets of $18bn, we focus on the supply of in demand heat, power capacity and electricity in Russia, and of high-calorific low-emission coals for premium export markets.

Top positions in resilient energy, logistics and premium coal markets

#6
electricity producer in Russia

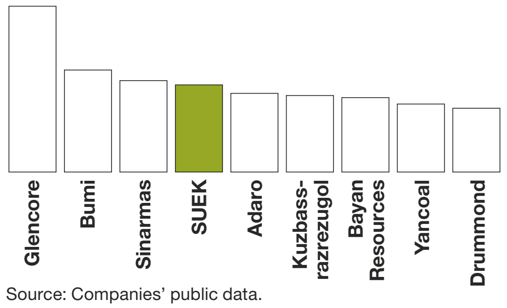
#2
bulk port operator in Russia

#4
coal exporter globally

#3
heat producer in Russia

#2
gondola railcar operator in Russia

Top thermal coal exporters (Mt)



Source: Companies' public data.

Consistent focus on ESG

As a provider of essential utilities in Russia and commodities globally, we are committed to having a positive impact on the communities while supporting UN SDGs and the best international ESG standards.

Efficient corporate governance system **50% Independent Directors** on the Board

ISO certifications on environment, health & safety, compliance, and anti-corruption

15+ years of disclosure in line with international standards (IFRS, GRI, IIRC)

Energy efficiency strategy aimed at reducing carbon and pollutant emissions

44/100
S&P Global ratings ESG evaluation

S&P Global Ratings

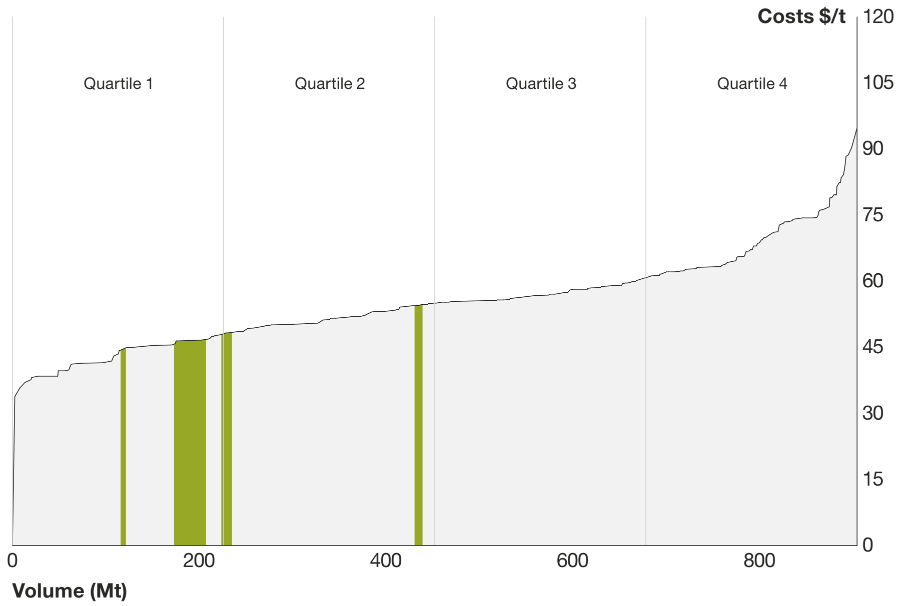
73,000 employees
A top-10 Russian employer in the energy and mining industry

0.83
LTIFR in 2021

$86m
invested in HSE and community projects

World-class, well-capitalised, low-cost assets and synergies from vertical integration

Global cost curve on FOB basis, 2021, ($/t for a calorific value of 6,000 kcal/kg)

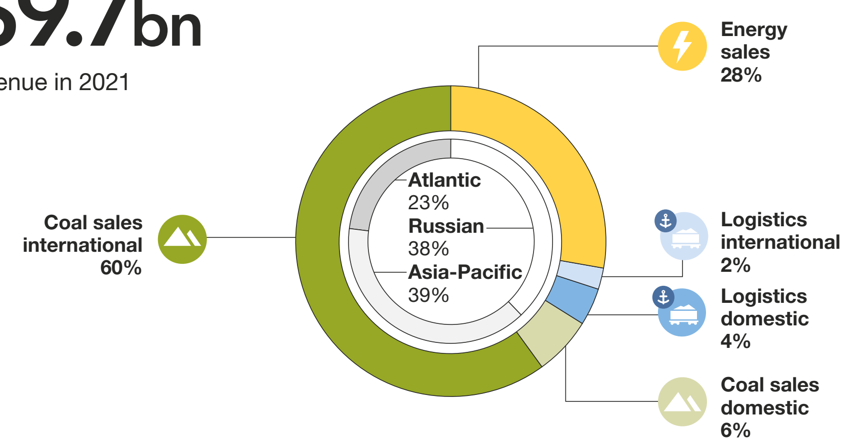


70%
of our export-bound assets are in the 1st quartile of the global cost curve

SUEK
Other exporters

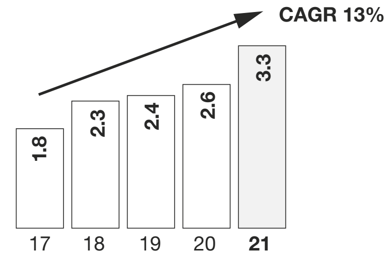
Strong cash generation through diversified product and geography mix

$9.7bn
revenue in 2021



$3.3bn
non-coal revenue in 2021

Non-coal revenue ($bn)



Reaching our local and global customers

We have been expanding our operations in all three business segments to enhance the intragroup synergies and competitive advantages in external markets.

27 power plants

53,000 railcars

5 seaports

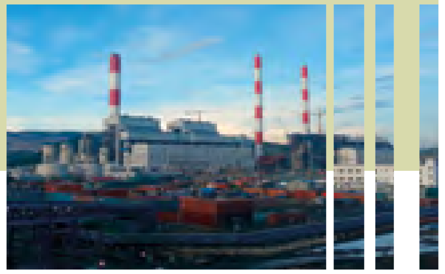
28 mines

#meeting customers' needs

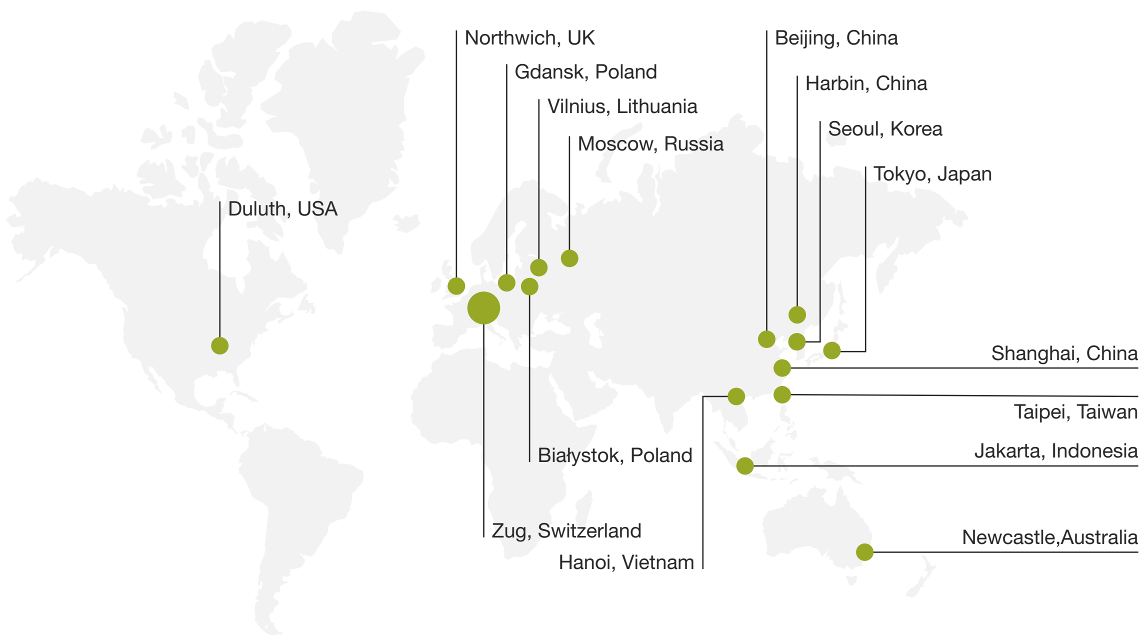
As Russia's largest coal producer, SUEK has been reliable in fulfilling its contractual obligations for many years. SUEK also has the advantage of being able to supply fuel quickly in case of emergency.

Joo Ho Kim,
POSCO Energy

p. 56 Business review – Coal



Our global commodities trading network



#meeting customers' needs

We chose SGC because of its ability to connect to heat supply networks within a reasonable timeframe, its tailored approach to solving complex, non-standard problems and its effective customer service centre.

Alexey Kraev,
VIRA-Stroy

p. 44 Business review – Energy

SUEK's assets

- Power and heat
- Railroads
- Ports
- Coal
- Scientific Research and Design Institute
- Machine building and service facilities

How we create value

Our multi-product, vertically integrated model ensures stable cash flows and value for all stakeholders at every stage of the market cycle.

Factors determining our growth

Proactive risk management	**Public-level corporate governance**	**Best-in-class environmental and industrial safety**	**Continued employee development**	**Innovations across the business**	**International standard compliance and business integrity**

Inputs

Well-invested assets

17.6 GW
co-generation energy capacity

110 Mt
coal capacity

120 Mt
railcar transportation capacity

>50 Mt
port transshipment capacity

Machine-building and service facilities

Skills and experience

73,000
employees

14
training centres

Own R&D

Regular investment

$5bn
capital expenditure over five years

Proximity to customers

0.6 m
users at the Unified Heat Customer Portal

14 markets
One of the largest coal sales networks

Stakeholder engagement

Equipment suppliers from 10 countries

Partnership with federal and regional authorities and NGOs

Operational model

Energy

Co-generation of electricity and heat

92%
of heat co-generated with electricity in 2021

Coal

Mining, washing and trading
of coal and trading of other commodities

103 Mt
coal mined in 2021

100%
of exported coal washed

Logistics

Railcars, marine ports, freight
High-tech railcar transportation and port transshipment

>65%
higher-capacity railcars

Households and business customers

- Heat distribution to final consumers
- Capacity sales to the grid
- Electricity sales to the grid

p. 44 Business review

Power, industrial and other customers

- International sales of high-quality thermal and metallurgical coals
- Domestic sales of low-ash thermal, metallurgical, non-smoke coals

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Logistics external clients

Transportation of third-party loads

23%
non-coal cargo

p. 50 Business review

R&D and service

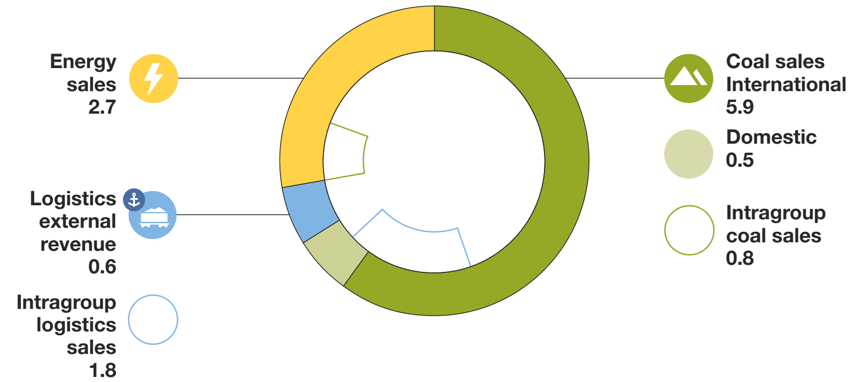
Maintenance, repair, design, and machine building including power turbines for hydro, nuclear and own power plants

How we maximise profit

Premium products	**Economies of scale and vertical integration**	**Product customisation to consumers' needs**	**Strict cost control and operational synergies**

Outputs

$9.7bn
revenue in 2021



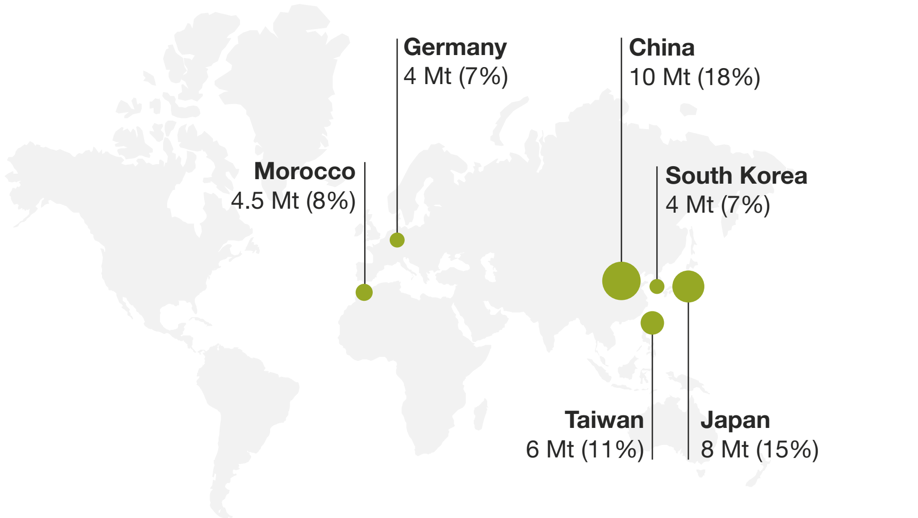
73 TWh
electricity sales

40 MGal
heat sales

120 Mt
coal and other commodities sales

SUEK's top international markets

2021 sales volumes and share of international sales



Outcomes

$2.4bn
total economic value in 2021

Our customers

>6 m
people provided with central heating

40
countries supplied with high-CV coal

6%
of Russian electricity supply

Our employees

$1,003m
employee remuneration

Our suppliers

$531m
paid to local suppliers

Society and Government

$835m
paid in taxes in Russia

$19m
invested in local communities, including response to COVID-19

p.64 Sustainability

Determining what matters most

We recognise that our responsibility as a good corporate citizen means making a positive contribution to society and working transparently and responsibly to create lasting benefits for all stakeholders.

Key definitions

We determine our '**key stakeholders**' by assessing the impact that different groups have, or might have, on our performance, and the impact that our operations have on their well-being. When building stakeholder relationships, we are committed to transparency of information, receiving feedback, actively cooperating with stakeholders and conducting our business ethically and with integrity. This enables us to accommodate stakeholders' needs when making strategic and operational decisions.

We define '**material matters**' as those issues that are most important to all of our stakeholders and our value creation processes: growth, success and sustainability. We take these into account when determining our strategic priorities and the content of our corporate reports.

Key policies governing our stakeholder relationships

- Code of Corporate Ethics
- Compliance Policy
- Position on Human Rights
- Heat Consumer Relations Policy
- Coal Production Quality Policy
- Occupational and Industrial Safety Policy
- Corporate Social Policy
- Environmental Policy
- Energy Policy
- Information Policy

Our corporate policies are available on the company's website www.suek.com

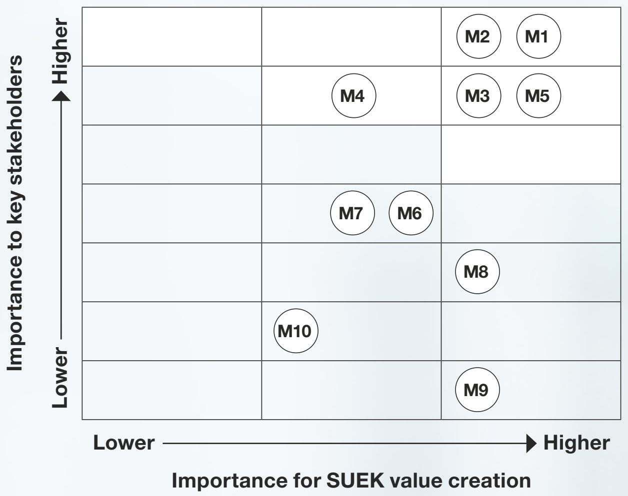
Determination of materiality

In order to verify these material topics during the reporting period, we:

Surveyed our senior managers, employees and… → …external stakeholders and, based on the results… → …ranked the topics in order of importance.

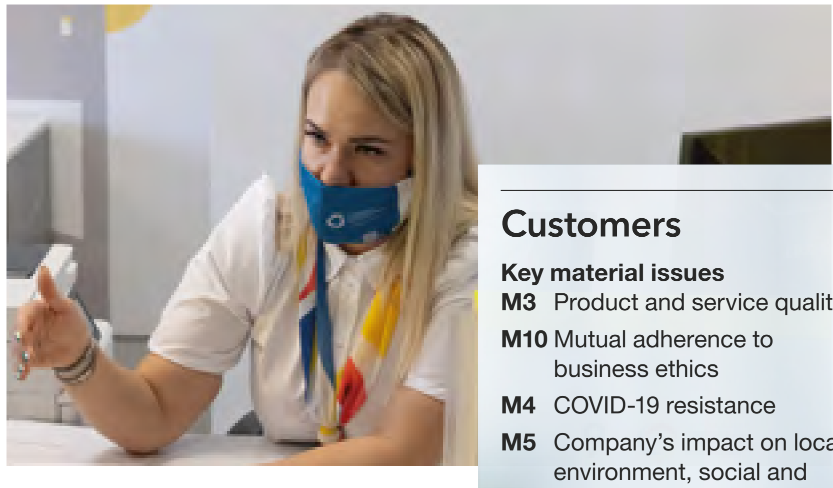
Thus, we determined high-priority issues that are subject to proper discussion.

2021 materiality matrix



M1	Financial stability and development prospects
M2	Industrial safety and emergency preparedness
M3	Product and service quality
M4	COVID-19 resistance
M5	Company's impact on local environment, social and economic development
M6	Labour relationships, incentives and staff training
M7	Climate strategy
M8	Operational efficiency
M9	Corporate governance and risk management
M10	Mutual adherence to business ethics

How we interact with stakeholders



Customers

Key material issues

M3 Product and service quality
M10 Mutual adherence to business ethics
M4 COVID-19 resistance
M5 Company's impact on local environment, social and economic development
M+ Cyber security of customer data

How we engage

- Conferences and exhibitions
- Business meetings
- Hotlines and complaint resolution channels
- Unified customer portal and service centres for heat consumers
- Satisfaction surveys

2021 engagement highlights

- We expanded the variety and quality of online platforms used to make customer service more convenient and keep customers safe

#meeting customers' needs

We chose SGC for its tailored approach to solving non-standard problems and effective customer service centre.

Alexey Kraev,
Deputy Director of VIRA-Stroy

Employees and trade unions

Key material issues

M1 Financial stability and development prospects
M2 Industrial safety and emergency preparedness
M6 Labour relationships, incentives and staff training

How we engage

- Trade union and collective bargaining agreements
- Corporate systems of training and development, social support for employees
- Regular meetings between management, Board of Directors and employees
- Corporate media
- Ethics and compliance hotlines
- Satisfaction surveys

2021 engagement highlights

- Employee engagement survey helped us to determine strong and weak areas of HR management and make an improvement plan for working conditions

M+ Material issues that are outside our top 10

Shareholders and financial stakeholders

Key material issues

M1 Financial stability and development prospects

M2 Industrial safety and emergency preparedness

M8 Operational efficiency

M9 Corporate governance and risk management

M5 Company's impact on local environment, social and economic development

M7 Climate strategy

How we engage

- Capital markets days
- One-on-one meetings
- Perception studies

2021 engagement highlights

- Conducted a 4-day online roadshow for European, American and Asian investors for the subsequent debut issue of Eurobonds
- Engaged an external auditor to verify non-financial information in this Report for the first time

>100

debt investors across the world participated in SUEK's debut Eurobond issue

> **We take part in the company's dealings with state supervision and control bodies, carry out awareness raising sessions for employees, including through the media.**
>
> **Marina Spevakina,**
> Chief H&S Officer at Rosugleprof Krasnoyarsk trade union

Suppliers and business partners

Key material issues

M10 Mutual adherence to business ethics

M5 Company's impact on local environment, social and economic development

M+ Clear specifications and requirements for suppliers

How we engage

- Business meetings
- Conferences and exhibitions
- Hotline for compliance issues

State authorities and local communities

Key material issues

M1 Financial stability and development prospects

M5 Company's impact on local environment, social and economic development

M+ Contribution to urban infrastructure development, including anti-COVID measures

M+ Support for local suppliers

How we engage

- Joint projects with regional and local authorities
- Face-to-face meetings, participation in working groups, round tables and forums
- Public hearings on introducing new technologies, environmental projects
- Social, charitable and environmental projects
- Site visits to our operating facilities for local community representatives
- Hotlines

2021 engagement highlights

- We supported local communities with donations, medical equipment and volunteering support to tackle COVID-19
- We held meetings with municipal deputies and local community members, who check that SUEK is fulfilling its obligations to improve the area after repair work and the readying of heating networks for the winter season

NGOs, expert organisations, academia

Key material issues

M5 Company's impact on local environment, social and economic development

M9 Corporate governance and risk management

M7 Climate strategy

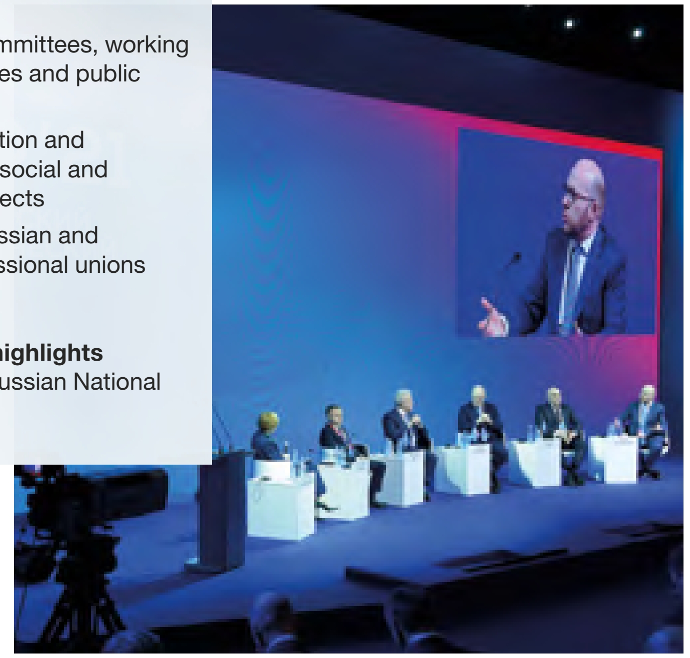
M+ Contribution to urban infrastructure development

How we engage

- Participation in committees, working groups, round tables and public hearings
- Joint study, evaluation and implementation of social and environmental projects
- Participation in Russian and international professional unions and organisations

2021 engagement highlights

- SUEK joined the Russian National ESG Alliance



Providing essential energy

Adapting... ...to a new world

We are constantly looking for new ways to meet growing electricity demand while helping protect our planet by minimising our environmental and climate impact. SUEK is committed to constantly improve its environmental standards to produce cleaner products from a responsibly managed asset base.

Climate change

To meet the growing electricity demand, affordable, versatile and reliable energy sources are needed. At the same time, increased environmental and climate change scrutiny adds the requirement to reduce environmental impact.

Implementing new technologies

In all our operations we aim to implement the best available technologies to serve our customers in the most efficient and environmentally friendly way. We are upgrading our heat and power facilities and promoting co-generation to decrease pollutant and carbon emissions per unit of energy, which will promote the development of local economies, the well-being of millions of people, and the electrification of transportation and heating.

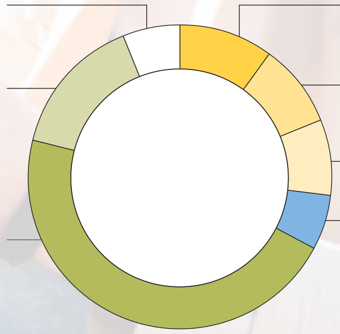
In this section

Providing essential utilities, commodities and services for daily needs

We produce energy and premium commodities that are in high demand by domestic and global consumers who value the unrivalled quality of SUEK's products and services. SUEK meets 5% of international thermal coal demand.

p. 14 Investment case

SUEK's sales by products[1] ($)



1 By revenue.

Building a better future

The increasing electrification of everyday life and demand for combined generation of heat and power in Russia ensure stable consumption of SUEK's high-quality solid fuel and power.

Challenge

Global action

SUEK's response

Universal energy access

Despite the significant effort made, there may still be as many as 660 million people without access to electricity worldwide in 2030."

United Nations 2021 SDGs progress report[1]

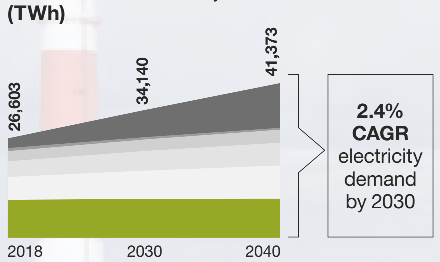
Growing population, urbanisation and higher living standards will boost electricity demand by 30% to 30,000 TWh by 2030

56%–60%
increase in urbanised population by 2030

+18–25%
electricity consumption in Russia by 2035

84%
share of Asia-Pacific in global coal consumption in 2030, with growing demand in India and Southeast Asia

Coal remains a reliable, available source of baseload power for many regions with limited natural or economically viable alternatives **(TWh)**



Source: International Energy Agency, World Energy Outlook 2021.

We substitute standalone household heating and cooking based on wood and coal with low-emission central heating and electricity

+500,000
heat customers in 2021

+5 TWh
electricity output in 2021

We supply high-CV, low-ash, low-nitrogen coal to our customers globally to ensure energy security

1 United Nations. 2021 UN SDGs progress report, https://sdgs.un.org/goals/goal7.

Global environmental agenda

The new energy economy will be more electrified, efficient, interconnected and clean."

International Energy Agency[2]

The push for clean air is accelerating the electrification of transport and heating

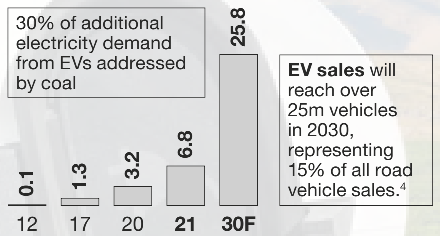
62%
penetration of EVs in Europe by 2030

50%
penetration of EVs in China by 2030[2]

10%
of all cars produced in Russia by 2030 will be EVs[3]

Coal generation will address around 30% of additional demand for electricity from electric vehicles, which will total 90–180 billion kWh. Generating this amount of electricity will require between 175 Mt of coal, in the baseline scenario, and 240 Mt of coal, in the accelerated scenario, by 2030.

EV sales by years (m)



We wash our coal to reduce emissions per tonne of coal transported and burned

100%
export coal washed

Expansion of electric heating in private homes and creation of electric charging infrastructure for electric vehicles

Transferring heat loads from boiler houses to cogeneration plants

Installation of electrostatic precipitators and construction of higher pipes

99%
solid air emissions captured by our electrostatic precipitators

2 International Energy Agency. World Energy Outlook 2021.
3 Concept of the development and use of electric vehicles in Russia through 2030, August 2021, http://static.government.ru/media/files/bW9wGZ2rDs3BkeZHf7ZsaxnlbJzQbJJt.pdf.
4 Global EV Outlook 2021, Stated Policies Scenario, IEA.

Global climate agenda

We must accelerate action to keep the 1.5 degree goal alive"

UN Secretary-General António Guterres[5]

COP26 produced the following pledges:

- Net zero pledges by >50 countries, mostly developed
- **China and India** committed to reaching net zero emissions by 2060 and 2070
- Global methane pledge by 110 countries to cut 30% of methane emissions by 2030
- New commitments to phase-down unabated coal power generation by 40 countries

CCUS

China and the US agreed to collaborate to reduce methane emissions and develop carbon capture, utilisation, and storage, and direct air capture technologies

10%
coal-fired generation will be equipped with CCUS by 2025[6]

Commitments to end deforestation by 2030

We have expanded our carbon emissions evaluation to Scope 2 and are developing our Climate Strategy

We promote co-generation of electricity and heat to improve energy efficiency and reduce emissions and carbon footprint per unit of energy

-1 Mt
CO_2 emissions annually since 2025 through transfer from standalone to combined heat generation

We carry out large-scale land reclamation and tree planting projects to offset our emissions

We employ methane CCUS, utilising captured mine methane for energy generation

5 Secretary-General's statement on the conclusion of the UN Climate Change Conference COP26.
6 Wood Mackenzie, Global Thermal Coal Outlook to 2050, December 2021.

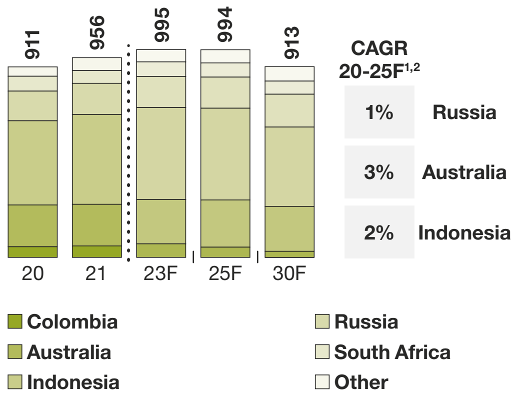
Global coal market

In many countries coal is still the cheapest and most readily available generation source. Over the next 20 years, coal-fired generation will remain the main source of secure, accessible baseload power for developing countries, where people desperately need uninterrupted access to electricity to support improved living standards.

The main trends of the international coal export market:
- Growing coal consumption in India and other countries of Southeast Asia will offset declining demand in Europe, the US, and potentially China
- Growing demand for low-sulphur and low-nitrogen coal due to stricter limits on emissions of pollutants
- Growing share of coal use in industry, including metallurgical, cement, and chemical industries

Supply substitution by Russia and Australia

Seaborne thermal coal supply by country (Mt)



1 In terms of volumes
2 Countries with less than 5% share.

China

China may reduce its coal imports, as the pace of its new coal-fired power capacity development slows down after 2025.

Atlantic market

Consumption will continue to decrease in most of Western and Northern Europe as they switch to gas and renewables due to the environmental and carbon agenda, while demand drivers will be Morocco, Turkey, Egypt, and UAE.

North East Asia

Japan, South Korea and Taiwan will remain important markets with attractive prices, but their consumption will slowly decline to reflect their decarbonisation plans.

Our baseline scenario assumes stable global steam coal trade over 950 Mt a year by 2030, peaking in 2023–2025 at 1 Bt.[3]

Strong demand from Asian markets

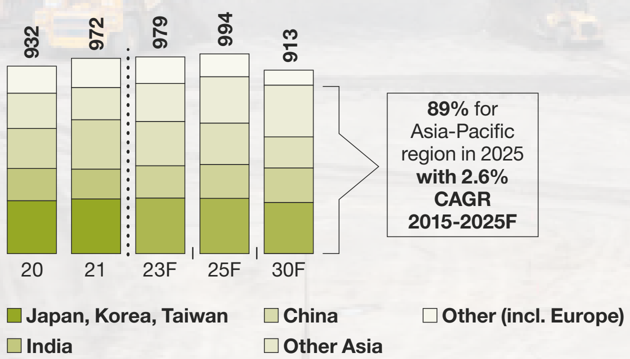
Southeast Asian countries

Vietnam, Thailand, Malaysia, the Philippines and others are developing coal-fired power generation, with an average annual coal import demand growth rate of over 4%.

Indian subcontinent

Demand from India, Bangladesh and Pakistan for imported coal is expected to grow further, supported by demand for electricity and from the cement industry.

Seaborne thermal coal demand by country (Mt)



3 Wood Mackenzie, Global Thermal Coal December 2021 Outlook to 2050, December 2021. Regional data for 2030 is compared to 2020.

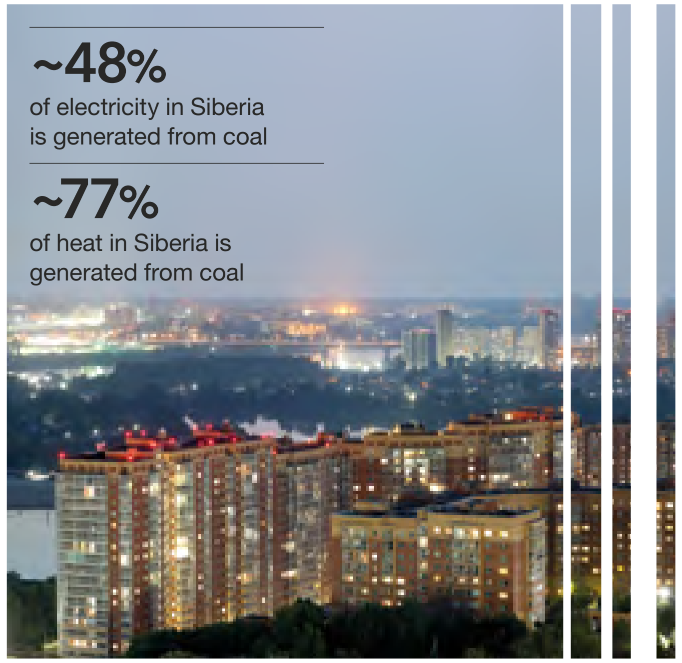
Russian energy market

The Russian Energy Strategy 2035 predicts a rise in domestic electricity consumption of 1.1% per year (+150–250 TWh). In Siberia, SUEK's key supply region, electricity consumption will increase by 3% a year (+30–40 TWh)[1]**.**

Electricity demand drivers in Siberia and the Far East:
- New industrial facilities (aluminium plants and other projects)
- Increased electrification and cargo turnover on the Baikal-Amur Mainline
- Increase in demand due to cryptocurrency mining
- Electrification of heating in private homes
- Proliferation of electric vehicles

Considering the lack of hydropower-generation expansion projects, industrial and infrastructure projects in the region may trigger additional demand for coal-fired power.

Coal-fired power plants generate around half of the electricity and 77% of heat in Siberia, where, due to the availability of local coal deposits and combined production of electricity and heat, coal generation is the most cost-efficient way to provide the local population with electricity and heat.



~48%
of electricity in Siberia is generated from coal

~77%
of heat in Siberia is generated from coal

Co-generation is the most efficient source of energy in Siberia, as it consumes local coals and can provide central heating for nine months a year, producing heat as a by-product of electricity generation.

73%
of SUEK's heat sales are under long-term tariffs

State support for capacity upgrade

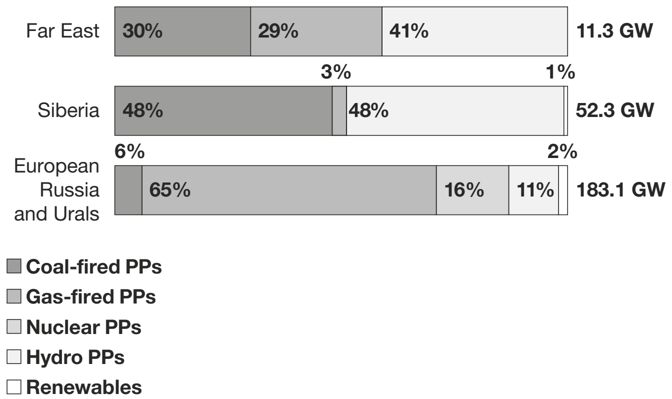
DPM-2 power upgrade

In 2019, the Russian Government approved the second state support programme (DPM-2, or COMMod), which will enable energy producers to upgrade 40 GW of capacity by 2031 with a guaranteed return on investment through an increased capacity price ratio.

12%
of SGC's capacities (2.1 GW) were upgraded or built under DPM-1. These plants will produce increased returns up until 2024

25%
of SUEK's capacities (4.6 GW) have been selected for DPM-2 and will support SGC's EBITDA when the payments under DMP-1 end

Installed capacity structure by plant types as of 31 December 2021



Long-term heat tariff

The major driver of heat consumption is rising urbanisation. Under a state development programme, annual housing construction will increase to 120 million m^2 by 2030.

In many cities in the eastern part of Russia the heat network infrastructure is very old. Therefore, the government has initiated a transition to a long-term investment model. The heat pricing method introduced in 2017 only sets a maximum long-term level based on the cost of building and operating a new alternative boiler house.

Switching to a price zone enables cities and energy producers to negotiate a tariff that will cover the cost of capacity upgrades and stimulate the co-generation of electricity and heat. Among the cities and towns supplied by SUEK, Rubtsovsk, Barnaul and Biysk in the Altai region, Kemerovo and Belovo in the Kemerovo region, Chernogorsk, Abakan, and Ust-Abakan in Khakassia, and Krasnoyarsk and Kansk in the Krasnoyarsk region have switched to the long-term tariff and Novosibirsk in July 2022.

1 Russian Energy Strategy 2035, August 2020, http://static.government.ru/media/files/w4sigFOiDjGVDYT4IgsApssm6mZRb7wx.pdf.

The impact of climate regulation on the development of the coal-fired power industry

The Russian energy sector contributes considerably to the reduction of the country's greenhouse gas emissions and fulfilling Russia's obligations under the Paris Agreement on climate change. So far, 80% of electric power generation in Russia comes from low GHG-emitting sources (hydroelectric power plants, nuclear power plants, combined heat and power plants), which reflects the low carbon intensity of Russian electric power – 330 gCO_2/kWh, while the world average is 463 gCO_2/kWh.

However, the global economy's decarbonisation agenda is challenging the Russian energy sector to reduce its carbon intensity further. At the same time, decarbonisation goals must be balanced with the necessity of providing a reliable energy supply to consumers in the long term, maintaining competitive electricity prices, and guaranteeing the availability of energy infrastructure as the basis of economic growth. Economic regulation mechanisms to ensure this are currently being developed in the Russian Federation. We believe that the introduction of such decarbonisation selection mechanisms will create significant additional opportunities to increase the efficiency of SUEK's energy capacities.

Russia's low-carbon strategy

In November 2021, Russia adopted a low-carbon development strategy.

The strategy does not contain any strict restrictive measures for coal-fired generation.

In the no-change scenario, it is assumed that the structure of the energy production and consumption balance will be maintained, and that only obsolete coal-fired power plants will be replaced.

The target (intensive) scenario provides for partially replacing coal-fired generation with low-carbon generation, as well as the maximum use of the potential for reducing greenhouse gas emissions in the coal-fired power industry, including through the transition to BAT, support for efficient coal burning technologies and carbon dioxide capture technologies.

At the same time, all boiler houses are planned to be replaced with co-generation facilities, creating additional opportunities for coal – a project that SUEK has been working on for several years already.

Russian logistics market

By 2035, Russia plans to become one of the five largest international exporters. This is why it is actively developing its logistics infrastructure and has set a goal of increasing the capacity of export-oriented railway sections by 197 million tonnes (+53%).

The Russian Federation's Transport Strategy is committed to achieving the following long-term goals by 2035[1]:
- Improving links between territories and their access to transport links
- Increasing the volume and speed of cargo delivery, including transit, and developing multimodal logistics technologies
- Digital and low-carbon transformation of the industry and the accelerated introduction of new technologies

Companies and investors in the transportation sector should be provided with conditions to support the following:
- Increasing labour productivity and reducing the cost of transportation services
- Increasing the return on transport infrastructure assets; reducing energy and carbon intensity
- Increasing the investment appeal of the transportation sector
- Developing effective and predictable regulatory mechanisms
- Improving the professionalism of employees and their social security
- Increasing the availability of resources: technological, financial and labour

1 Source: Transport strategy of the Russian Federation until 2030 with a forecast up to 2035, 27 November 2021.

Development of the railway transportation market

The Russian rail freight market is as follows:
- Cargo base (cargo transportation volume): around 1.4 billion tonnes a year
- Total fleet of freight railcars on the network: around 1.2 million units

The structure of transportation is dominated by bulk cargo: coal, ores, and ferrous metals, with a share of approximately 45%. Gondola cars, NTK's main railcar type, comprise around 50% of the Russian railcar fleet.

Transportation via gondola cars (587 thousand railcars, 789 million tonnes of cargo per year, or 56% of all cargo) comprises the largest segment of the rail freight transport market (both in terms of cargo turnover and railcar fleet) with great growth potential thanks to the development of the Russian Railways' Eastern Polygon. The capacity of the Baikal-Amur and Trans-Siberian Railways is planned to increase from 158 to 182 million tonnes by 2024.

NTK accounts for 11% of all cargo transported in gondola cars in the Russian Federation.

In addition, the Eastern Polygon is developing transportation technology using high-capacity trains, up to 7,100 tonnes. To support the implementation of this technology, the number of deliveries of new electric and diesel locomotives for these heavy trains is now growing. This technology requires the mandatory use of high-capacity gondola cars.

The factor that continues to stimulate the growth of transportation in high-capacity gondola cars is the decision of the Federal Antimonopoly Service to provide a 4.05% discount on cargo transportation in high-capacity gondola cars in a loaded run instead of a discount on an empty run.

Stevedoring services market development

Dry cargo accounts for around 50% of all transshipment volumes in Russian seaports[1]; half of this is coal.

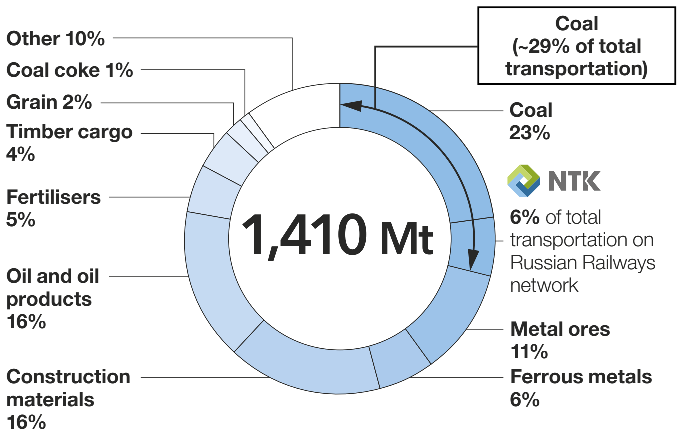
The Russian Transport Strategy provides for an increase in the capacity of Russian seaports by 28% by 2030 (to 1 billion tonnes).

From the point of view of cargo turnover, an increase is expected in the transshipment of the following cargoes:
- Bulk cargoes
- Grain
- Containerised cargoes

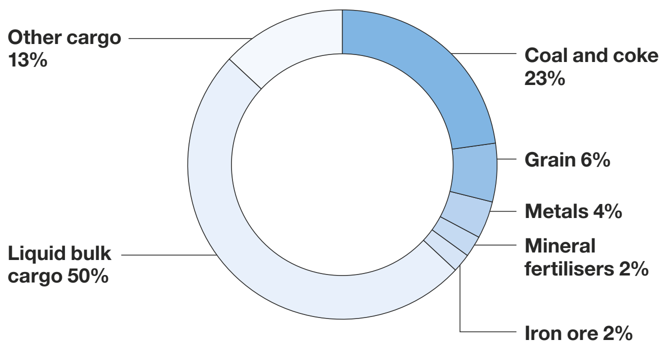
The **development of the Northern Sea Route** will further support the flexibility of deliveries when choosing Western or Eastern ports. It reduces the distance of transportation from Europe to Asia and back, therefore cutting the delivery time compared to other routes, including those passing through the Suez Canal.

The main cargo traffic along the Northern Sea Route is liquefied natural gas, oil and oil products, coal, and iron ore in transit.

Freight traffic on the Russian Railways network by cargo type



Cargo turnover structure of Russian ports



1 Rosmorport's 2020 annual report.

Working in the interests of all stakeholders

In 2021, we continued to progress our 2025 strategy, developed back in 2020.

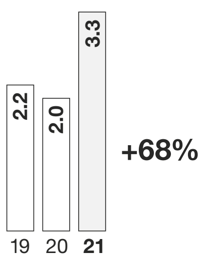
Our strategy is committed to meeting the needs of our stakeholders for high-quality, reliable and safe energy, whilst evaluating the risks and opportunities offered by modern technologies, and remaining focused on environmental protection.

Our key performance indicators (KPIs) enable us to measure our sustainable development and our operational and financial performance. These KPIs are used to assess the performance of our people throughout the Group.

Priority: Stable balance sheet

2025 target: Generating stable cash flows

KPI: EBITDA ($bn)



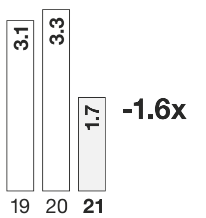
2021 performance: Revenue and EBITDA rose significantly, supported by major price increases.

Key projects in 2022-2025:
- Diversification of revenue sources
- Maintaining lowest cost position through operational efficiency and synergy

Significant risks:
- Risk of reduction in coal demand and prices
- Inflation risk

2025 target: Maximising return on investment

KPI: Net debt/EBITDA



2021 performance: The net debt/EBITDA ratio returned to the target range due to higher EBITDA and a $1bn decrease in net debt.

Stable cash flow made it possible to confirm our ratings, BB from Fitch and Ba2 from Moody's.

We continued to diversify our loan portfolio with our first Eurobond issue.

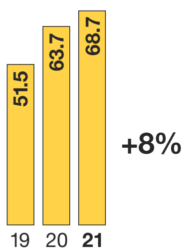
Key projects in 2022-2025:
- Optimisation of financial costs and loan portfolio

Significant risks:
- Forex risk
- Liquidity risk

Priority: Efficient growth

2025 target: Improving the reliability of electricity, heat and capacity supplies with a guaranteed return on investment

KPI: Electricity output (TWh)



2021 performance: Generation and sales of electricity and capacity increased as a result of new acquisitions in 2020 and in response to higher demand.

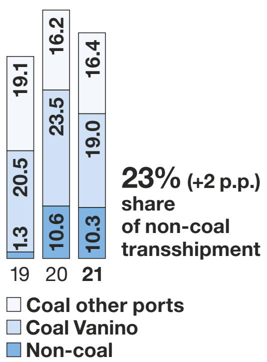
We began to upgrade our facilities under the DPM-2 programme in Krasnoyarsk, Kuzbass and Primorye.

Key projects in 2022-2025:
- Upgrading 4.4 GW of TPP capacity under DPM-2

Significant risks:
- Regulatory risk
- Production risk

2025 target: Diversifying transported cargo, achieving target port transshipment of export volumes

KPI: Port transshipment (Mt)



2021 performance: We continued to expand the range of transported cargo and transshipped goods with non-coal bulk cargo.

The total transshipment decreased due to logistical challenges in the eastern direction.

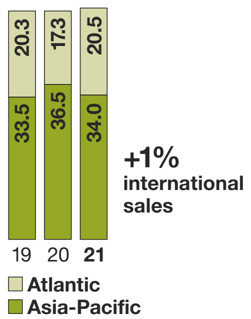
We began our expansion of Vanino terminal to 40 Mt.

Key projects in 2022-2025:
- Increase in the transportation of third-party loads to optimise asset utilisation
- Expansion of the Tuapse Bulk Terminal and Murmansk Port
- Expansion of the Vanino terminal as rail infrastructure develops to support sales growth to Asia

Significant risks:
- Liquidity risk
- Risk of reduction in coal demand and prices

2025 target: Maximising sales in high-margin international markets

KPI: International coal sales (Mt)



2021 performance: Because of logistical constraints in the east, we scaled up trading and sales in the Atlantic market.

To compensate for a production decline in Buryatia due to logistical challenges, we ramped up production and washing in the Khabarovsk region, Kuzbass and Khakassia.

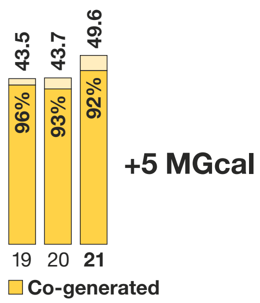
Key projects in 2022-2025:
- Maximising coal mining and washing at assets that bring us the highest margin in our target markets, i.e. in the Khabarovsk region, Buryatia and Kuzbass

Significant risks:
- Risk of restricted infrastructure availability

Priority: Operational efficiency

2025 target: Maximising heat output in co-generation cycle to improve reliability and reduce our environmental and carbon footprint

KPI: Volume of co-generated heat (MGcal)



2021 performance: In 2021, customers of over 40 boiler houses were transferred to centralised heat supply from CHPPs, thus volume of co-generation increased.

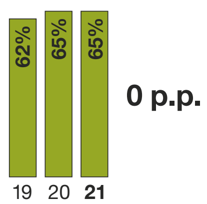
The cities of Abakan, Chernogorsk, and Ust-Abakan in Khakassia, Kemerovo and Belovo in Kuzbass joined heat supply price zones.

Key projects in 2022-2025:
- Replacement of 120 old boiler houses with heat co-generated at our CHPPs
- Large-scale modernisation of heat networks in cities that have joined the price zone

Significant risks:
- Risk of change in heat tariffs
- Production risk

2025 target: Maximising calorific value of exported coal

KPI: Share of hard coal washing



2021 performance: We maintained the maximum washing levels of exported coal to optimise quality and margins, and reduce the carbon footprint of our products.

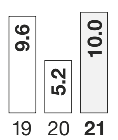
Key projects in 2022-2025:
- Expansion of washing capacities in proportion to the development of our target mining capacities

Significant risks:
- Risk of restricted infrastructure availability
- Liquidity risk

Priority: Sustainable development

2025 target: Zero accidents and fatalities

KPI: FAR



2021 performance: Despite our efforts, 12 fatalities were recorded at the Group's facilities.

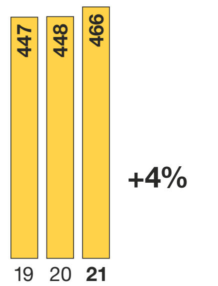
To prevent future cases, we tightened control over safety compliance and expanded the reporting scope to include all violations of industrial safety rules, including by our contractors.

Key projects in 2022-2025:
- Promoting a strong safety culture and advanced labour protection standards
- Further introduction of advanced digital technologies
- Comprehensive internal audits to identify potentially vulnerable issues

Significant risks:
- Health and safety risk

2025 target: Reduce pollutant and CO_2 emissions per tonne of production

KPI: CO_2 emissions per unit of heat produced (g CO_2e/Gcal)



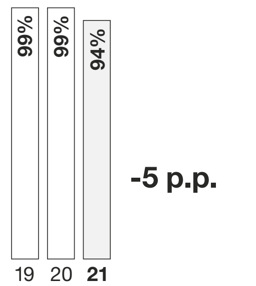
2021 performance: We kept reducing pollutant and GHG emissions per unit of energy by burning less fuel as a result of larger volumes of co-generation, lower heat losses. Due to substitution of standalone boilers with co-generated heat in 2021, we also save 0.3 Mt CO_2 emissions.

Key projects in 2022-2025:
- Improving the energy efficiency of all production processes, including by replacing boiler houses with co-generated heat and renovating heat networks to reduce heat losses

Significant risks:
- Regulatory risk
- Environmental risk

2025 target: Maintaining self-sufficiency in qualified personnel

KPI: Sufficiency of qualified personnel



2021 performance: In 2021, despite the high competition in the labour market and increasingly complex demographic situation in a number of regions where we operate, we managed to retain skilled personnel for all key positions.

Key projects in 2022-2025:
- Regularly conducting employee engagement surveys to understand employees' requests and develop HR management
- Further implementing talent recruitment and staff development programmes and ensuring fair remuneration and safe working conditions

Significant risks:
- Human resource risk

For detailed risk management description, see p. 34-39

Adapting through uncertainty

Q

What were the key risks in 2021 and how did effective risk management help to mitigate these?

In 2021, our focus was on price risk and opportunities presented by market volatility. To maximise profit in the growing commodities market, we adjusted our commercial and risk hedging strategies. We also paid close attention to ESG risks and business diversification.

Q

What risks could increase in 2022? How is the company preparing for these?

In 2022, all our efforts will focus on business continuity, to ensure uninterrupted supply through the value chain against geopolitical complications. It is very challenging to provide risk forecasts at the time of this Report.

Already during the COVID pandemic we started reassessing all key risks on a weekly basis, and now we are monitoring all major risks daily, with particular focus on regulatory, liquidity, forex, inflation and other risks, to move fast and meet our commitments.

Evgeny Kobzev,
Chief Risk Officer

Effective risk management enables us to implement our strategy by delivering long-term value to our stakeholders, with due consideration for internal and external risks and opportunities.

In line with global best practice, ISO 31000 and COSO ERM, we define risk as the effect of uncertainty on objectives that could have both positive and negative effects.

Over the past few years, we have been working to reduce SUEK's exposure to risks, transforming our business model into a multi-product model, developing our risk management function and introducing leading risk management practices. This has enabled us to make optimal corporate decisions and increase company profitability and resilience.

In 2021, the risk management focus was on:
- Maintaining an acceptable risk level within the established risk appetite
- Allocation of risk capital to cover significant risk
- Ensuring SUEK's financial stability
- Ensuring efficient allocation of resources to optimise the risk-return ratio
- Ensuring continuity of operations and planning of optimal business management with due consideration of potential shock conditions

SUEK's priority continued to be the safeguarding of its employees, customers, communities and supply chains, while ensuring uninterrupted operations and sufficient liquidity.

Underlying this was an approach that integrates quantitative risk analysis into day-to-day management and performance management and guides corporate decision-making.

Market and regulatory risks

Risk description | **Actions to mitigate the risk**

Risk of reduction in power plant load and electricity and capacity market prices

SUEK's operations may be affected by a decrease in the load of thermal power plants and a drop in electricity and capacity prices in the wholesale market due to market (lower demand, excess supply), natural (high water level, average annual temperature), regulatory or general economic factors (global crisis, etc.).

SUEK continuously improves its methods of operational planning and market forecasting and increases the loading efficiency of power plants.

We also cooperate with infrastructure organisations in the wholesale electricity and capacity market regarding changes in the regulatory documents affecting pricing and plant loading procedures.

Changes over 2021

No change

Strategic priorities

Material matter

M1 Financial stability and development prospects

Risk of changes in heat tariffs

The company's operations may be affected by heat and power tariffs for residential customers set by authorities below our production costs.

We monitor the situation and cooperate with regulators regarding changes in tariff-setting methods, with switching to long-term tariffs as our top priority.

Changes over 2021

No change

Strategic priorities

Material matter

M1 Financial stability and development prospects

Risks of coal demand decrease and price changes

The company's financial and operational performance may be affected by a reduction in coal demand and drop in prices in the export market. This could be the case if the increase in coal supply exceeds the growth of the demand (or demand drops) due to various reasons like other competing energy sources being cheaper than coal generation or diversification by various countries.

We regularly update our forecast for commodity prices based on in-depth supply and demand analysis and, if necessary, adjust our strategy for long-term contracts accordingly. Since 2020, control over key macro parameters has been exercised every day.

Owning processing and logistics facilities enables us to adapt faster to market requirements and conditions than our competitors.

We are expanding our presence in emerging coal markets.

We also constantly improve production efficiency to maintain profitability.

Changes over 2021

Global demand for coal increased as a result of economic recovery from the COVID pandemic and a global shortage of competing fuels like gas.

Strategic priorities

Material matters

M1 Financial stability and development prospects

Regulatory risk

Our operations are governed by laws and regulations that cover natural resource management, industrial safety, transportation, and the heat and power industries.

Mining licences can be suspended, invalidated or left unrenewed upon expiry as a result of decisions taken by Russian supervisory agencies (Rosnedra, Rosprirodnadzor) based on inspections, or based on court decisions.

The Group may be materially affected by the decisions of state authorities in relation to tariffs, quotas, tax and customs regulations, subsidies, and anti-monopoly regulations.

In foreign jurisdictions, changes can involve additional controls on selling and using coal, as well as special conditions for importing goods and services from Russia.

International sanctions against Russian individuals and legal entities, along with industry sanctions, can also restrict certain sectors of the Russian economy.

Our compliance system helps to identify and mitigate risks in the fields of industrial safety, natural resource management, anti-monopoly regulation and licensing, and international sanctions.

In all regions where SUEK operates, we monitor and inform our assets' management about local statutory regulations.

This enables us to quickly adapt our business processes and organisational structure to operate in full compliance with the current framework.

SUEK's representatives are engaged in governmental policy panels for the power and transportation industries, and competition development.

Changes over 2021

No change

Strategic priorities

Material matters

M1 Financial stability and development prospects

M2 Industrial safety and emergency preparedness

M5 Company's impact on local environment, social and economic development

M9 Corporate governance and risk management

Strategic priorities

Stable balance sheet | Efficient growth | Operational efficiency | Sustainable development

Financial risks

Risk description | **Actions to mitigate the risk**

Foreign exchange and interest rate risks

Changes in currency exchange and interest rates can have an adverse effect on SUEK's financial performance. They can also impact our debt burden and the value of the financial instruments on the company's balance sheet.

SUEK analyses the risks relating to changes in currency exchange and interest rates on a regular basis. We strive to keep these risks within acceptable limits and to achieve optimal profitability while allowing for possible risk.

We also make use of 'natural hedging', as a significant part of the company's revenue and the majority of our loans are denominated in US Dollars or hedged. We also hedge risks using forward exchange transaction instruments.

In 2021, the company refinanced part of its major loan obligations at a lower rate or repaid them in advance.

Changes over 2021

No change

Strategic priorities

Material matter

M1 Financial stability and development prospects

Inflation risk

The rise in inflation in Russia may lead to higher Rouble expenses for personnel and the purchase of equipment and services.

We mitigate inflation risks by developing a balanced procurement strategy, using derivatives and investing available cash in stable foreign currencies.

Most export contracts for coal are concluded in US Dollars, which largely compensates for the effect of inflation in Russia on the Group's EBITDA.

Changes over 2021

Inflation rates increased globally and in Russia, specifically.

Strategic priorities

Material matter

M1 Financial stability and development prospects

Liquidity risk

Liquidity risk is directly related to cash turnover. It arises if the company cannot fulfil its payment obligations in due time. It is often linked to the effects of inflation, foreign exchange and interest rate risks. The effective management of liquidity risk requires maintaining an adequate level of cash and cash equivalents while ensuring the prompt raising of funds using available lines of credit.

We continuously monitor loan covenants and use a comprehensive forecasting system to ensure compliance. At present, the amount of credit lines provided to SUEK fully covers our financing needs.

The adoption of coal policies by European banks reduces the amount of available borrowing in the pre-export lending market. At the same time, SUEK diversifies its funding sources, geography and monitor financing volume from a single bank.

In 2021, the company entered the international public finance market and raised $500m in Eurobonds.

Changes over 2021

No change

Strategic priorities

Material matter

M1 Financial stability and development prospects

Credit risk

Increase in overdue receivables under domestic heat, power and coal supply contracts, and the transition of overdue receivables to problematic or collectible accounts can result in direct losses for the company.

SUEK's priority is pre-judicial recovery. The company always negotiates with its customers, enquires about the reasons for debt and offers options for milestone or instalment payments.

When relevant, we include upfront payment clauses in supply contracts. We also set credit limits for a single customer.

In 2021, the company mitigated the risk with respect to electricity supply receivables by settling relationships with suppliers of last resort with poor payment discipline, in addition to introducing a mechanism that stabilised settlements on the wholesale electricity and capacity market.

Changes over 2021

No change

Strategic priorities

Material matter

M1 Financial stability and development prospects

Operational risks

Risk description | **Actions to mitigate the risk**

Production risk (energy generation)

The increasingly active discussion of the climate agenda in global politics and the media is forcing financial institutions and government agencies to adopt anti-coal policies.

The main factors affecting the generation and sales of electricity and heat are the physical wear and obsolescence of equipment, including heat networks, downtime, underestimation of the impact of possible failures, non-fulfilment by suppliers and contractors of their obligations, etc.

We use a maintenance strategy and develop a programme for prioritising repairs and managing production risks. In addition, a KPI-based monthly reporting procedure and ERP system enable our management to promptly assess the performance of individual assets and the entire segment.

Changes over 2021

Risk reduced due to successful implementation of the repair and investment programme, as well as the successful start of the DPM-2 programme.

Strategic priorities

Material matters

M1 Financial stability and development prospects

M2 Industrial safety and emergency preparedness

M8 Operational efficiency

Production risk (coal)

Various internal (downtime, adverse geology, low coal quality) or external factors (higher prices of materials and services, failure of suppliers and contractors to fulfil their obligations, natural and other factors) can impact the achievement of our production targets. This may result in an increase in production costs, and cause emergencies at our production facilities.

At our mines, we use Life of Mine (LoM) deposit development models.

They enable each production unit to check its budgeted and actual operational results and expenses with LoM on a regular basis. As part of this process, we pay special attention to operational efficiency projects. We use monthly KPIs enabling management to regularly assess the performance and, if necessary, adjust the plans in time.

As for emergencies, we use state-of-the art digital tools to continuously monitor, forecast and prevent hazardous situations at all stages of our operations, and ensure compliance with safety requirements.

Changes over 2021

No change

Strategic priorities

Material matters

M1 Financial stability and development prospects

M2 Industrial safety and emergency preparedness

M8 Operational efficiency

Cyber risk

Effective management of risks related to cyber-attacks and employee errors helps us to minimise and avoid the leakage of confidential information, network security breaches, system recovery costs, cyber extortions, protection costs associated with regulatory requirements, etc.

Strict control of compliance with IT security standards made it possible to mitigate the risk even under increased load.

We restrict access to our IT systems, upgrade our IT infrastructure in a timely manner and bring it in line with best practice. SUEK raises user awareness of information security issues and develops precautions to neutralise threats.

Changes over 2021

No change

Strategic priorities

Material matter

M8 Operational efficiency

Strategic priorities

Stable balance sheet | Efficient growth | Operational efficiency | Sustainable development

Sustainability risks

Risk description | **Actions to mitigate the risk**

Climate risk

A negative perception of the Group's products by customers, investors, lenders, supervisory authorities or rating agencies may affect the Group's ability to maintain existing business relationships, enter into new ones or retain access to financial resources.

We talk as openly as possible about SUEK's measures to reduce its environmental impact and carbon footprint.

In 2021, SUEK initiated an independent assessment of its carbon footprint in accordance with Russian and international methods and began the development of a climate strategy.

We are also striving to realise the opportunities presented by the increased electrification of transport and heating, promoted by the global climate agenda.

Changes over 2021

The increasingly active discussion of the climate agenda in global politics and the media is forcing financial institutions and government agencies to adopt anti-coal policies.

Strategic priorities

Material matters

M1 Financial stability and development prospects

M7 Climate strategy

Environmental risk

The environmental risks related to coal mining, washing, processing, transportation and coal-fired power generation imply environmental damage, including contamination of soil and water, and land disturbance from mining activities.

If they are realised, possible claims from supervisory bodies may affect the operational and financial performance of the company.

SUEK carefully monitors compliance with all environmental norms set by law in the countries where we operate and sell our products. Our policies are regularly audited, including by international agencies.

We establish long-term environmental protection programmes. In particular, we install electrostatic precipitators with over 99% efficiency, ensure safe ash and slag disposal, utilise mine methane and waste, rehabilitate disturbed lands, employ state-of-the-art anti-dust measures at ports and build state-of-art treatment facilities and closed water circulation systems at our production sites. All these measures help reduce environmental impact and comply with government regulations.

We also increase coal washing to reduce the environmental and carbon impact of our products during their transportation and use.

Changes over 2021

No change

Strategic priorities

Material matter

M5 Company's impact on local environment, social and economic development

Human resource risk

Failure to recruit and retain qualified personnel can result in missed production targets and increased costs. A decline in birth rates and underdeveloped housing infrastructure in the regions where we operate, plus a shortage of vocational training institutions and low levels of professional skills among graduates, complicate recruitment.

SUEK offers its employees fair remuneration, social support and attractive working conditions, and constantly improves employee incentives.

The company has employee training and professional development systems.

The company also supports talented vocational college and university students, providing them with employment opportunities at SUEK's facilities.

We also implement projects aimed at social development, including improving housing conditions in the regions where we operate. We are also making every effort to ensure the safety of our employees and help our regions in the fight against the pandemic.

Changes over 2021

No change

Strategic priorities

Material matters

M6 Labour relationships, incentives and staff training

M1 Financial stability and development prospects

Risk description | **Actions to mitigate the risk**

Health and safety risk

Mining, processing, energy generation and transportation are associated with an elevated risk of accidents and emergencies, which can occur due to geological factors, technical conditions and the action or inaction of individuals.

Major accidents can lead to investigations from state watchdogs resulting in the suspension of production, as well as a possible increase in reputational risk, the discontinuation of business partnerships or claims from the company's lenders for early loan repayments.

Every meeting of the Board of Directors and the HSE Committee starts with a review of health and safety issues, adjusting key tasks and activities in this area if necessary.

Our policies undergo regular internal and independent external audits, including by international agencies.

We provide training for our personnel and regularly monitor our employees' knowledge of industrial and labour safety. We analyse every injury sustained at our sites by our employees and contractors and propose actions to prevent similar accidents in the future.

All of the Group's facilities maintain general liability insurance against possible damage to life, health and the property of third parties.

Changes over 2021

No change

Strategic priorities

Material matter

M2 Industrial safety and emergency preparedness

Ensuring fire safety processes at our coal facilities

To reduce the risk of fire in mining and transport equipment at open-pit mines and other facilities, in 2021, we conducted a comprehensive fire audit of coal assets. Based on the results of the inspections, acts and instructions were drawn up for the improvement of processes. This exercise also contributed to the development of a corporate standard on Fire Safety Regulation and Policy, which is part of our HSE function transformation process.

Fire extinguishing systems were also installed on 61 units of pen-pit equipment.

83%

of open-pit equipment at SUEK's open-pit mines is equipped with automatic fire extinguishing systems

Strategic priorities

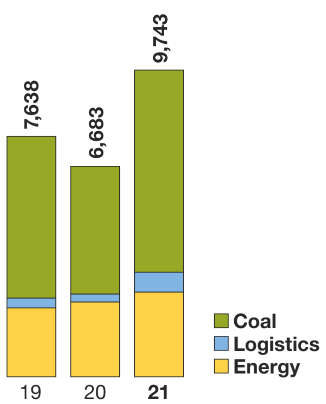
Stable balance sheet | Efficient growth | Operational efficiency | Sustainable development

Optimising our financial portfolio

Global economic revival and elevated demand for energy commodities enabled SUEK to enjoy the upside from robust prices and reach record financial results.

In 2021, **the Group's revenue** increased by 46% year-on-year to $9,743m. This reflected growth in all three business segments, with a particularly strong contribution from the Coal and Logistics segments, as coal indices increased more than twofold and railcar rates improved compared to 2020.

Group external revenue ($m)



Key financial figures

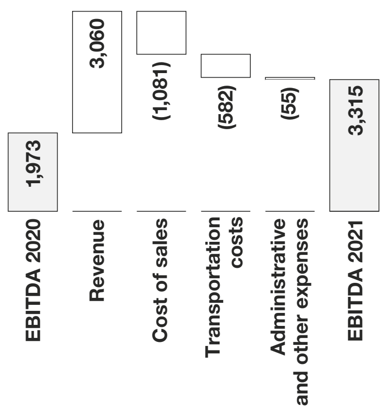
$m	2021	2020	%
Revenue	**9,743**	**6,683**	**46%**
Cost of sales	**(5,063)**	(3,846)	32%
Transportation costs	**(2,355)**	(1,762)	34%
Administrative and other expenses	**(212)**	(185)	15%
EBITDA	**3,315**	**1,973**	**68%**
EBITDA margin (%)	**34%**	30%	4 p.p.
Net profit	**1,462**	**194**	**654%**
Net margin (%)	**15%**	3%	12 p.p.
CAPEX	**1,020**	**965**	**6%**
Net debt	**5,809**	**6,819**	**(15%)**
Net debt/EBITDA ratio[1]	**1.7x**	3.3x	(1.6x)
EBITDA/interest expense ratio[1]	**13.9x**	6.8x	7.1x

1 Calculated in accordance with SUEK loan agreements.

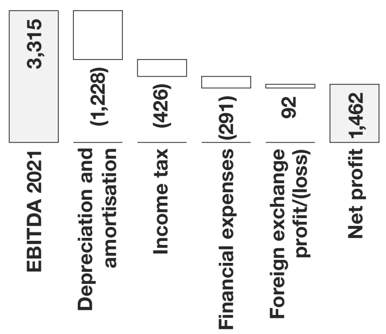
The Company's EBITDA for 2021 grew 68% to $3,315m supported by higher revenues, which were partially offset by a 32% rise in total costs due to increased volumes of purchased coal and other commodities for trading. Overall cost discipline enabled EBITDA margin growth to 34%.

The Group's net profit increased from $194m to $1,462m mainly as a result of higher revenues and foreign exchange gains, partially offset by higher income taxes.

EBITDA bridge ($m)



From EBITDA to net profit 2021 ($m)

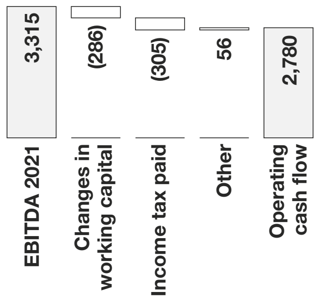


Operating cash flow reached $2,780m, allowing us to continue investing in our key strategic projects.

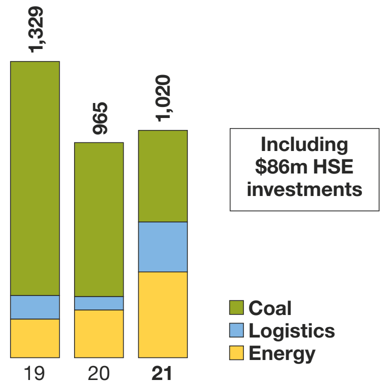
The Group's capital expenditures in 2021 amounted to $1,020m, while the major focus was on the development of our energy business, including the replacement of obsolete electricity and heat capacities with more efficient and environmentally friendly technologies.

For further information on our main CAPEX projects see pp. 49, 55, 63

From EBITDA to operating cash flow ($m)



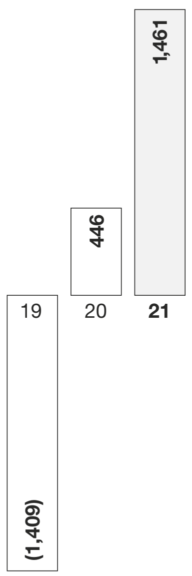
CAPEX dynamics ($m)



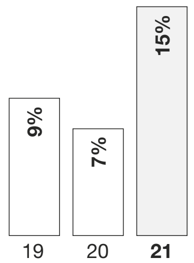
Free cash flow[1] more than tripled to $1,461m, compared to $446m in 2020.

ROCE increased by 8 percentage points to 15% in 2021 compared to 2020, reflecting the significant growth of operating profit in 2021.

FCF ($m)



ROCE



1 FCF is calculated as OCF minus ICF as defined in IFRS.

Key financial events

April 2021

Ba2

Moody's confirmed SUEK's rating at Ba2, upgraded outlook to 'stable'

"The stable outlook on SUEK's rating reflects Moody's expectation that the company will adhere to balanced financial policies, maintain moderate leverage and continue to generate positive post-dividend free cash flow."

BB

Fitch confirmed SUEK's credit rating at BB, upgraded outlook to 'stable'

"Stable Outlook reflects SUEK's new business profile as an integrated mining, logistics and energy-generation company that reduces earnings volatility and contributes to more stable cash flows."

June 2021

ruAA–

Expert RA upgraded SUEK's rating to ruAA– in line with its updated methodology; the outlook remains 'stable'

"Rating upgrade was positively influenced by the high stability of the energy segment assuaging the volatility of the coal segment, diversification of the client base and distribution channels, the geographical diversification of assets, as well as solid profitability and comfortable debt structure.
The credit rating also reflects Expert RA's expectation that SUEK will reduce leverage over the next two years."

September 2021

$500m

SUEK placed a debut Eurobond offering

Debut on the public debt market

In September 2021, SUEK successfully placed its first-ever international public debt offering, securing a $500m Eurobond transaction, maturing in September 2026, with a coupon rate of 3.375% per annum. The deal attracted more than 100 debt investors across Russia, Continental Europe, the United Kingdom, the United States, the Middle East and Asia. The share of international funds, management companies and banks amounted to 54% of the total issue.

SUEK's deal has been a milestone for debt capital markets for a number of reasons:

- It is the first debut Eurobond issue by a Russian company since 2019, which opened the markets after the summer vacation season and tested price levels
- It is the deal with the lowest coupon among Russian corporate borrowers of non-investment grade ratings
- It is the deal with the lowest coupon among Emerging Markets companies in the energy and metals and mining sectors

> The success of the placement reflects strong market fundamentals and investor confidence in our robust and diversified business model. The considerable market momentum and strong investor interest actually saw the book peak at over $1.8bn, giving us leverage to pin lending at 3.375%.
>
> **Stepan Solzhenitsyn,**
> Chief Executive Officer

Financial position and debt management

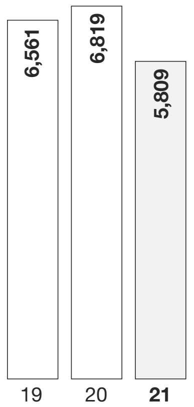
Net debt

The company's net debt as of 31 December 2021 was $5,809m.

The effective cost of borrowing, adjusted to the US Dollar rate, was 3.08% including hedging.

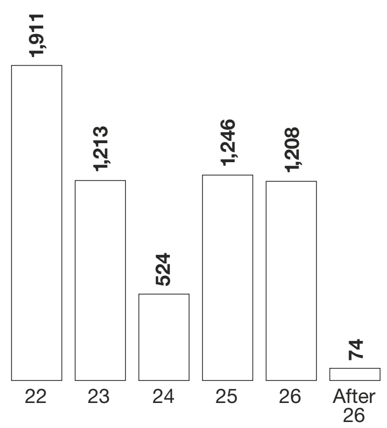
The largest share of the company's debt portfolio consists of international debt instruments, including traditional Dollar-denominated pre-export financing secured by international sales revenue, and project financing backed by export credit agencies. In addition, in September 2021, SUEK placed a debut issue of Eurobonds totalling $500m.

Net debt ($m)

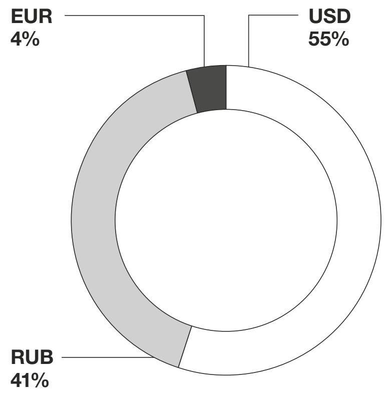


-$1,010m
(-15%)

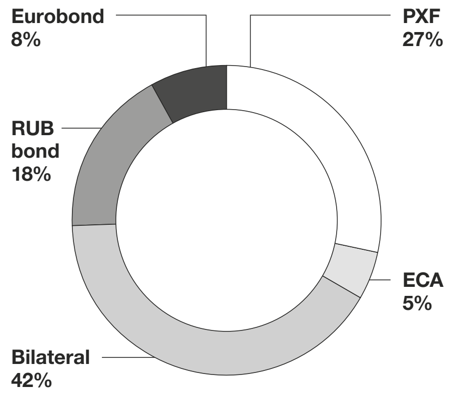
Loan maturity ($m)[1]



Currency debt structure as of 31 December 2021



Instrument debt structure as of 31 December 2021



1. Excluding bank commissions and interest accrued

Business Review – Energy

Providing affordable and secure heat and energy

#meeting customers' needs

"We choose SGC to connect our facilities to the heat supply system because SGC does it on a turnkey basis: it independently designs and builds heat networks, and does it on time. When selecting connection options, the developer has to look for a responsible contractor, as most often only a connection point is provided."

Ksenia Belousova,
Director of Algorithm Group, Altai, Russia

Our products

Stable capacity	Electricity and heat	Turbine generators
from regularly upgraded plants	produced in co-generation cycle	for nuclear, hydro and thermal power plants

Our advantages

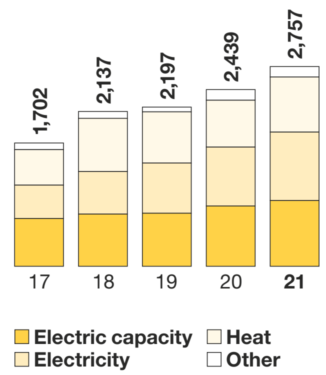
- >90% of our heat supply is generated by combined heat and power plants (CHPPs)
- Fuel is mostly supplied from our own local mines

Why this is important

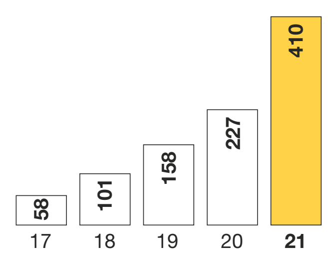
- Fuel savings and lower emissions of pollutants and CO_2, vs separate generation
- Ensuring fuel security and stock optimisation

Key indicators

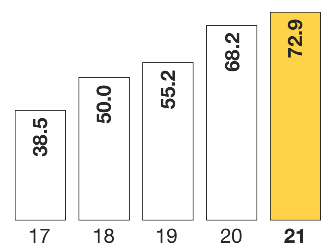
Revenue ($m)



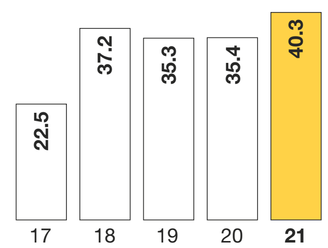
CAPEX ($m)



Electricity sales (TWh)



Heat sales (MGcal)



Strategic priorities

Increasing the co-generation of electricity and heat	Improving plant efficiency	Renovating heat networks to reduce heat losses and the number of accidents

Market review

Electricity market

In 2021, the total electricity generation in Russia (including isolated areas) amounted to 1,131 TWh, representing a 6% increase year-on-year.

In Siberia, demand for electricity rose by 4% year-on-year, to 217 TWh. In European Russia and the Urals, electricity consumption increased by 6%, to 830 TWh.

In all regions, the growth in electricity consumption was driven by the economic recovery after the COVID-19 recession, low air temperatures in winter and high summer temperatures, as well as higher exports of electricity to countries abroad.

In 2021, thermal power plant (TPP) output in Siberia decreased by 1% (to 88 TWh), which was mainly due to the increased electricity generation by Siberian hydroelectric power plants (HPPs) thanks to high water levels. TPP output in European Russia and the Urals rose to 561 TWh, an 11% increase compared to 2020, which was explained by the growth in consumption and exports. Power generation by Eastern IES TPPs in 2021 increased by 3% to 28 TWh, due to demand growth.

The price of electricity in the competitive sector (day-ahead market, DAM) in Siberia was 7% higher compared to 2020 levels, mainly due to higher prices in European Russia and the Urals.

DAM electricity prices in European Russia and the Urals increased by 16% year-on-year due to demand growth.

In the Far East, electricity is priced according to the tariffs set by the Federal Antimonopoly Service of Russia.

Capacity market

In 2021, capacity sales in Siberia remained virtually unchanged year-on-year and stood at 43 GW. The competitive price for capacity sales in Siberia increased by 21%, reaching 253,236.80 RUB/MW per month. This was caused by higher capacity demand in 2021, as compared to the previous year, during the competitive capacity take-off (CCT), and a price increase at the price points of the capacity demand curve.

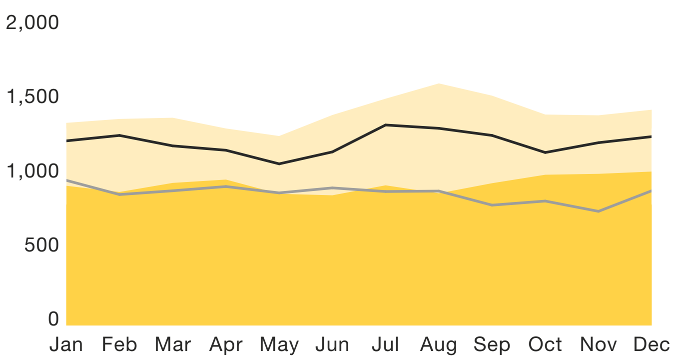
Capacity sales in European Russia and the Urals in 2021 amounted to 140 GW, having decreased by 5% year-on-year. At the same time, the competitive price for capacity sales in the reporting year also increased by 19% to 151,031.76 RUB/MW per month for the same reasons as in Siberia.

217 TWh
Electricity consumption
In Siberia in 2021

39%
Coal-fired electricity production
In Siberia in 2021

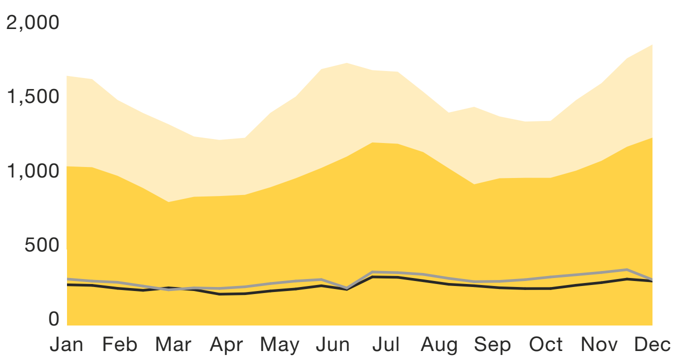
+1%
Installed capacity

Prices in the Russian electricity market (RUB/MWh)



European Russia 2021 | Siberia 2021
European Russia 2020 | Siberia 2020

Capacity price in 2021 (thousand RUB/MWh)



DPM capacity price (Siberia)
DPM capacity price (European Russia and Urals)
General market capacity price (Siberia)
General market capacity price (European Russia and Urals)

Business review

Siberian Generating Company is a leading electricity producer in Russia, accounting for 6% of electricity supplies, including 32% of all electricity supplies to Siberia. It is also the largest supplier of heat to the east of the Urals.

By continually connecting new customers to co-generated heat, in 2021 SGC supplied over 6 million people in the Sverdlovsk, Novosibirsk, Kemerovo, Altai, Krasnoyarsk and Primorye regions, Khakassia and Tyva.

The Group operates 26 coal-fired heat and power plants and 1 gas turbine power plant. The Group operates thermal power plants across eight Russian regions with a combined installed electric capacity of 17.6 GW, a combined installed heat capacity of 26,500 Gcal/h, and a heat transfer distribution network of over 11,000 km.

Since most of the Group's power plants are located in Siberia, where, because of extreme weather conditions, district heating is required for nine months of the year, most of these plants are co-generative, generating heat and electricity at the same time, which improves their economic and environmental efficiency per unit of energy. SGC's power plants consume coal mined from nearby deposits, mainly owned by SUEK, in addition to gas purchased from external suppliers.

In addition, SGC includes ELSIB, an R&D centre and producer of turbine generators for hydroelectric, nuclear and thermal power plants in Russia and other countries. ELSIB is the leader in the Russian market for the production of turbine generators from 60 to 130 MW.

2021 performance

Our electricity sales in 2021 amounted to 72.9 TWh, representing a 7% year-on-year increase, due to the expanded business scale and continued economic recovery, as well as elevated consumption during a colder winter and hotter summer than the previous year. Power capacity sales totalled 15.4 GW, 5% higher than in 2020 in response to increased demand.

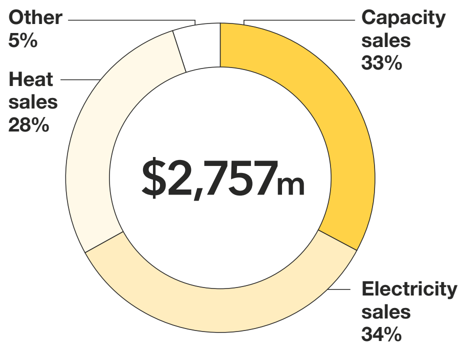
Heat sales rose by 14% compared to 2020, to 40.3 MGcal, also due to the prolonged heating season and colder winter and spring, as well as the addition of new heat customers and the replacement of obsolete local standalone boilers by co-generation.

The **Energy segment's revenue** grew by 13% year-on-year to $2,757m, driven by higher electricity prices and increased electricity and heat sales volumes on the back of demand recovery.

Cash cost of energy sold in 2021 totalled $1,889, up 14% year-on-year due to higher fuel consumption for increased electricity and heat output.

The **segment's EBITDA increased** to $779m, or by 4% compared to 2020, and operating profit amounted to $522m, despite RUB devaluation.

Energy segment revenue by product



Operational highlights

	2021	2020	Change
Sales			
Electricity (TWh)	**72.9**	68.2	7%
incl. reselling to the wholesale market	**4.8**	4.8	0%
Competitive market	**59.0**	54.7	8%
Regulated market	**13.9**	13.5	3%
Capacity (GW)	**15.4**	14.7	5%
Competitive market	**12.0**	11.4	5%
Regulated market	**3.4**	3.3	3%
Heat (MGcal)	**40.3**	35.4	14%
Generation			
Electricity (TWh)	**68.7**	63.7	8%
Heat (MGcal)	**49.6**	43.7	14%

Generation

SGC's electricity generation in the reporting year rose by 8%, to 68.7 TWh, due to:
- Higher load at Reftinskaya GRES due to a general increase in generation at TPPs in European Russia and the Urals against the backdrop of high electricity consumption and decreased HPP load
- Different IFRS reporting periods in 2020 for the purchased Primorskaya GRES and Krasnoyarskaya GRES-2

Heat supply from all plants and boiler houses grew by 14%, to 49.6 MGcal, as a result of replacing boiler houses with CHPPs and an expanded area of operations due to gaining new consumers in almost all of the cities where we operate.

The total heat load of new facilities connected in 2021 (more than 400) exceeded 250 Gcal/h. Connection leaders were Novosibirsk (29%), Krasnoyarsk (23%), Abakan and Barnaul (11-12% each).

We maintained our focus on maximising co-generation, enabling us to reduce our fuel consumption and emissions per unit of energy. During 2021, 92% of heat and virtually 100% of electricity were co-generated.

We continued switching consumers over from old standalone boiler houses to CHPPs. In 2021, customers of over 40 boiler houses in Krasnoyarsk, Chernogorsk (Khakassia), Belovo and Kemerovo (Kuzbass), Novosibirsk, Barnaul and Byisk (Altai) were transferred over to receiving co-generated heat from CHPPs.

The switched-over heat load of the closed boiler houses reached 530 Gcal/h.

Heat supply

In 2021, the company increased investment into upgrading and repairing its heat networks by 67% year-on-year in order to reduce heat losses and improve the reliability of its heat supply. In Krasnoyarsk and Kemerovo, investment into reconstructing and repairing heat networks was 2.3 times higher than in 2020.

In 2021, the cities of Abakan, Chernogorsk, and Ust-Abakan in Khakassia, and Kemerovo and the Belovsky urban district in the Kemerovo region were included in heat supply price zones, meaning that they became part of the long-term heat tariff setting.

The transition to this new heat market model enables SUEK to make long-term investments in the modernisation and development of heat supply systems in these cities.

By 31 December 2021, 10 of SGC's cities had switched over to the new model.

Investment projects

In 2021, our Energy segment's investment reached a record level of $410m.

The key development focus was on upgrades to our power plants and co-generation expansion under DPM-2, as well as the large-scale modernisation of heat networks to improve the reliability and energy efficiency of supplies. All projects also bring significant environmental benefits by reducing the emissions of pollutants and greenhouse gases per unit of output.

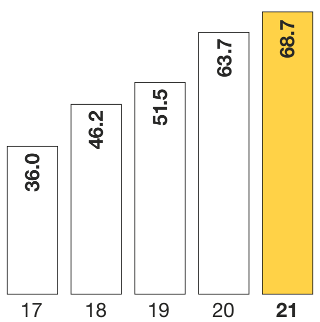
+8%
Electricity generation (2021 vs 2020)

92%
Heat supplied in co-generation mode in 2021

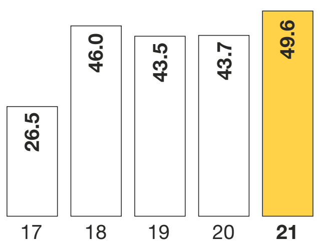
12%
2.1 GW of SGC's capacities were modernised under the DPM-1 programme

+25%
Another 4.6 GW will be upgraded by 2027 under the DPM-2 programme

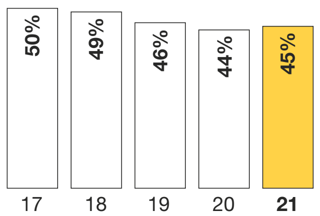
Electricity generation (TWh)



Heat generation (MGcal)



Installed capacity utilisation rate



Key capacity upgrade projects

State-backed CAPEX ensuring targeted return on investment

Major projects | **Effect**

Krasnoyarsk central heating upgrade

- Upgrade of Krasnoyarskaya CHPP-1 power equipment
- Installation of electrostatic filters
- Expansion of Krasnoyarskaya CHPP-3 capacity
- Upgrade of heat distribution networks
- Substitution of heat from old standalone boilers with heat supplies from CHPPs 1, 2 and 3

17% spent out of $720m CAPEX by 2025

Effect:
- More reliable heat supply
- Connection of houses and businesses from new city districts
- Fewer solids and carbon emissions

Primorskaya GRES upgrade

- Upgrade of all major equipment

<1% spent out of $430m CAPEX by 2025

Effect:
- Increase in capacity utilisation rate
- Improving reliability and safety of equipment

Tom-Usinskaya GRES upgrade

- Generating equipment upgrade
- Construction of cooling towers

6% spent out of $230m CAPEX by 2025

Effect:
- Improving equipment reliability
- Reducing water intake and related payments

2022 priorities

We will continue to increase our supplies of combined generated heat and electricity:
- Further replacement of boiler houses in Krasnoyarsk, Novosibirsk, Kemerovo, Kansk, etc.
- Modernisation of the boiler houses in operation in Barnaul, Biysk, Kansk and Rubtsovsk

SUEK will also continue to negotiate with authorities on transitioning to a modernisation programme for the heat supply facilities in the cities where the company operates, utilising long-term investment mechanisms provided by the price zone. The plans for 2022 include transferring a number of cities (Novosibirsk, Novokuznetsk, Nazarovo) to the price zones. We will continue to deliver investment projects as part of our transition to the long-term tariff, which represents an almost six-fold increase in heat supply investment compared to 2020.

We will continue to upgrade capital equipment at our power plants, including under the DPM-2 programme, at Krasnoyarsk CHPP-1 and CHPP-3 and Tom-Usinskaya GRES.

We will also further integrate and upgrade our new assets, the Krasnoyarskaya GRES-2 and Primorskaya GRES.

Business Review – Logistics

Integrated and seamless access to export and domestic destinations

Our services

- High-capacity railcar transportation
- Seaport transshipment
- Freight services

Our competitive advantages

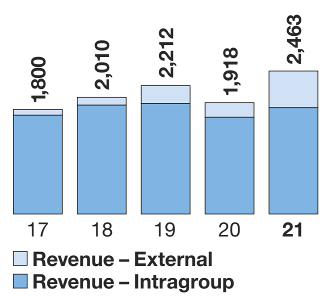
- Maximum control of the entire transportation cycle – integral logistical solution to the customer
- >80% self-sufficiency in transportation
- >60% high-capacity railcars
- Using the best available techniques – minimising environmental impact

2025 strategic targets

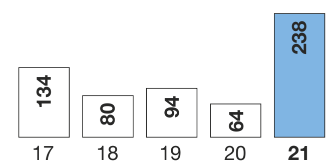
- Expanding port capacity to support growing exports
- Increase in third-party shipments to optimise asset utilisation and generate additional revenue

Key indicators

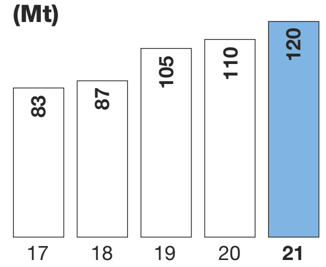
Revenue ($m)



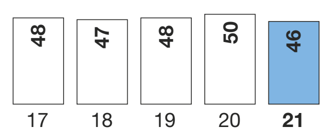
CAPEX ($m)



Railcar transportation (Mt)



Port transshipment (Mt)



Strategic priorities

- Providing the shortest path to customers
- Fast and environmentally friendly transshipment
- Accelerating railcar turnaround

Market review

The COVID-19 pandemic threatened the existence of many players in the international logistics market. In 2021, many restrictions were lifted. However, cargo transportation remained unstable. The outbreak of coronavirus in the Chinese seaport of Shenzhen in May 2021 caused interruptions in global container traffic and a leap in freight rates.

Transshipment

The cargo turnover of Russian seaports in 2021 amounted to 835 Mt, up 2% year-on-year, due to a 14 Mt increase in coal transshipment. Dry cargo transshipment totalled 413 Mt (+2%), including 203 Mt of thermal and metallurgical coal (+8%).

The cargo turnover of Arctic seaports decreased slightly to 94 Mt (-2%), of which dry cargo accounted for 29 Mt and liquid bulk cargo for 65 Mt.

In the Far Eastern Basin, cargo turnover totalled 224 Mt (+1%), of which dry cargo accounted for 149 Mt and liquid bulk cargo for 76 Mt.

The highest rates of dry cargo transshipment growth were at the ports of Taman, Ust-Luga, and Nakhodka.

Freight market

The dry bulk freight rate in 2021 was boosted by fleet inefficiency caused by the pandemic. The congestion level at Far East discharge ports remained high with different kinds of COVID-related restrictions in place. The power shortage starting at the end of September caused a squeeze in the market and pushed freight to record-high levels, which had not been reached since 2010. The production cut and the struggling property market in China caused the market to cool towards the year end.

Railway transportation

In 2021, rail freight traffic on the Russian Railways network rose by 3% year-on-year. Loading amounted to 1.3 Bt, which is close to pre-COVID indicators. Growth drivers in 2021 were coal, which showed an increase of 5% with a total loading volume of 372 Mt, fertilisers, with an increase of 4% and a volume of 65 Mt, and ferrous scrap (+14%, 16 Mt).

Coal represented 52% of export cargo traffic in 2021, with petroleum products accounting for 22%, ferrous metals for 7%, fertilisers for 7% and grain for 2%.

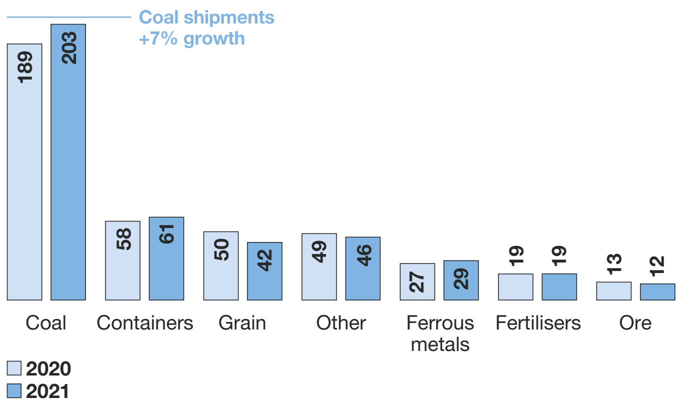
In 2021, container rail traffic increased by 12% year-on-year to 6.5 million TEU (twenty-foot equivalent unit), which was a record high with chemical and mineral fertilisers, manufactured goods, ferrous metals and grains showing the highest growth dynamics.

Gondola railcar lease rates

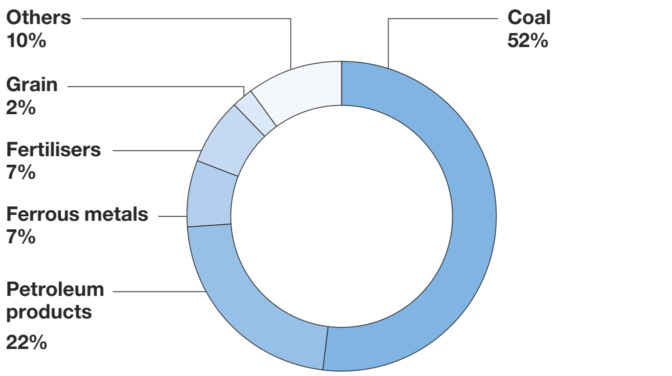
In the second half of 2021, there was a strong demand for gondola cars, leading to a shortage in the market. As a result, gondola car rates increased from RUB 700-1,000 per railcar per day at the beginning of the year to RUB 2,000-3,000 or higher in the second half of the year.

This growth in demand and rates was caused by an increase in coal transportation against the backdrop of rising global prices, the ongoing major infrastructure projects in Russia, which required additional traffic volumes, the railway network situation, which impacted the growth in railcar turnaround, and changes in transportation geography. In particular, in the second half of 2021, coal from Kuzbass, Khakassia and Buryatia was shipped to ports in the south and northwest of Russia. Weather also had a negative impact, causing a temporary interruption in transportation along the Trans-Siberian Railway.

Dry cargo transshipment at Russian seaports (Mt)



Structure of railcar deliveries to export-bound ports (Mt)



Business review

National Transportation Company (NTK), established in late 2020 combining the logistics assets of SUEK and EuroChem, now ranks among the top 3 Russian stevedoring companies, the top 5 gondola car operators, and second in terms of the high-capacity railcar fleet. NTK is the No. 1 coal operator in terms of daily capacity, network utilisation and empty run optimisation.

NTK, which has comprehensive high-tech railway and port infrastructure, is focused on the quick, cost-efficient and environmentally safe delivery of bulk and special cargo.

Own railcar and port infrastructure satisfies over 80% of SUEK Group's transportation needs.

NTK's ports are directly connected to the key railway lines in Russia, and they lead the field in terms of vehicle handling speed.

The Murmansk Commercial Seaport, located in Russia's northernmost ice-free sea harbour, is No. 1 in cargo delivery through the Northern Sea Route.

Vanino Bulk Terminal (Daltransugol), our specialised terminal in the Far East, can fit large-capacity Capesize vessels. Thanks to its high-tech equipment, it is capable of unloading more than 1,000 railcars a day and loading over 100,000 tonnes a day onto sea vessels.

In 2021, NTK's share in the Maly Port in Nakhodka, Russian Far East, reached 100%.

Murmansk and Tuapse Bulk Terminals handle mineral fertilisers and mining products.

All ports are equipped with the latest environmental safety systems (dust suppression and wastewater treatment).

Over the past three years, NTK has increased the transportation and transshipment of third-party cargo, including iron ore, fertilisers, crushed stone and Arctic cargo. In 2021, third-party cargo took up a 23% share in NTK's client portfolio.

120 Mt

of cargo transported by railcars in 2021

46 Mt

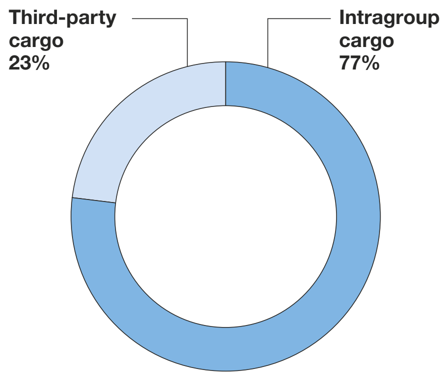
transshipped in 2021, including 10 Mt of non-coal cargo

Operational highlights (Mt)

	2021	2020	Change
Rail shipments on public tracks	**120.3**	**109.8**	**10%**
Transshipment through own ports	**45.7**	**50.3**	**(9%)**
By product			
Coal	35.3	39.7	(11%)
Other cargo	10.4	10.6	(2%)
By port			
Vanino Bulk Terminal	19.0	23.2	(18%)
Murmansk Commercial Seaport	15.2	16.4	(7%)
Murmansk Bulk Terminal	5.4	5.7	(5%)
Tuapse Bulk Terminal	1.6	1.6	0%
Maly Port	3.5	3.4	3%
Port of Sillamäe[1]	1.0	–	–

1 The port is under management.

Key customer groups of NTK



SUEK's loading and railway infrastructure gives us one of the best loading and unloading speeds in Russia. This infrastructure includes 746 km of railway track, 16 internal loading stations and approximately 190 locomotives, providing access to the national railway network.

In 2021, SUEK became the leading dispatcher of heavy trains towards Far Eastern ports. The trains followed a shorter route, which reduced the load on the transport infrastructure, accelerated the rolling stock turnaround and lowered energy consumption and CO_2 emissions.

As of late 2021, NTK's railcar fleet under management includes 53,300 gondola cars, and 68% of the fleet is high-capacity railcars designed to meet SUEK's specifications, with 75 and 77 tonne capacity and a service life of up to 32 years. They reduce energy consumption per tonne of transported products and, therefore, the carbon footprint of transportation.

NTK accounts for 11% of cargo transported in gondola cars in the Russian Federation (No. 3 in Russia).

Not having an excess railcar fleet, NTK attracts railcars from third-party operators to meet the demand from intragroup customers.

2021 performance

Cargo transportation of NTK in railcars along the Russian Railways network in 2021 grew by 10% to 120.3 Mt year-on-year, including 39 Mt of non-coal cargo towards export ports and back, to optimise empty runs. The growth was supported by the diversification of transported goods and an increase in deliveries to SGC's power plants.

Transshipment at NTK's ports decreased by 9% to 45.7 Mt due to both a reduction in coal transshipment caused by rail infrastructure bottlenecks and diversified port use to provide optimal transportation routes. At the same time, non-coal cargo transshipment, including iron ore, fertilisers, ammonia and Arctic cargo, remained virtually unchanged and exceeded 10 Mt, with an increased 23% share in the total transshipment.

In 2021, the **Logistics segment's revenue** increased by 28% to $2,463m, including intragroup revenue of $1,831m and external revenue of $632m, which almost doubled because of higher railcar lease rates.

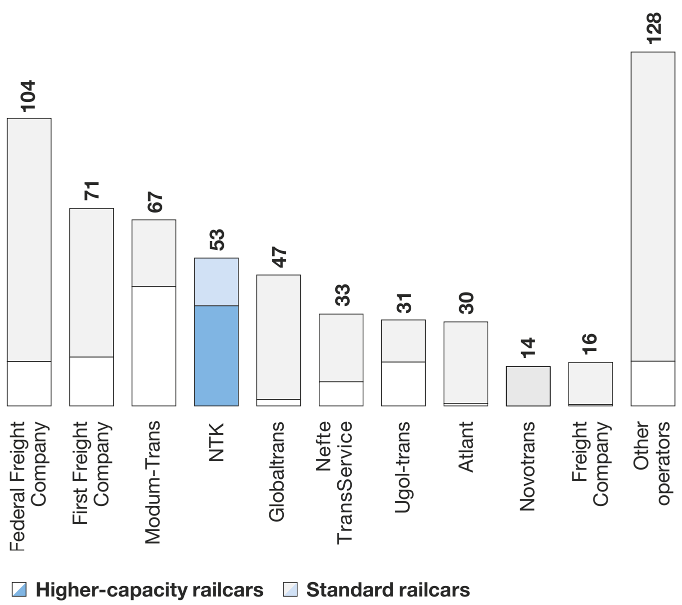
Revenue growth contributed to a 21% growth in the Logistics segment's **EBITDA** to $704m.

The **overall costs in the Logistics segment** rose by 28% mainly due to higher rail transportation and freight costs.

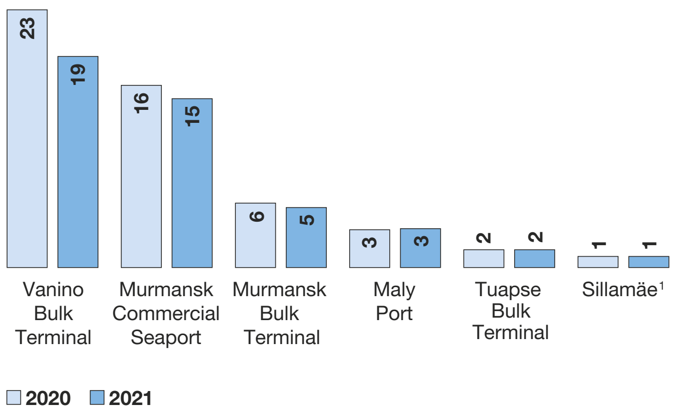
Specific transportation costs in RUB increased against the backdrop of growing operator tariffs. This was caused by a shortage of railcars generated by operational problems in the Russian railway system and railway infrastructure constraints in the east. The impact on Dollar costs was offset by the weaker Rouble.

The cost of **transshipment through our own ports** stood at $3.0 per tonne.

Number of gondola cars under management of the largest operators in 2021 (thousand units)



Transshipment (Mt)



1 Under management.

Investment projects

Investment in the Logistics segment in 2021 rose to $238m, as the main development project, the expansion of the Vanino Bulk Terminal to 40 Mt, entered its active phase.

Vanino Bulk Terminal expansion to 40 Mt

– Construction of a new pier and new storage areas

10% spent out of $390m CAPEX by 2025

Anticipated effect

– Meeting the growing needs for transshipment towards the Asia-Pacific region

We are also expanding the Murmansk Commercial Seaport and Bulk Terminal to meet the growing demand for dry cargo transshipment towards the Atlantic market, in particular fertilisers. In April 2021, the Murmansk Bulk Terminal set a monthly record (232,000 tonnes) for fertiliser transshipment due to process optimisation.

At Maly Port, we completed the construction of dust shields and treatment facilities to minimise the environmental impact. During the year, the port berths were reconstructed and dredging activities completed; at present, the port can handle ships with a deadweight in excess of 40,000 tonnes. This work, along with repairs to handling equipment, made it possible to expand the port's capacity to 4 Mt. In the future, the plans are to develop internal and external railway infrastructure to further boost cargo turnover and enhance the routing of empty cars.

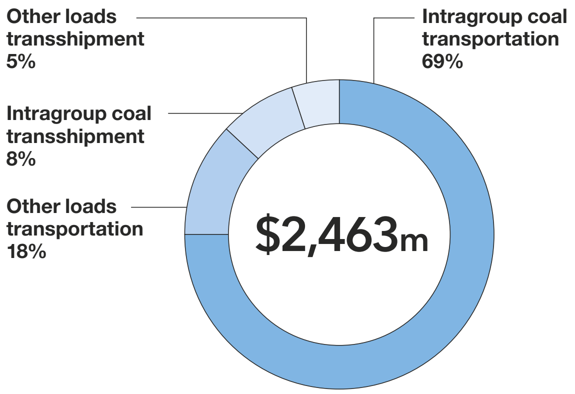
Our priorities for 2022

NTK aims to develop transport solutions by expanding its cargo base, services and geography of operations, to increase the number of external clients in its portfolio and develop its system of long-term contracts.

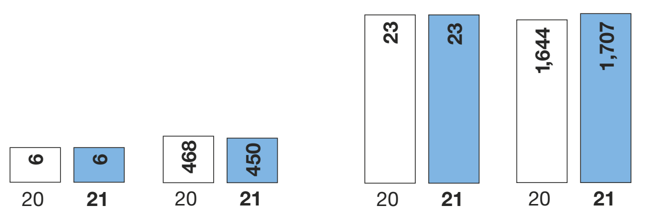
We will continue to deliver projects that improve our operational efficiency and quality of services:
- Optimisation of routes and railcar loading, including by transporting third-party cargo on circular routes to reduce empty mileage
- Development of technology in cooperation with Russian Railways to accelerate the turnaround of railcars
- Reducing downtime
- Increasing the use of high-capacity railcars on routes to Far Eastern ports to maximise port loading and the benefits of this rolling stock type
- Cutting rising railcar repair costs by optimising the planning and selection of depots, and controlling the wear of all main components

We will also continue with our key investment projects:
- Vanino terminal expansion to 40 Mt
- High-capacity railcar fleet expansion
- Equipment upgrades at Murmansk and Maly ports
- HSE projects at Murmansk and Tuapse Bulk Terminals

Segment revenue

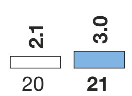


Rail transportation cash costs



Port operating cash costs

($ per tonne)



Business Review – Coal

Focus on premium coals in growing export markets

and on efficient internal coal deployment for energy generation

#meeting customers' needs

"I've been working with SUEK AG since 2008. For me it is important to have a reliable partner on my side until coal exits the City of Hamburg in the year 2030. The schedule, the coal quality and mainly the performance are the most important attributes for our power plants. Being the district heat supplier for the City of Hamburg our most important mission is to supply the people in Hamburg with district heating, no matter at what time or weather, and we choose SUEK as our most reliable partner."

Ulf Janischewsky,
Procurement Manager
Conventional Fuels, Hamburger Energiewerke GmbH

Our products

High-calorific value coal with low sulphur and nitrogen content	**Metallurgical coal** for stable markets	**Low-ash coal** for local power plants	**Smokeless briquettes** for private households

What makes us different

>50% of high-quality coal is produced in close proximity to Asian markets	Fleet of railcars and port infrastructure managed by SUEK	One of the largest coal sales networks

Why this is important

Ensuring SUEK is the No.1 Russian exporter to premium markets	Ensuring control of route to market	Ensuring we are always able to find the market with the highest net-back price

2025 strategic targets

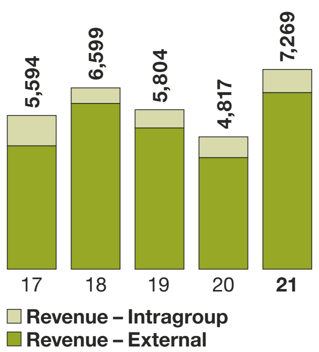
Increasing market share in premium markets	Maintaining our position at the lower end of the global cost curve

Strategic priorities

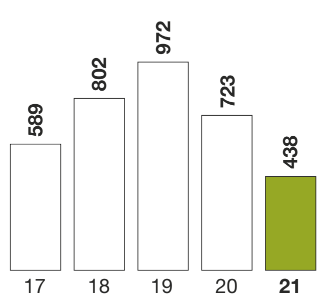
Safe and efficient production, extraction, processing and trading	Increase output of high-calorific value coal
Flexible production approach in case of price downturn	Cost advantage and margins through strategically located assets and integrated logistics

Key indicators

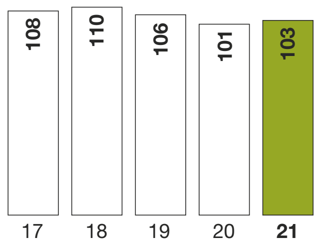
Revenue ($m)



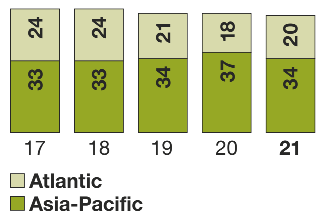
CAPEX ($m)



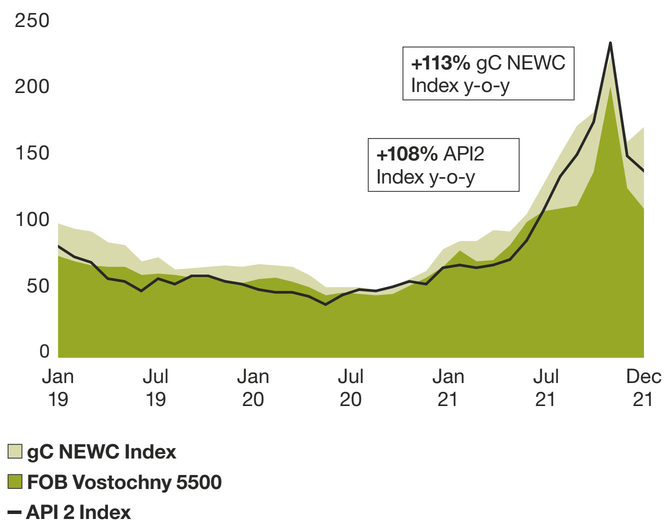
Coal production (Mt)



International coal sales (Mt)



Thermal coal price indices ($ per tonne)



Market review

International coal market

Coal market consolidation in 2021 was driven by a number of factors that combined to push coal indices to their highest levels since 2008. Among the main drivers were increased consumption due to the recovery of the global economy from the pandemic, unusually hot weather that stimulated energy consumption, rising prices for natural gas and disruptions in supply from key exporting countries.

At the start of 2021, coal prices had already recovered from the lows observed in mid-2020 and continued to gradually recover during the first half of the year, but accelerated during summer as supply tightness set in. By October, we witnessed record-high prices with gC NEWC Index reaching $250/t and DES ARA spiking even further to $300/t whilst the QHD (domestic Chinese price) skyrocketed to above RMB2,000/t.

Overall seaborne thermal coal market sales grew by 6% to 1 Bt.

Demand

In 2021, as COVID-related lockdowns eased, rapid economic recovery, especially in China and Southeast Asia, boosted demand and prices for energy resources, including coal, while stimulus measures supported steel, cement and other industrial products.

Seaborne imported coal demand in **Asian countries** in 2021 rose by 5% and reached 839 Mt.

Premium Asian markets
Premium markets accounted for 32%, or 272 Mt, of all coal purchases in Asia.

Japan increased its coal imports on the back of high LNG prices and high utilisation of coal-fired power plants due to insufficient nuclear power generation.

The maintenance of a number of nuclear power stations and the recovery of business activity in **South Korea** also supported demand for imported coal in the second half of the year.

Taiwan's imports growth was restricted by severe coronavirus restrictions and a slowdown in industrial activity in the second half of the year.

China
China increased coal imports by 23% to 254 Mt due to the energy crisis, which emerged in July and was the result of a combination of factors in the domestic and export markets. In the domestic market, tighter environmental restrictions and periodic safety inspections at coal mines weighed heavily on Chinese coal miners' performance, which, coupled with a recovery in energy consumption, caused a sharp shortage of coal by the summer, the country's seasonal peak in electricity consumption.

China's continued ban on coal imports from Australia and the outbreak of COVID-19 at the border with Mongolia forced China to diversify its import deliveries.

India
India slightly increased coal imports, to 164 Mt, after lifting coronavirus restrictions on economic activity in several regions of the country. Coal India Ltd, the largest domestic coal producer, repeatedly emphasised a shortage of locally produced coal and the need to import additional volumes amid declining stocks at the terminals of India's largest coal ports.

Southeast Asia
Southeast Asian countries increased thermal coal imports by 5% to 149 Mt. The ongoing commissioning of new coal-fired power plants contributed to an increase in deliveries to **Vietnam** by 5% to 51 Mt, to **Malaysia** by 4% to 36 Mt, to the **Philippines** by 15% to 31 Mt, to Singapore by 29% to 0.7 Mt and to **Myanmar** by 59% to 0.5 Mt. **Cambodia** and **Thailand** cut import by 10% and 1%, respectively, as their severe coronavirus restrictions impacted demand from local energy companies.

Atlantic
In **Europe**, the price of thermal coal to be delivered in 2022 reached its highest level since 2008 thanks to strong demand from power plants and a sharp reduction in stocks. Amidst rising gas prices, European electricity producers returned to coal-fired generation, but coal supplies to Europe from Australia, South Africa and Colombia were restrained.

In 2021, EU countries increased the purchase of coal by 12% year-on-year to 105 Mt. Record low temperatures in the winter of 2020-2021 and an unexpectedly hot summer season led to European gas storages depleting to 10-year lows. Low wind generation observed in the EU in Q3 2021 became an additional incentive for the growth of imported coal purchases.

Demand for thermal coal in the **Middle East** almost doubled to 28 Mt because of higher consumption in Jordan, Oman and Lebanon. At the same time, Israel reduced its purchases by 36% due to a number of new climate initiatives.

African countries imported 61% less coal in 2021 due to weak supplies to Togo and Morocco amid coronavirus restrictions and sagging electricity demand, along with a number of renewable energy projects in Morocco.

Supply

Disrupted coal deliveries from Australia (flooded railway to the port), from Indonesia (flooded mining areas), from South Africa (train derailment and blocked road to the port) and from Colombia (social conflicts and blockade of a major coal mine) resulted in limited supply.

Coal supplies from **Indonesia** increased by 22 Mt (+5% on 2020) stimulated by demand from Chinese energy companies seeking to offset the shortage of imported coal from Australia and Mongolia. However, periodic flooding in the southern provinces and the tightening of export laws by the Indonesian government could reduce supplies in the short term.

Thermal coal exports from **Australia** rose by 4% on the back of a favourable pricing environment.

Coal exports from **South Africa** fell by 13% due to accidents on the railway line connecting the country's coal provinces and the port of Richards Bay, as well as social instability in the region.

The growth of **Colombian** exports by 4 Mt (+9%) is explained by higher production rates at the Cerrejón and Prodeco mines after strikes and disruptions in 2020.

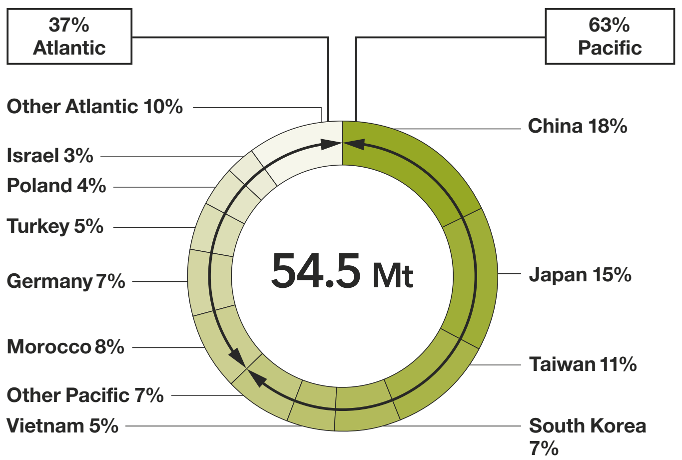
The **US** exported 40 Mt of thermal coal, up 34% from last year. Strong demand in the Asia-Pacific markets and high coal indices favourably affected export volumes.

#meeting customers' needs

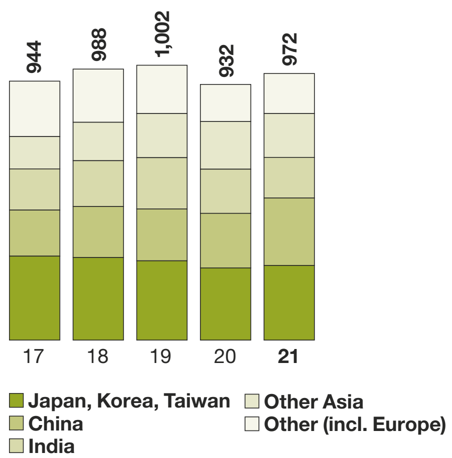
I have personally had a relationship with SUEK since 2007. POSCO Energy's key criteria for choosing contractors are good quality, economic feasibility, supply stability, and trust in the company. As Russia's largest coal producer, SUEK been reliable in fulfilling its contractual obligations for many years. SUEK also has the advantage of being able to supply fuel quickly in case of emergency via Russia's largest coal export port in the Far East. Local engineers are satisfied with SUEK's coal compared to that of other competitors.

Joo Ho Kim,
POSCO Energy

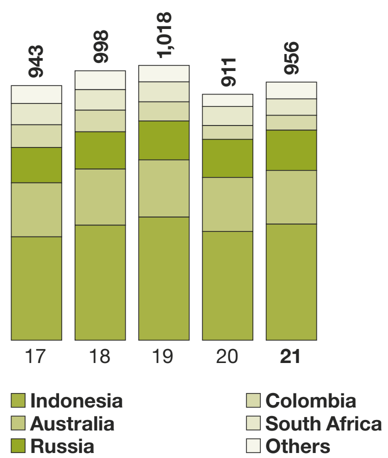
SUEK's international sales in 2021 by markets (Mt)



Seaborne thermal coal demand by country (Mt)



Seaborne thermal coal supply by country (Mt)



Russian coal market

Mining

In 2021, Russian thermal coal production increased by 8% year-on-year to 337 Mt. Hard thermal coal production grew by 9% compared to 2020, to 262 Mt, exceeding pre-COVID levels. Russia exports a significant portion of its high-quality coal. Meanwhile brown coal production, which is mostly consumed locally, increased only marginally.

Domestic market

In 2021, Russian thermal coal demand increased by 1% to 115 Mt. Coal consumption by generating companies was limited by elevated generation at Siberian hydroelectric power plants because of high water levels, alongside grid restrictions on electricity flow from Siberia to the west. Power generating companies received 72 Mt of coal (45 Mt of brown coal and 27 Mt of hard coal). Coal deliveries to public utilities for heating increased by 11%, to 22 Mt, driven by relatively low winter temperatures and a long heating season.

Thermal coal imports to Russia totalled 22 Mt. Kazakhstan remained the main exporter of thermal coal to Russia; it supplied coal mainly to thermal power plants in the Sverdlovsk and Chelyabinsk regions.

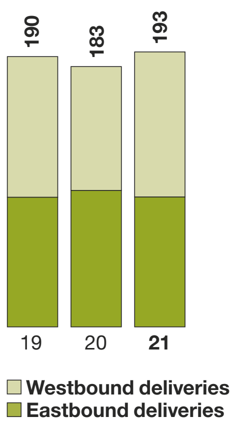
Export

Thermal coal exports from Russia, including seaborne and landborne deliveries, in 2021 grew by 6% and reached a record level of 193 Mt.

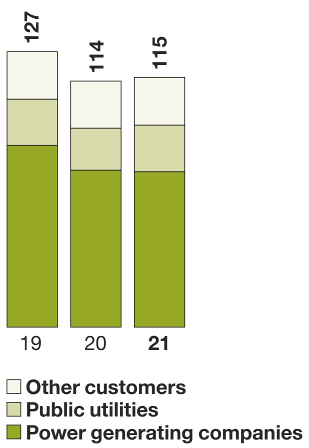
Unlike the previous years, the increase in exports was directed to the west. Thermal coal shipments to ports in the northwest and south of Russia rose by 19% to 85 Mt, whereas export shipments to the CIS countries and Eastern Europe through land border crossings were up by 10% to 17 Mt. Sea shipments of Russian thermal coal to the largest Atlantic consumers – the Netherlands, Germany, Turkey and Morocco – grew significantly in 2021.

Eastward shipments were restricted by railway infrastructure constraints. An increase in export shipments of coking coal to the east resulted in a drop in thermal coal exports of 5% to 91 Mt. Coal transportation to eastern ports amounted to 85 Mt, and transportation to China through land border crossings was 7 Mt. To overcome eastward railway constraints, Russian thermal coal deliveries to the Asian markets through western seaports doubled from 6.6 to 13 Mt. In total, China, South Korea, Japan, Taiwan, Malaysia and India remained the largest consumers of Russian thermal coal in 2021. Rapid growth in demand for Russian thermal coal was observed in China, due to a shortage of domestic fuel supplies and a ban on coal imports from Australia in 2021.

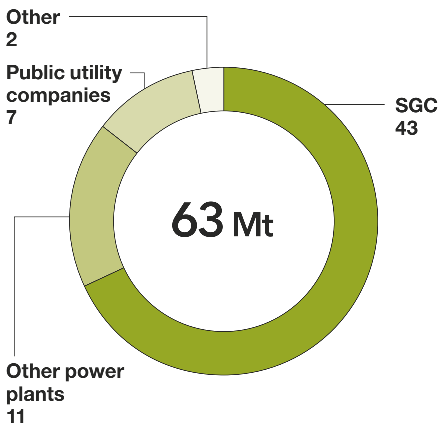
Russian thermal coal supplies to the international market (Mt)



Thermal coal supplies to the Russian market (Mt)



SUEK's domestic coal sales by consumers (Mt)



Business review

SUEK has access to 30 more years' worth of high-quality raw materials and ranks fifth in the world in terms of **coal reserves** (7.5 billion tonnes).

Coal mined by SUEK has a low nitrogen and sulphur content. Through processing, we are able to significantly reduce the ash content, increase the calorific value and enhance the environmental characteristics of our products, which ensures they meet the requirements of the consumers with the highest standards, for example from Japan, South Korea and Taiwan.

In 2021, SUEK maintained its leading position in the premium coal market. A diversified portfolio of commercial products enables us to benefit from a rapidly changing market environment both domestically and globally.

The company mines and washing plants produce high-quality **hard coal** in Kuzbass, Khakassia and Buryatia, which are favourably located to ship both towards eastern and western ports. In the context of tougher environmental restrictions in the EU countries on the one hand, and growing competition for the logistics of the Baikal-Amur Mainline and the Trans-Siberian Railway among exporters to the Asia-Pacific markets on the other, this location enables us to flexibly move commodity flows, maximising use of railcars, port assets and revenues. In addition, Urgal production facilities in the Khabarovsk region have a short transport distance to the eastern ports, which, in comparison with the closest competitors, makes it possible to minimise the transportation costs of our products.

We mine **brown coal** in the Krasnoyarsk region, Zabaikalye and Primorye, supplying it locally, mostly to own power plants.

Our Kirov washing plant in Kuzbass produces **metallurgical coal**, which is in demand by steel companies both in Russia and abroad.

Chernogorsky WP produces **sized coal** for household use in Poland, Turkey and other countries.

#meeting customers' needs

NCSC is the sole importer of coal to Israeli power plants. Our main goal is to supply coal in accordance with the quality requirements and ensure timely coal deliveries without interruption.

During our long cooperation with SUEK, which spans over 13 years, we have seen that SUEK places the highest priority on fulfilling its obligations, both in supplying quality coal as per requirements, and in arranging coal transportation to agreed time schedules. SUEK is characterised by a very high level of service and a professional team. We appreciate its ability to find quick and reliable solutions to any problem.

Moshe Bornstein,
President & Chief Executive Officer,
The National Coal Supply Corporation (NCSC)

Operational highlights (Mt)

	2021	2020	Change, y-o-y
Mining	**102.5**	**101.2**	**1%**
By product type			
Hard coal	**67.8**	67.7	0%
Brown coal	**34.7**	34.5	1%
By mining method			
Open-pit	**73.3**	74.5	(2%)
Underground	**29.2**	26.8	9%
Washing	**44.3**	**44.2**	**0%**
Sales	**119.5**	**114.0**	**5%**
International coal sales	**54.5**	**55.1**	**(1%)**
Asia-Pacific market	**34.0**	37.1	(8%)
Atlantic market	**20.5**	18.0	14%
Iron ore, petroleum coke and other sales	**2.0**	**1.3**	**54%**
Domestic sales	**63.0**	**58.9**	**7%**
to SUEK-owned generating facilities	**42.7**	37.1	15%
to other consumers	**20.3**	21.8	(7%)

SUEK is mostly self-sufficient in repairing and manufacturing various parts of equipment. **Large service branches** of the company, the Sib-Damel, Borodinsky and Chernogorsky repair and mechanical plants, carry out repair operations and produce substitution units.

An important element of the company's business model is the **logistics** of transporting its commercial products to end consumers. Thanks to our own and managed railcars, port facilities and freight contracts we are able to deliver products safely and on time.

See more details on p. 50 (Logistics segment review)

Our **sales and distribution network** in the international market is represented by SUEK AG, which has a network of representative offices and subsidiaries in countries that are strategically important for the Group. It enables us to supply coal to customers from over 40 countries around the world without intermediaries. In the Russian market, the Group delivers coal to large energy and industrial companies as well as small and medium-sized consumers through its sales unit.

2021 results

In 2021, SUEK's sales of coal and other commodities totalled 119.5 Mt, up 5% year-on-year.

International coal sales rose by 1% to 54.5 Mt, with more rapid growth limited by rail infrastructure bottlenecks, which the Russian railway system is addressing in its investment programme. Sales of iron ore, petcoke and other commodities reached 2 Mt.

SUEK's supplies to the Asia-Pacific region accounted for 63% of the company's international sales amounting to 34 Mt, with key destinations in China, Japan, Taiwan, and South Korea. Atlantic sales grew by 2.5 Mt to 20.5 Mt, with the largest volumes supplied to Morocco, Turkey, and Germany.

Metallurgical coal sales were flat at 2.7 Mt. Sized coal sales, including through our own distribution networks in Russia, Poland, the Baltic states and Turkey, decreased to 2.8 Mt.

Coal sales to the domestic market expanded by 7% to 63 Mt, as captive supplies to own power plants grew with increasing business scale.

Total revenue for SUEK's Coal segment grew by 51% year-on-year to $7,269m, boosted by strong energy market fundamentals.

The unit **cost of the Group's coal sold** was stable, at $14 per tonne, as the company traditionally focused on cost control.

Increased revenues helped **the segment's EBITDA**[1] to grow to $1,832m, with higher prices improving business marginality.

Mining

In 2021, our assets produced 102.5 Mt of coal, representing a 1% year-on-year increase.

We scaled up hard coal production in Kuzbass, Khakassia and Urgal to make up for the decrease in production in Buryatia amid logistics problems to satisfy the demand for our high-quality coal. We also increased coal production in Krasnoyarsk and Primorye for captive supplies to meet the needs of SGC's growing business.

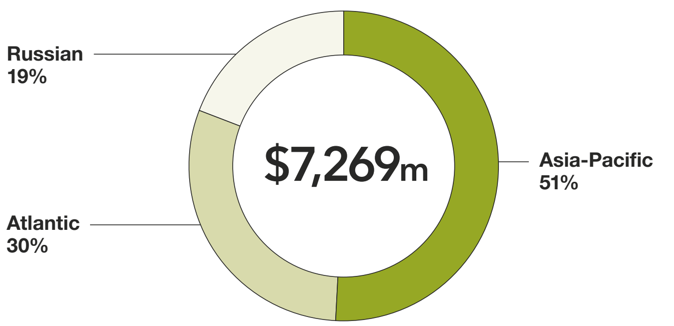
Washing

SUEK sustains a large volume of washing operations to fulfil its plans to maximise the rate of production of high-quality coal and decrease our environmental and carbon footprint. In 2021, we improved washing rates significantly at the Kirov and Chegdomyn washing plants, while Tugnuisky WP decreased volumes in line with lower mining facing railway bottlenecks.

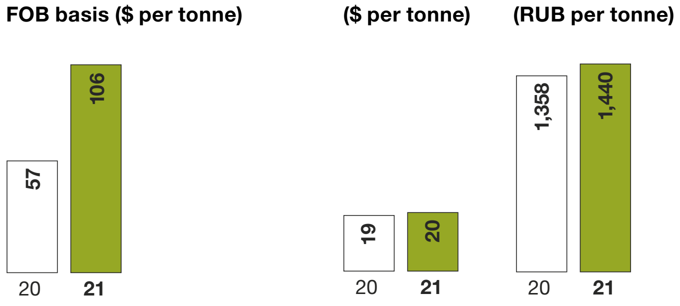
120 Mt

Coal, petroleum coke and other products sold

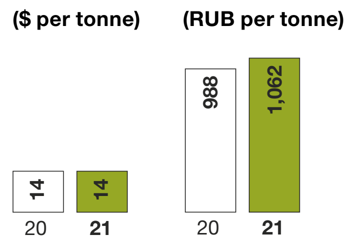
Revenue of Coal segment by market



Average price of coal sold



Cash cost of coal sold



1 Coal segment EBITDA includes the EBITDA of the corporate centre (-$45m).

Investment projects

In 2021, we continued to invest in strategically important projects aimed at maximising sales of high-margin high-quality coals and meeting new environmental regulations.

Urgal development

– Developing high-CV coal output at Urgal mines and washing plant

59% spent out of $229m CAPEX by 2024

Effect

– Development of Far Eastern mining and washing assets, located beyond key railway bottlenecks

Operational efficiency projects

– Project approach to longwall planning and construction
– Optimisation of work of conveyor belts
– Introduction of systemic approach to maintenance

Effect

– $30m cost saving

Our priorities for 2022

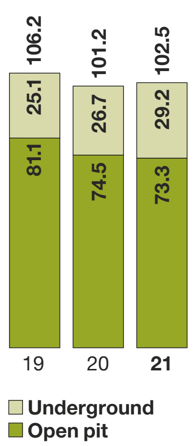
Within our coal business, we are focused on developing our most efficient assets, increasing the share of washed high-CV coal through the construction of new washing plants and developing new environmentally friendly products such as coal briquettes.

Traditionally, a significant emphasis is placed on reducing our environmental impact, so in the next few years, treatment facilities will be completed at all company assets and these will fully comply with water treatment requirements. Investing in operational safety has always been and will continue to be a priority for the company.

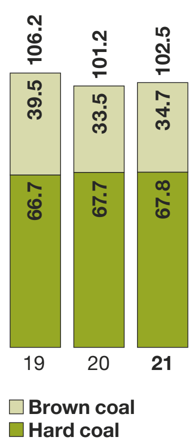
Our future projects include:

– Increasing production and sales of thermal coal with a calorific value of more than 5,800 kcal/kg, washing more coal at Chegdomyn WP and Kirov WP and developing coal quality management systems in Buryatia and Kuzbass
– Further developing our high-potential mining assets such as the Pravoberezhny and Severnaya mines in the Far East, and Yalevsky, Taldinskaya Zapadnaya-2, November 7th mines in Kuzbass
– Expanding georeferencing systems in our underground mines
– Switching from transporting materials and people to the mine using monorail and ground transport (travelling at a speed of 2-3 km/h) to using more efficient pneumatic vehicles (with a travel speed of 20 km/h)
– Expansion of operational efficiency projects at production units in Kuzbass, Urgal and Buryatia. The planned effect will be about $80m, the total estimated potential for initiatives 2022–2025 is more than $100m.

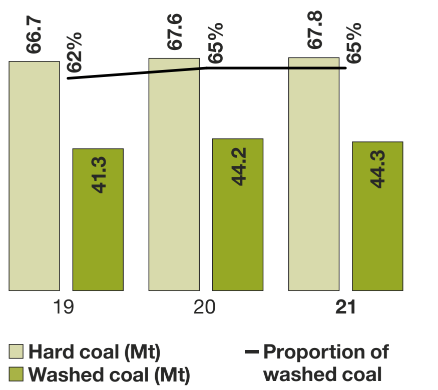
Production by mining method (Mt)



Production by type of coal (Mt)



Share of washed coal in proportion of hard coal



Our approach to sustainability

Continuous focus on sustainable development

These past two years have clearly shown how important it is to support local communities and generate positive input. Thus, SUEK paid special attention to the needs of employees, customers, suppliers and locals to improve the quality of products and services, and support employment as well as living standards for current and future generations.

Michael Hogan,
Chairman of the HSE Committee

Strict control of our environmental impact and introduction of the best available techniques

M5 Company's impact on local environment, social and economic development

p. 68 Environment

Improving energy efficiency and delivering projects to reduce our carbon footprint (methane utilisation, replacement of boiler houses, reforestation, etc.)

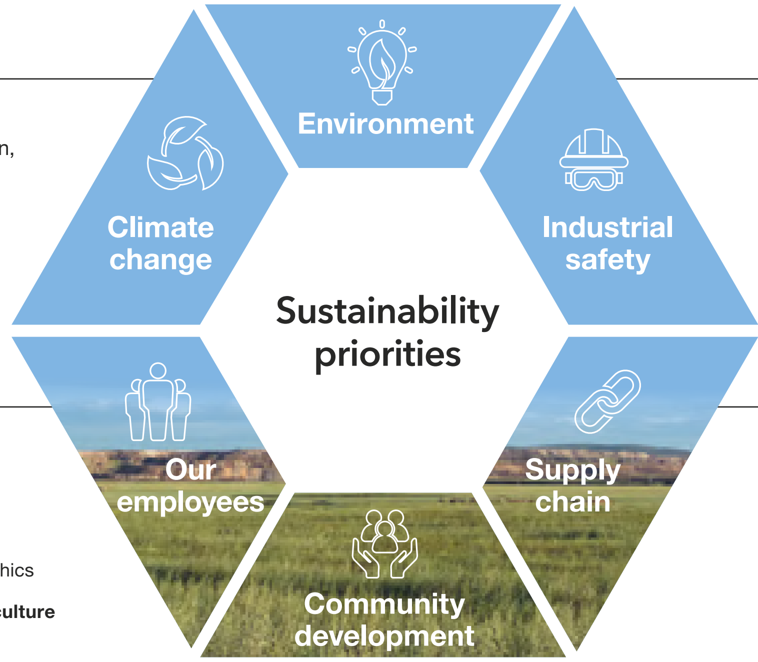
M7 Climate strategy

p. 75 Climate change

Reducing occupational injuries by improving our safety culture and introducing innovations

M2 Industrial safety and emergency preparedness

p. 78 Health & safety



Respecting rights and freedoms and providing employees with development opportunities

M6 Labour relationships, incentives and staff training

M10 Mutual adherence to business ethics

p. 84 Our people and corporate culture

Long-term mutually beneficial relationships with our stakeholders and strict product quality control

M3 Product and service quality

p. 89 Supply chain

Contributing to the life of local communities by supplying heat and electricity, creating new jobs, purchasing from local suppliers, paying taxes and running social programmes

M5 Company's impact on local environment, social and economic development

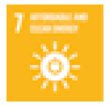
p. 93 Community development

M Material issues

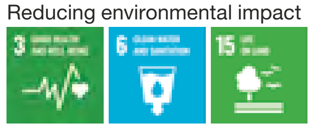
UN SDGs

Key SDGs

Affordable and clean energy



Reducing environmental impact



Reducing greenhouse gas emissions

Other supported SDGs

Key international principles and standards

Our approach to sustainability and disclosure in this area is guided by key international principles and standards, including:

UN Global Compact

ISO 26000 (Guidance on Social Responsibility)

Global Reporting Initiative (GRI) Standards

Social Charter of Russian Business

SUEK companies are systematically audited for compliance with the following international standards:

ISO 45001 Occupational Health and Safety Management System

ISO 14001 Environmental Management System

ISO 9001 Quality Management System

ISO 50001 Energy Management System

ISO 55001 Asset Management System

ISO 37001 Anti-Bribery Management System

ISO 19600[1] Compliance Management System

1 In 2021, the standard was updated and renamed to ISO 37301. Recertification under the updated standard will take place as planned in 2022.

Our approach

SUEK supplies heat and electricity to millions of people, provides jobs in 14 regions of Russia, and delivers its products to dozens of countries around the world. We understand our responsibility and do our best to maintain the sustainability of our business at all stages of the operating cycle.

Certain goals within the framework of the UN SDGs are particularly important for us as they are most relevant to the sectoral orientation and strategy of the company, as well as the interests of SUEK's stakeholders.

Among our employees we promote the concept of sustainable development across all stages of the company's business cycle. All our investment projects include risk assessments in the fields of health, safety and environment, the development of necessary personnel competencies, the protection of cultural and natural values, and coordination with local regulatory authorities and public consultations.

We have introduced advanced digital analytics tools to create the safest workflow for our employees, the natural environment and local communities, as well as comprehensive monitoring of impact indicators.

Our educational and social programmes help our employees and the residents of the regions where we operate develop their skills and fulfil their potential. This helps eliminate inequality and supports the development of urban and social infrastructure.

Sustainability management

The Board of Directors and management regularly review ESG issues at corporate and Board meetings.

Various Board committees oversee the implementation of SUEK's sustainability strategy in the areas of health, safety and the environment, with attention paid to climate issues, energy efficiency and ethics relating to strategic decision-making, senior management remuneration and reporting to external audiences.

The main responsibility for the development and implementation of our ESG strategy lies with the Group's CEO. The HSE Officer supports the CEO by overseeing the implementation of strategic plans, the development and introduction of policies and standards and the mitigation of key sustainability risks. SUEK's dedicated regional departments pursue and improve our sustainable development activities.

Risk management, compliance and stakeholder engagement are elements integral to our sustainability strategy. Risk management contributes to the achievement of strategic goals and guarantees sustainable growth in the long term. Compliance and an open dialogue help us to find effective solutions that take into account the interests of all stakeholders.

Sustainability risk management

Sustainability risk management is part of the company-wide risk management system covered by corporate standards. We pay special attention to assessing our impact when delivering new projects or introducing new technologies at our assets.

The most significant ESG risks are those in the area of health, safety, the environment and HR. We also take into consideration the climate agenda, which may affect our operations or business reputation. In 2021, we began the inventory of Scope 1 and Scope 2 emissions and the development of a climate strategy.

For more details on our risk management system, see p. 108

We are also committed to providing high quality disclosure of ESG information to all stakeholders. In the reporting year, we engaged an external auditor to verify non-financial information in this Report for the first time.

For more details on all verified indicators, see p. 149

Sustainability management structure

Board of Directors

- HSE Committee
- Nomination and Compensation Committee
- Strategy Committee
- Audit Committee

Group level
- Overseeing sustainability strategy implementation

Group's Chief Executive Officer

Dedicated departments

- HSE Department
- HR Department
- PR Department
- Compliance Department

Head office
- Strategic planning
- Development of corporate-wide policies and standards
- Management system improvement
- Operational management

General Directors at production units

Dedicated departments

- Local HSE services
- Local HR services
- Communications services
- Compliance Department

Operational level
- Daily operations and reporting

How SUEK assesses risks when launching new projects and technologies

1 Receiving licence to operate and internal assessment
- Evaluation of current environmental state of the territory
- Evaluation of potential impact of the company's operations:

Air pollution | Water pollution | Soil pollution | People's quality of life | Biodiversity | Cultural heritage

- Development of environmental monitoring and impact control programme

2 New project/technology approval
- Conducting public hearings
  - Discussion with stakeholders
  - Making changes to the technical documentation of the project/technology
- Receiving final approval from the relevant state authority

3 Project/technology implementation
- Strict control of impact on environment and population
- Taking corrective measures

4 Project/site closure
- Implementing compensation and rehabilitation measures
- Implementing activities related to employee transfer plan

Environment

Continuous focus

Our strategic priorities related to environmental protection are linked to the UN SDGs and focused on the rational use of resources and the preservation of natural ecosystems.

2021 results

0
environmental accidents

62%
of SUEK's assets passed external audits

63%
reused waste from mining operations

-7%
water withdrawn compared to 2020

Detailed environmental indicators can be found in the GRI tables on p. 152

2021 priorities

- Obtaining integrated environmental permits for our production assets as a confirmation of using the best available technologies (BAT) at the company's facilities
- Updating the internal environmental audit procedures to prevent violations identified by supervisory authorities
- Introducing an updated contracting standard
- Developing a programme to increase the share of reused and recycled waste in the Energy segment

Our regulatory framework

- Russian environmental laws
- SUEK's Environmental Policy
- SUEK's Energy Policy
- SUEK's Compliance Policy
- SUEK's Coal Quality Policy
- ISO 14001
- Bettercoal Code
- UN Global Compact
- Projects recommended by the environmental impact assessment of the Russian Federation

All of our policies can be found on the company's website

Our approach

We strive to reduce the impact of our operations by improving our environmental management and using responsible manufacturing practices.

Our approach to environmental safety is enshrined in SUEK's Environmental Policy developed in accordance with Russian and international laws, the ISO 14001 international standards and the precautionary principle.

Our environmental management principles are also set out in the Company's Compliance Regulation of Licensed Activities and Environmental Management and Compliance Policy. Environmental risk management is integrated into our corporate risk management and compliance systems.

Our corporate environmental control system covers all stages of SUEK's operational cycle: from deposit development and coal mining to product transportation and transshipment and the generation of electricity and heat.

Find more details on SUEK's environmental measures through the operational cycle on our website

For more details on our risk management system, see p.108

The environmental management systems of our assets undergo regular recertification for compliance with ISO 14001 international standards, along with audits by independent Russian and international organisations. The Vanino Bulk Terminal and Murmansk Commercial Seaport have the Platinum Certificate of Compliance with the Clean Port environmental standard.[1] In the reporting year, we initiated a recertification audit for compliance with ISO 14001 at the Borodinsky open-pit mine and the Krasnoyarsk CHPPs, and passed the regular online audit of our coal assets by Bettercoal.

In addition, we are developing a system of internal environmental safety audits, which combines comprehensive and risk-based approaches. This helps us to ensure environmental measures across all assets are kept up-to-date, while focusing on units carrying the highest risk and mitigating environmental risks at early stages.

We carefully monitor our compliance with Russian laws and ensure we hold the relevant permits to operate. As of the end of 2021, SUEK had 98% of the required permits, with the remainder currently in progress.

Our environmental CAPEX in 2021 totalled $30m. Thanks to the systematic work of our environmental services and our employees, the company caused no major environmental accidents or incidents[2] in the reporting year.

Contribution to UN SDGs

SDGs	SUEK's contribution
6	Construction of treatment facilities to maintain or improve water quality in areas where water treatment is below the required standards or restore water bodies
12	Strict control of resource consumption in terms of production and stocks, use of innovations and the best available techniques to optimise asset utilisation and reduce environmental impact, setting up closed-loop systems to increase the share of reused resources
14	Fish release into water bodies used for production purposes
15	Land rehabilitation and biodiversity
17	Involvement of public and local authorities in the preparation, discussion and implementation of environmental actions; participation in international projects preventing climate change and preserving biological diversity

Vanino Terminal certified under ISO 14001

Vanino Bulk Terminal seeks to achieve maximum performance with minimal impact on the environment.

The port is implementing a comprehensive environmental programme, and the priority remains the adoption of measures aimed at preventing dangerous environmental consequences. It is equipped with state-of-the-art technologies to prevent dust and protect local biodiversity:

- Dust suppression systems including sprinkling equipment and fog-generating units
- Vacuum cleaners
- Automatic irrigation of intra-port roads
- Environmental monitoring systems

Vanino has already passed audits from international customers and for the first time in 2021 was certified for compliance with both Russian and international requirements relating to cargo transshipment at seaports and its ability to control production risk factors.

1 The standard is a set of environmental safety rules for seaports that transship bulk cargo, and certification is voluntary.
2 The term 'major environmental accident' describes an accident with an estimated environment impact of at least 10 billion RUB (~$140m).

Environmental assessment of contractors

SUEK includes compliance with environmental requirements as a prerequisite in its agreements with contracting organisations. Compliance with SUEK's environmental policies and requirements is mandatory for all the contractors and subcontractors working at our production sites. We monitor all our contractors throughout the entire period of their engagement, and non-compliance leads to contract termination. In the reporting year, there were no significant cases of environmental damage at our facilities. In 2021, we updated the standard, adding new rules that we ask our suppliers to follow.

Stakeholder engagement

When planning a new operational site, expanding production facilities or introducing new technologies that are subject to state environmental impact assessment, we conduct a comprehensive environmental assessment. This involves informing our stakeholders about planned projects and their possible impact on the environment, and also holding public consultations. Any relevant suggestions received during these public consultations are taken into consideration when adjusting our project parameters.

Promoting environmental awareness

SUEK inspires environmental awareness and responsibility in its employees and local residents:

- By developing the skills of relevant company employees through the exchange of best practices within the company and involving external experts
- By training SUEK's production personnel to understand new environmental protection measures, reporting forms and certification conditions, as well as the current requirements of regulatory and supervisory authorities
- Corporate volunteer programmes

Management system

The Board of Directors' HSE Committee and SUEK's CEO monitor the implementation of the environmental safety strategy and environmental protection activities. Each company division has a dedicated department in charge of improving environmental management and all relevant activities.

Environmental KPIs are established for management and operational employees and include such indicators as zero industrial environmental accidents, the provision of permits, the increased reuse of waste, etc.

Air protection

At all of our assets, we monitor the air in the sanitary protection zones involving both our own or third-party accredited laboratories.

Minimising pollutant emissions

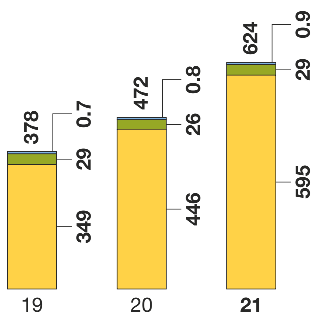
The main emissions in coal-fired power generation are NO_X, SO_2 and particulate matter that affects air quality. To minimise these and improve the environmental situation in the cities where we operate, we:

- Use dust-collecting equipment (electrostatic precipitators, cyclone collectors), which catches up to 99.7% of fly ash and other solids
- Replace old boiler houses with the heat supplied from our CHPPs, which are equipped with ash filters
- Introduce advanced low-emission coal burning technologies

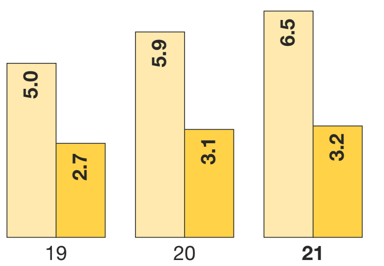
In 2021, we continued to develop the Krasnoyarskaya CHPP-3 capacity, replacing ineffective and polluting boiler houses. At Krasnoyarskaya CHPP-1, we commissioned four new electrostatic precipitators. One of the largest projects was to transfer Belovo consumers from boiler houses to the Belovskaya GRES.

In 2021, emissions of major air pollutants increased due to the inclusion of relevant data for power plants purchased in 2020 for the full-year reporting period, as well as overall higher power output in 2021 compared to 2019 and 2020.

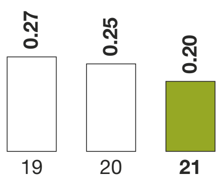
Emissions of major air pollutants (thousand tonnes)[1]



Pollutant emissions per unit of energy



Pollutant emission from coal facilities (kg/tonne)



1 The new energy assets purchased in 2019-2020 were not included in 2019 results, partially included in 2020 results and fully included in 2021 results.

24/7 emission monitoring

In 2021, we put into operation a 24/7 emission monitoring system at three Krasnoyarsk power plants.

The monitoring system is used to continuously collect smoke samples inside the stacks. All of the data is recorded online, in the Environment section of SGC's website, and transmitted immediately to the Krasnoyarsk region's Ministry of Ecology; as the data accumulates, any time interval can be isolated for analysis.

The graphs show measurements for five substances: nitrogen oxides and dioxides, sulphur dioxides, carbon monoxide and particulate matter. These make up 95% of all emissions from Krasnoyarsk CHPPs.

Online monitoring data helps not only to monitor the atmosphere in Krasnoyarsk, but also to evaluate the effectiveness of upgrades to SGC's assets, for example, the Krasnoyarskaya CHPP-1.

Following completion of the pilot project, the company decided to install these sensors at other power plants.

Completion	Coverage	Investment
2029	+30 stacks	$20m

Suppressing dust

We seek to minimise coal dust at all stages of our operating cycle, from mining to power generation and transshipment at ports, in order to ensure safe working conditions for our employees and protect nearby areas from dust.

We use the best available techniques at all our production sites:

- Sprinkling equipment and fog-generating units at our open-pit mines and ports, and protected telescopic conveyors for coal loading at washing plants, ports and power plants
- Dust vacuum cleaning machines and vehicles

We construct dust and wind shields at our ports to prevent the wind from blowing away the dust.

At Murmansk Commercial Seaport, these shields now surround the entire land perimeter. At Vanino, the first stage of shield construction is underway; at Maly Port, the project is 90% completed.

We also run an environmental dispatcher's office at Murmansk port that monitors and forecasts the environmental situation. We will be introducing a similar system based on the existing local monitoring information system at Vanino, as part of our strategic project to increase transshipment to 40 Mt.

Water management

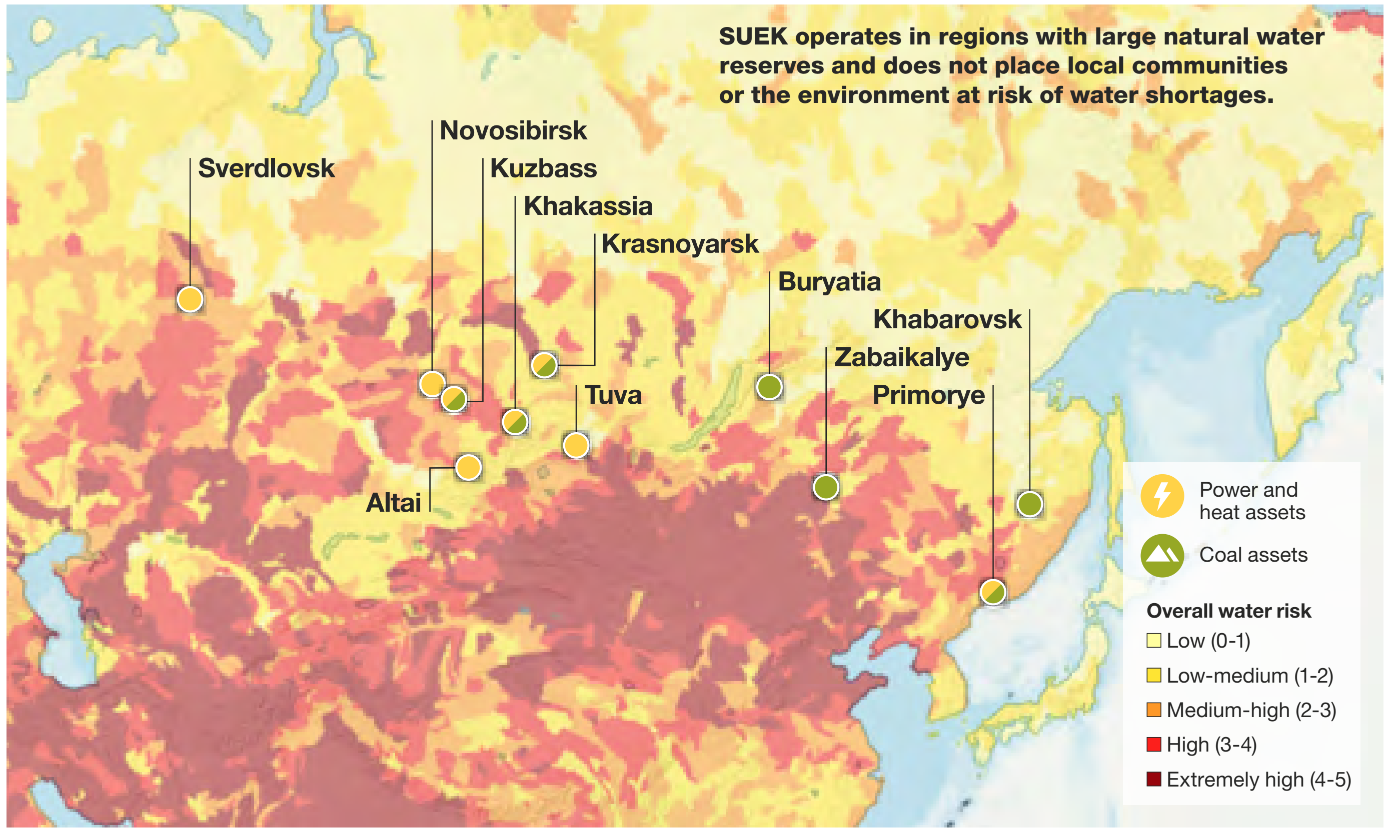
SUEK does not use water from vulnerable or state-protected sources, or from sources of particular importance to local communities or to biodiversity.

Optimising water consumption

We seek to maximise the reuse of pumped out quarry water. For example, this can be used instead of water from water intakes at the processing plants.

The main use of water resources at our Energy segment is related to the cooling of power plant equipment. To optimise water consumption, we install modern metering sensors at pumping stations that withdraw water to meet the plants' requirements, and circulate water at the plants themselves. In 2021, these devices were installed at the pumping station serving Novosibirsk CHPP-2 and CHPP-3. The new metering equipment makes it possible to more accurately correlate the volumes of water use with the operating modes of the stations.

In 2021, we started construction of the first of three cooling towers at Tom-Usinskaya GRES, which will cool waste water from the turbine condensers, and then return it back to the production cycle. Thanks to the cooling towers, the volume of water intake from the Tom River will decrease, which will significantly reduce the plant's impact on the river.

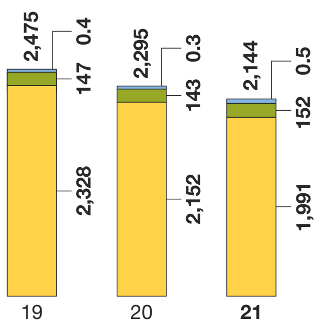


At 77% of our power plants, water is directed to the circulating system for hydraulic ash removal, which prevents the discharge of industrial water from ash dumps into water bodies.

Water is used for coal washing and dust suppression during the production and transportation of coal. Most of SUEK's washing plants and ports use circulating, closed water supply systems. At the Murmansk Seaport, storm water is collected, treated and used for spraying in dust suppression systems. Vanino Bulk Terminal has a circulating water supply system, which makes it possible to use purified water for firefighting and dust suppression.

The majority of water consumed and discharged by the company's mining facilities is natural water (with characteristics typical of local groundwater) that is pumped out of mining areas to ensure safe operations. In 2021, we completed the commissioning of equipment installed at the Tugnuisky and Nikolsky mines, which will make it possible to use approximately 60% of the treated quarry water from these mines for dust suppression and the production needs of the Tugnuisky WP.

Total water withdrawn (million m³)



The Russian regulating system requires discharged wastewater to meet a quality far superior to groundwater and even superior to drinking water by some indicators[1].

1 The requirements are established in the guidelines N MP 2.1.0246-21 on ensuring sanitary and epidemiological requirements for the maintenance of the territories of urban and rural settlements, for water bodies, drinking water and drinking water supply, atmospheric air, soils, residential premises, operation of industrial, public premises, organisation and implementation of sanitary and anti-epidemic (preventive) measures.

Wastewater treatment

As part of SUEK's Environmental Strategy, the company builds or renovates wastewater treatment facilities for cleaning mine, quarry and storm water to meet the stringent regulatory requirements.

More than half of the company's coal facilities are equipped with advanced treatment facilities, and we continue to progress planned upgrades and the construction of additional facilities at all of our assets. In 2021, we completed the construction at the November 7th and Komsomolets mines and continued work at the Berezovsky, Yalevsky, Tugnuisky and Severnaya mines.

No water used for power plant turbine cooling comes into contact with the contaminated circuit, therefore, the water we return to water bodies is in as a good condition as when it was extracted. Water quality is closely controlled – at the point of water intake, spillway, and 500 metres above and below the discharge point. We also monitor the efficiency of the treatment facilities.

In sea ports, water used for anti-dust equipment and rain water is collected, purified at local treatment facilities and reused.

SUEK monitors discharged wastewater at all production units on a monthly basis, in compliance with its industrial environmental control plan. Water analysis is carried out by both our own laboratories and accredited third party laboratories. Sampling is also carried out during external audits.

> 99%

of SUEK's waste is virtually non-hazardous[1]

1 Hazard classes 4 and 5 according to Russian classification.

Waste recycling

The majority of waste at the power plants is ash and slag. To reduce our ash and slag storage needs, we aim to use these waste products for economic purposes such as land reclamation, including mined-out open pits, road construction, and the production of cement and other building mixtures.

In 2021, we began developing a strategy for the use of ash and slag waste, which will help us move closer to waste-free production. It will cover target tasks to increase ash and slag waste involvement in the economic turnover of the country, define tasks for the modernisation and construction of systems for the selection and shipment of fly ash, and describe new, promising, high-margin, innovative areas for processing ash and slag.

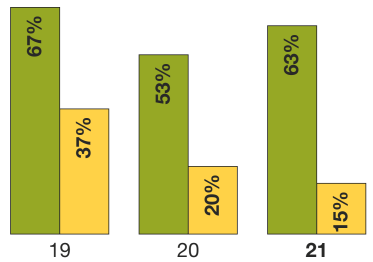
The waste we produce in coal mining is overburden and enclosing rock. This waste is for the most part also used for reclamation purposes related to mining operations and for external dumps which are subject to reclamation.

The little waste that remains (oils, scrap, batteries, etc.) requires special treatment and is transferred to dedicated organisations for neutralisation. In order to reduce waste sent for disposal, our Zabaikalye facilities use thermal recycling, processing organic waste, industrial rubber articles, polymers, oil sludge, bitumen, roofing felt, waste oils, and medical, wood and other carbon-containing waste. In Khakassia, we operate an upcycling plant. Worn dump-truck tyres are converted into new products such as tiles for injury-free sports coatings and rubber granules for road surfacing.

At some assets in Khakassia and the Krasnoyarsk region, in 2021 we organised pilot sites for separate waste collection, which is then transferred to dedicated enterprises for processing.

In 2021, we generated 623,261 thousand tonnes of waste, including 623,257 thousand tonnes of non-hazardous waste (overburden waste and ash and slag), and 4 thousand tonnes of hazardous waste.

Used and recycled waste



Ash dump management

SUEK continuously monitors the condition of ash and slag waste dumps in order to assure their safety. The ash dumps are hydraulic structures and subject to Russian legislation which imposes strict requirements on their operation. At least once every five years, we carry out a comprehensive assessment of their safety levels to meet our regulatory requirements and to report to state bodies.

We regularly monitor the safety of these facilities, including the water level in ash dump beds and piezometric wells, through regular depth measurements and other checks. At least once every five years, we engage specialised independent organisations to analyse the safety of SUEK's hydraulic structures. In addition, the Russian state industrial safety watchdog Rostekhnadzor monitors the state of our ash dumps during scheduled and unscheduled inspections. Inspection-based corrective actions have top priority.

For each facility, we have created financial and material reserves for possible accidents, with civil liability insurance contracts covering our hydraulic structures.

Land rehabilitation

We run extensive reclamation projects on land disturbed by SUEK's mining projects while the deposit is being developed. As we start mining operations, we carefully remove the topsoil and this is then stored. Once mining operations have been completed, we backfill the holes, restore the landscape, and replace the fertile topsoil, where we plant grass, trees and bushes.

In 2021, a total of 888 hectares was disturbed, while 238 hectares of disturbed lands were reclaimed.

Asset closure

Unlike many other industrial uses of land, mining has a limited lifespan and must be rehabilitated at the end of its life cycle. We require every coal asset to have a closure plan, including progressive remediation and financial security, to ensure a responsible exit.

Our businesses are obliged to consult with local communities on the development of closure plans and to monitor the social risks and opportunities associated with closure.

Biodiversity conservation

SUEK recognises the importance of maintaining biodiversity and is guided by the concept of biodiversity, regulated by international standards, in which it is defined as the variability of species in a particular area before the impact of economic activity.

We work with specialised organisations to assess the state of biodiversity during engineering and environmental surveys at pre-design and design stages. We include our assessment results in materials for public hearings and deposit development projects. They also undergo state environmental impact assessments.

As the main impact area of the company is water bodies, **we regularly monitor water body biodiversity**. Assessment is carried out during the warm period of the year, which makes it possible to cover the entire cycle of development of the water body's biota. In 2021, biodiversity assessments were carried out with positive results. In the future, and starting in 2022, we expect to develop this activity further, for other objects – flora and fauna.

SUEK runs projects to protect biodiversity in several areas: protecting the fauna in water bodies, including the installation of fish protection fences at plants and the release of juvenile fish, and reclamation activities to preserve plants on disturbed land.

SUEK is a partner of the Land of the Leopard National Park in Primorye, the Barguzinsky Nature Reserve in Buryatia and the Kokuyskoye Swamp in Kuzbass.

SUEK does not operate in any UNESCO World Heritage sites, in habitats of animals or plants of global or national significance or that are protected, or in natural reserve areas, including the territories protected by UNESCO and the Ramsar Convention.

Climate projects and energy efficiency

Responsible resource utilisation

We help to meet the energy needs of society as it transitions to a lower-carbon economy.

2021 results

0.3 Mt
CO_2 saving through boiler substitution with co-generation

5 million m³
of captured mine methane utilised

2021 priorities

- Launching work on SUEK's climate strategy
- Promoting co-generation and electrification to optimise fuel use and reduce emissions
- Implementing technologies to increase the energy efficiency of our equipment

Our regulatory framework

- SUEK's stance on climate change
- SUEK's Environmental Policy
- SUEK's Energy Policy
- ISO 50001
- UN SDGs

All of our policies can be found on the company's website

Contribution to UN SDGs

SDGs	SUEK's contribution
7 Affordable and clean energy	Ensuring reliable and affordable electricity, heat and fuel supplies to millions of people and businesses across the world, including to regions with limited alternatives
13 Climate action	Decreasing carbon footprint per unit of energy produced and delivered through fuel savings, carbon capture and utilisation and compensation projects

Our approach

As one of the largest producers of electricity, heat and solid fuel, we play an important role in meeting the energy needs of society. At the same time, we are committed to ensuring that our products are produced and consumed responsibly, and we aim to play a part in contributing to the global community's goal of achieving a net-zero carbon impact.

Our aim is to develop and introduce new technologies for power generation and mining that will meet the demand for affordable energy, while reducing greenhouse gas emissions and optimising energy consumption.

We closely follow national and international initiatives to measure, reduce and offset the carbon footprint of human activities. In 2021, we made an inventory of our greenhouse gas emissions (Scope 1 and 2), and in 2022, we intend to finalise the development of our long-term climate strategy.

For more information on Russia's low-carbon development strategy, see p. 30

Climate risks are taken into consideration by our Board of Directors and management when discussing strategic initiatives, and SUEK's management KPIs include emission abatement.

The company also participates in public discussions on carbon regulation.

Overview

In 2021, the expansion of our energy business led to an increase in fuel consumption and consequently both total and specific GHG emissions.

We continued comprehensive programmes to modernise and improve the energy efficiency of our newly acquired plants in order to reduce their environmental impact and carbon footprint, and to increase the amount of heat produced in the co-generation cycle.

GHG emissions per unit of heat and electricity produced grew due to the inclusion of full year figures for power plants purchased in 2020.

In the Logistics business, our main GHG emissions are Scope 2[1] and Scope 3, resulting from the electricity consumed by railcar transportation and port equipment. Our growing share of higher-capacity railcars is enabling us to gradually reduce the electricity per tonne consumed and, therefore reduce the carbon footprint of transportation.

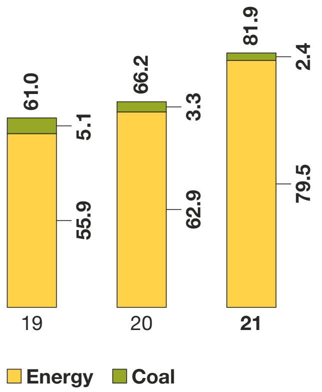
Direct greenhouse gas emissions from SUEK's Coal segment declined by 27% as our mining operations moved to less methane-intensive seams.

Our path to developing a carbon strategy

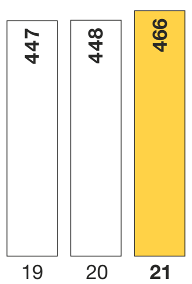
2021
- Inventory of greenhouse gas emissions, Scope 1 and Scope 2
  - Participation in COP26 and its panel on the development of Russia's carbon strategy

2022
- Verification of greenhouse gas emissions, Scope 1 and Scope 2
  - Setting long-term goals to reduce our carbon footprint and developing a strategy to achieve them

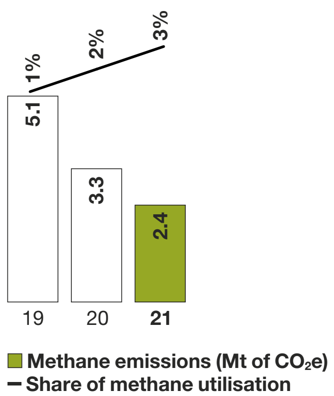
GHG emissions (Mt of CO_2e)



GHG emissions per unit of heat produced (kg CO_2e/Gcal)



Methane emissions and share of utilisation



1 Direct emissions from the Logistics segment were <0.1 Mt of CO_2e in 2021.

Projects to reduce our carbon footprint

Promoting co-generation of electricity and heat

Co-generation of electricity and heat reduces CO_2 emissions per unit of energy produced because of the increased efficiency of our plants. Therefore, replacing heat produced by standalone boilers (on SUEK's or the municipal balance sheet) with co-generated heat from our CHPPs is key to reducing the carbon footprint of our operations.

Co-generation of electricity and heat provides:
- Up to 50% fuel savings on heat
- A 32% reduction in CO_2 emissions per unit of energy produced

We expect that ongoing projects to replace boiler houses in 11 Russian cities will save at least 1 Mt of CO_2 emissions annually starting from 2025, while providing the cities' residents with reliable district heating. In 2021, customers of over 40 boiler houses were transferred to centralised heat supplies from CHPPs, with a resulting carbon emissions reduction of 0.3 Mt.

Mine methane capture and utilisation

Coal deposits contain methane, which is pumped out of mines or liquefied to a safe level to ensure the safety of employees. To reduce the carbon footprint of our mining operations, we capture and utilise mine methane whenever possible. SUEK's Kirov and Komsomolets mines are equipped with recovery systems and gas engine plants that capture gas and use it to generate heat and electricity. In 2021, the company utilised 5 million m^3 (71,463 Mt of CO_2e), or 3% of its total methane emissions.

Offsetting measures

We plant trees and shrubs every year to offset our carbon emissions. In 2021, we planted more than 20,000 trees in SUEK's regions of operations.

The Russian regulatory framework for large-scale forestry projects is still being developed but SUEK is cooperating with relevant government agencies on the development of carbon sequestration measurements and plans to join such initiatives.

Energy efficiency

Our energy efficiency programme gives us economic benefits and reduces our impact on the environment. SUEK's energy management system is certified for compliance with the updated international standard ISO 50001. We carry out an annual internal energy audit of our facilities to analyse the structure of our total energy consumption, the types of fuel used and the potential for energy saving. This audit also allows us to identify problems that lead to the waste of resources and develop measures for increasing energy efficiency.

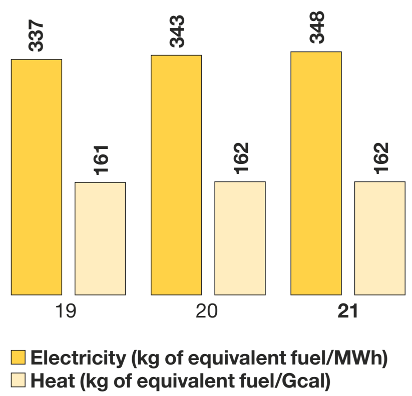
Our main energy saving activities have the following goals:
- Increasing the share of co-generated energy
- Improving the energy efficiency of production machinery and equipment, including the introduction of the best available techniques and innovations
- Reducing electricity consumption
- Reducing the consumption of fuel and energy resources
- Lowering heat losses by repairing heat networks and restoring pipe insulation
- Improving the knowledge of dedicated employees

In the energy sector, we mainly consume coal, gas and fuel oil.

Co-generation enables us to reduce fuel consumption per unit of energy produced. We also adopt additional measures such as replacing worn heat network parts and researching new kindling solutions for boilers.

In mining, the main type of fuel consumed is diesel, which is used by mining dump trucks. Constant work is underway to optimise diesel fuel consumption, such as improving the condition of roads, motivating and training employees in fuel saving methods, reducing idle downtime and mileage, controlling travel routes, taking certain measurements during maintenance for additional tuning of fuel equipment, and the robotisation of dump trucks.

Fuel consumption per unit of energy produced



Health & Safety

Beyond essential

Continuous work to ensure the health and safety of our employees is essential to delivering a strong and sustainable business performance.

2021 results

100 LTIs	**10** FAR
0.83 LTIFR	**75%** employees with valid vaccination

2021 priorities

- Unifying H&S corporate regulations and reporting across the Group
- Implementing a unified health and safety information system (InSight) across the Group
- Protecting employees against COVID-19
- Fire safety audits across the Group
- Updating H&S requirements for contractors

Our regulatory framework

- SUEK's H&S Policy and standards
- ISO 45001
- Bettercoal Code
- Vision Zero initiative
- ILO Convention 176
- UN Global Compact

All of our policies can be found on the company's website

Contribution to UN SDGs

SDGs	SUEK's contribution
3	We provide employees with access to high-quality medical services including voluntary medical insurance and a wide range of health improvement programmes
17	We engage actively with trade unions and international and Russian associations to help us continue to develop safe working processes

Our approach

We are working towards the elimination of fatal and serious injuries, transparent reporting on incidents and the reduction of new cases.

Principles of SUEK's Safe Work Policy:

- Zero tolerance for injuries and accidents
- Safety as a priority
- Professionalism and competency
- Zero tolerance for dishonesty and concealment

The company's health and safety (H&S) management system complies with its Health and Safety Policy. It is mandatory for all employees and contractors and covers all of the company's production processes.

We continuously improve our H&S policies, procedures and systems so that they are in line with our corporate principles, the recommendations of international professional communities and **ISO 45001** international standards. In 2021, eight of SUEK's assets confirmed their compliance with the standard. The certification covers more than 15% of all SUEK managers and employees.

The company's H&S performance **impacts employee remuneration,** and H&S targets are included in annual management bonus programmes. In 2021, we changed our KPI system by abandoning the LTIFR indicator and introducing a new methodology for calculating H&S indicators and their impact on the amount of remuneration, which is supposed to increase transparency in data disclosure. These H&S indicators depend directly on the H&S performance of the employee and the facility and are defined as the percentage of reduction and/or increase in the bonus according to the evaluated criteria. Among them are FAR (fatality accident rate), set time to report incidents, regular quarterly meetings with employees to discuss HSE issues, implemented H&S initiatives and innovations etc.

We invest in **innovations and equipment** such as video analytics, portable and wearable devices (smart bands, hard hats, vests) to monitor the health and vital functions of employees, their physical activity, and safe behaviour at work, to prevent collisions and injuries caused by moving machinery, and to monitor hazardous areas. The company has standard requirements for personal protective equipment that cover its protective properties, comfort, ease of use and durability.

$86m

spent on H&S activities in 2021

Management system

SUEK's H&S management system ensures a centralised methodology and control at all levels.

The Board of Directors monitors the status of the Group-wide H&S strategy. The HSE Committee under the Board of Directors reviews regular management reports on the current state of production safety, discusses strategic initiatives and their progress, evaluates the adequacy of the actions taken and sets KPIs for managers in this area.

See more details on the Committee's activities in 2021 on p. 105

The HSE Directorate is in charge of developing strategies, standards and reporting. It analyses the H&S data dynamics, controls compliance with requirements, and manages the function's personnel development.

Representatives of trade unions take part in commissions during a special assessment of working conditions at workplaces. Public H&S inspectors from trade unions regularly visit production sites for inspections. All violations identified during such inspections must be eliminated in due time.

See more details on our work with trade unions on p. 87

Overview

In 2021, we changed the methods for calculating certain H&S indicators in order to improve the quality of accounting and data disclosure. In particular, FAR and LTIFR include data from both employees and contractors. In 2021, SUEK's overall LTIFR was 0.83, and FAR was 10.

In total, 105 people were injured, including eight contractors. The increase in occupational injuries registered is related to the acquisition of new service companies where an effective safety culture has not yet been fully developed, the start of DPM-2 projects and the development of a transparency policy with a new system for recording incidents which encourages employees to report every accident, even minor ones.

Unfortunately, eleven employees and one contractor worker died in accidents. All of these accidents were thoroughly investigated by dedicated panels and analysed at the meetings of the HSE Committee under SUEK's Board of Directors. It was found that the root causes of these accidents were related to shortcomings in the organisation of production, work processes and documents, inconsistent actions, and disregard for personal protective equipment and safety systems. The company has since developed comprehensive measures aimed at preventing similar cases in the future.

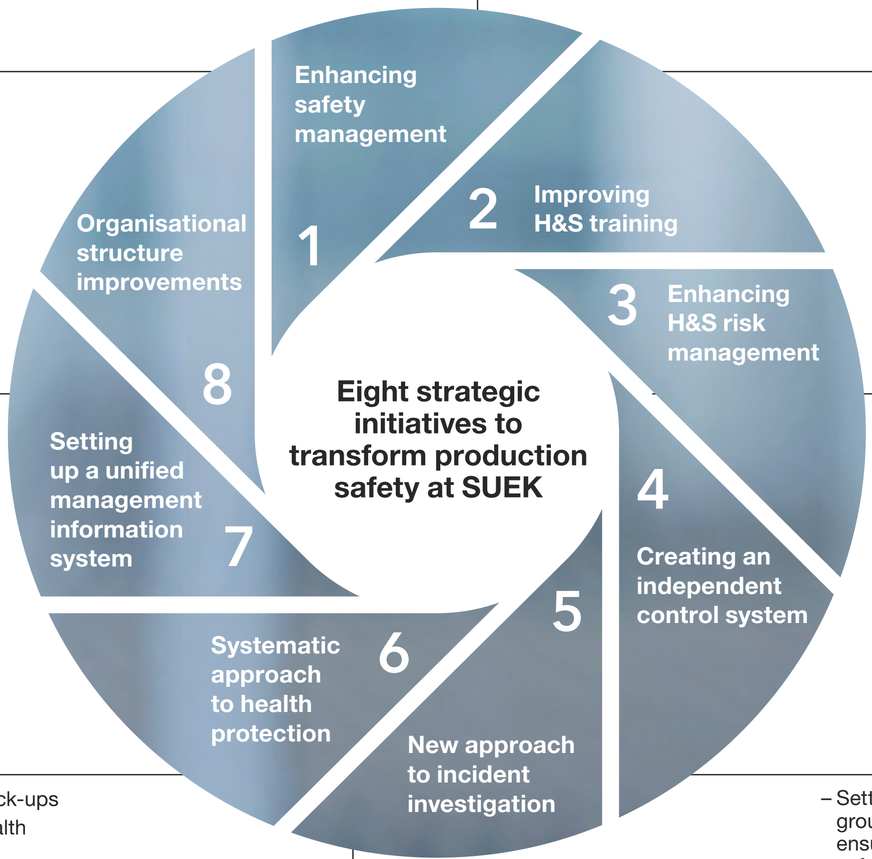
See more details on our measures taken to prevent fatalities on p. 159

In 2021, SUEK took a fresh look at production safety. The Board of Directors approved a functional strategy 2021-2024 that will significantly upgrade the company's safety culture. Eight strategic initiatives will help us to achieve the goal of providing a safe working environment for every employee and contractor, while also increasing productivity.

Oleg Nikolaenko,
HSE Director

Strategic goal

Zero harm to people and reduction of damage to the company's property and the environment



- Updating corporate standards, with a focus on leadership and involving production managers at every level in the management of safety processes
- Increasing employee safety awareness and personal responsibility

- Developing an employee competency model
- Creating a position profile on safety issues
- Providing the necessary resources for employee training and development

- Updating the corporate standard for H&S risk management, including the risk register and mitigating measures
- Providing 100% of dedicated employees with up-to-date risk management knowledge

- Setting up independent control groups among employees to ensure equipment and facility safety and automated control over corrective actions
- Developing a corporate standard and equipment-specific checklists

- Developing a standard for recording and investigating incidents, which contains a unified classifier of incidents, notification procedures, and methods for assessing damage and investigating incidents
- Establishing a process to quickly inform employees of significant incidents and to share lessons learned

- Systematising health check-ups
- Introducing corporate health protection standards
- Developing employee health passports and integrating check-up results with InSight

- Introducing the InSight system in order to collect and analyse statistical data, provide employees with high-quality incident-related information, control deadlines and quality of corrective actions, and reduce the cost of routine operations

- Introducing a three-level management system
- Ensuring a systematic approach to managing industrial safety

Safety risk management

Risks associated with personnel, processes, working conditions and equipment are regularly assessed at all levels. This assessment is the basis for further strategic and operational steps to improve labour and industrial safety. The standards, principles and methodology for identifying, monitoring and assessing risks also apply to SUEK's contractors.

In 2021, we created an independent regional system to monitor compliance with safety requirements and to ensure the quality and close monitoring of implemented corrective measures.

There is a plan for mitigating potential emergencies at each of our facilities, which is regularly reviewed and updated.

All candidates applying for job vacancies and engineering positions at SUEK are tested for risk appetite, ability to learn and ability to follow rules. We do not hire anyone who appears prone to excessive risk-taking.

See more details on risk management on p. 39

Promoting a strong safety culture

By promoting a culture of safety, we demonstrate that safety is everybody's responsibility — from the senior management down.

The company employs a system of facility director rounds. Site directors regularly talk with their subordinates about the importance of safety and inspect production sites. The facility heads are evaluated against the results of these inspections, which we submit for open discussion among the heads of HSE departments at the Group level.

We check the ability of production personnel to work safely and efficiently. Before shifts, SUEK employees and contractors can access tests and interactive training programmes via computer terminals to learn about safe working methods and must conduct express checks of their knowledge of health and safety requirements, which are supplemented by mandatory pre-shift health check-ups.

We also deliver an internal communications programme to support the changes to our H&S system.

In 2021, we began assessing how our safety culture has matured. Once this assessment is completed, we will develop a common action strategy to improve SUEK's safety culture.

Safety training

The company has established multilevel personnel training in health and safety.

We maintain a system of mandatory training arranged by personnel category and occupation, which is used to plan and conduct training for all employees, from directors to workers. The programmes are aimed at mastering new H&S standards and legal requirements, policies, corporate rules and the best available techniques, as well as developing leadership skills.

Introductory labour protection training is mandatory for all employees and is conducted when applying for a job and every three years thereafter. Industrial safety training and attestation are conducted for dedicated personnel operating hazardous production facilities at least once every five years.

We operate several training centres with classrooms that include multimedia interactive simulators of our large operating machines, such as excavators, bulldozers, trucks, plus visuals and other interactive tools, as well as training grounds for working at height, at electrical installations and in other hazardous conditions. We also engage external certified institutes to run courses, for example, on risk management according to ISO 45001. In addition, we hold corporate conferences for our employees to share expertise.

Contractor safety

SUEK's internal H&S standards also apply to the employees of contracted organisations working at our facilities. Contractor relations are governed by a special regulation, the terms of which are included in contracts. These include the availability of the necessary permits for work and services, qualified personnel, a dedicated health and safety unit, provision of personal protective equipment and certified tools, and the contractor's responsibility for any non-compliance with the established requirements. In 2021, we reviewed and unified the requirements for contractors working throughout all of the Group's businesses.

We assess contractors throughout the engagement process, including:

- When we select a contractor
- While contractors are working at our facilities, by including them in the unified production supervision system
- By conducting spot inspections of multiple contractors if we find violations by any one contractor

100%

of employees working in harmful and/or hazardous conditions pass obligatory health check-ups

Mining and logistics safety

By its nature, the mining industry carries the risk of accidents and emergencies, due to both natural factors and operational processes.

In underground coal mining, risks may potentially arise from explosive concentrations of methane and the accumulation of fine, explosive coal dust deposits in working areas.

Therefore, our priority is to ensure safe gas levels. To prevent the formation of explosive mixtures, we organise optimal ventilation schemes, carry out complex degassing of mines and use inert dust for stone-dusting.

All of our mines are equipped with a multifunctional safety system, monitoring the geolocation of miners, gas levels, equipment functionality and seismic events. Information flows from the mines are consolidated, monitored and analysed at all levels of company management.

In 2021, at underground mines in Kuzbass, we modernised and expanded the functionality of aerogas control systems by adding a methane level forecast option and other features. New main ventilation fans and surface gas suction units were put into operation at the November 7th and Taldinskaya-Zapadnaya 1 mines.

We also protect employees from exposure to coal dust at all underground and aboveground mining and logistics assets, using dust suppression and collection units.

To reduce the risk of fire in mining and transport equipment at open-pit mines, automatic fire extinguishing systems were installed on 61 units.

SUEK uses Smart Helmets to increase the safety of production

SUEK has launched a pilot project to use Smart Helmet at Murmansk and Vanino ports.

Smart Helmet is an artificial intelligence-based system designed to monitor employee compliance with safety regulations at production sites in real time. It makes it possible to analyse 100 indicators and control 11 key parameters.

For example, the device analyses the health status of an employee, records whether personal protective equipment is in place, sends a signal to the dispatcher if an employee falls or is knocked, makes it possible to direct the movements of people indoors and outdoors, and also allows us to monitor employee movements during work.

Impact on the business:
- Smart Helmet is able to prevent up to 200 potentially dangerous situations every day
- Up to 63% increase in ability to detect morbidity in the early stages
- Up to 50% reduction in costs and losses due to accidents
- Ability to automate calls to emergency response teams

~1,600

employees participated in the pilot project

Power operations safety

The main risks at power facilities are associated with fire hazards, electric shocks, work at height and power equipment repair or installation.

At our power plants, we enhance our fire safety on an ongoing basis, including by improving fire protection and flame arresting systems, using personal protective equipment, and conducting drills and regular inspections.

We are careful to observe the correct procedures when carrying out power installations and repairing equipment at power facilities.

We control the state of the equipment, especially equipment operated under excess pressure, particularly in terms of the condition of its metal elements. When detecting critical defects, we immediately take defective equipment out of service.

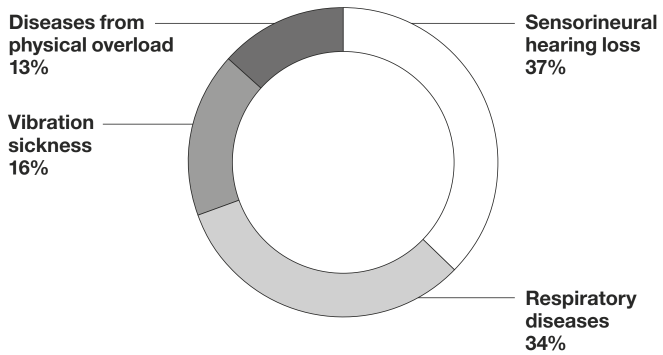
Health and wellness

SUEK's health and wellness system includes:

- Diagnostics of diseases and health screenings in corporate and third-party medical centres and health posts
- Disease management: provision of necessary medical care
- Prevention of diseases: identification of early-stage symptoms of occupational diseases, taking into account industrial and individual risks

Our strategy involves the promotion of healthy lifestyles among employees, continuous review and improvement of working conditions, and manifests a comprehensive, systematic approach to the management of occupational and lifestyle-related diseases in all of our enterprises.

Major occupational diseases in 2021



SUEK provides all employees with insurance against accidents at work and occupational diseases.

To prevent diseases, we carry out mandatory medical check-ups, forming dynamic observation groups and developing treatment and rehabilitation measures based on the results. Employees exposed to harmful production factors receive treatment in health centres to prevent occupational diseases. Once a year, every employee can stay at a health resort. Employees with occupational diseases receive compensation for temporary incapacity to work, lump-sum, monthly payments, and additional expenses for medical fees, plus social and professional rehabilitation provided through compulsory social insurance.

In 2021, we developed corporate standards for organising the medical examinations of employees and emergency medical care aimed at maintaining the health of employees, preventing occupational and general diseases and providing emergency assistance to those affected by health issues at work.

In 2021, we identified 135 cases of occupational diseases.

COVID-19

Our COVID-19 plan includes infection diagnostics, treatment and prevention.

To control the incidence rate, SUEK:
- Runs a response centre that carries out daily monitoring and multivariate analysis of new employee cases and vaccination processes
- Carries out regular mass testing to detect new cases
- Maintains preventive anti-epidemic measures, including the sanitisation and disinfection of all production areas

For employees with medical issues, we offer a post-COVID-19 rehabilitation programme at SUEK's recreation resorts and health centres, or as part of the voluntary medical insurance programme.

As at the end of 2021, 75% of our employees held certificates stating they had been vaccinated within six months. Unfortunately, the disease claimed the lives of 18 people. We express our sincere condolences to their families and colleagues.

Our people and corporate culture

People are central to our success

Our employees are central to our ability to develop our company, deliver against our strategies and achieve our goals.

2021 results

94%
Self-sufficiency in qualified personnel

15%
Staff turnover rate

2021 priorities

- Maintaining self-sufficiency in qualified personnel
- Enhancing SUEK's employer brand
- Analysing employee engagement
- Further developing our talent management system

Our regulatory framework

- International and Russian labour laws
- Sectoral and territorial agreements with trade unions
- Collective bargaining agreements
- SUEK's Corporate Social Policy
- SUEK's Code of Corporate Ethics
- UN Global Compact

All of our policies can be found on the company's website

Our approach

We strive to create equal, fair and safe working conditions to enable all employees to reach their potential regardless of nationality, gender, origin, age, education, social status, religious, political and other beliefs. Our approach aligns with the UN SDGs to improve the quality of life and well-being of people of all ages, providing inclusive and equal quality education and creating opportunities for lifelong learning, along with achieving gender equality and ensuring decent working conditions for everyone, without exception. We encourage creative and innovative thinking that contributes to a process of continuous improvement.

Overview

SUEK is one of the largest employers in the Russian coal and energy industry and a top-10 Russian employer in the energy and mining industry. As at 31 December 2021, our headcount was 72,741 people.

Due to the high competition in the labour market and increasingly complex demographic situation in a number of regions where we operate, in 2021 we continued paying special attention to retaining experienced workers. We were able to meet 94% of our needs for skilled personnel in the reporting year.

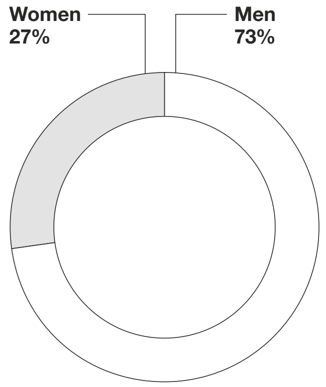
The employee turnover rate for the Group rose to 15% (2020: 13%), reflecting changes in the company's organisational structure and a recovery in the labour market following a period of stagnation during the COVID-19 pandemic. We have reviewed the salary levels of employees and reduced the risk of a further increase in employee turnover.

Promoting diversity

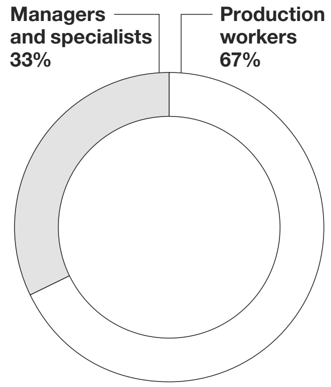
The socio-demographic characteristics of our workforce remained consistent. The number of men continues to exceed the number of women. This is largely due to the nature of our production processes and Russian legislation[1] which deters and sometimes limits women's opportunities to work in harmful working conditions. Despite this, we are always focused on increasing female representation within our company, attracting women to work in service departments and administrative positions.

Composition of employees

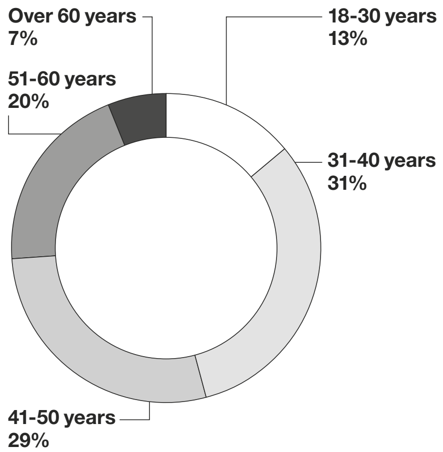
By gender



By personnel categories



By age



Contribution to UN SDGs

SDGs	SUEK's contribution
3	We provide employees with access to high-quality medical services (voluntary medical insurance and a wide range of health improvement programmes)
4	We train employees in order to improve skills and develop personal competencies. We conduct mandatory training on areas relevant to sustainable development (industrial safety, environment, compliance)
5	We offer equal opportunities for work and career progression, wages, access to social benefits and educational programmes for women and men

SDGs	SUEK's contribution
8	We pay fair wages
10	We provide equal working conditions and development opportunities for employees regardless of gender, race and other characteristics
17	We engage actively with trade unions and other industry organisations to support work process management

1 In accordance with the Order of the Ministry of Labour and Social Protection of the Russian Federation dated 18 July 2019 No. 512n 'Approval of the list of industries, jobs and positions with harmful and/or hazardous working conditions, in which the use of women's labour is limited', women are not allowed to occupy a significant number of underground roles.

Recruitment and selection

Our priority is internal recruitment. We automated and systematised the process of sharing databases of applicants and job vacancies between our divisions to reduce the length of the selection process and increase the number of applicants per role. We filled 26% of vacant positions with internal specialists, which is quite a high share compared to the market average.

We also work annually to improve the reliability of accounting in the 'Recruitment and selection' business process by combining databases of vacancies and candidates on a single platform. This IT solution allows us to reduce the duplication of work by recruiters to zero, and to eliminate internal competition for personnel. The quantitative indicator of this process is the share of passing the internal audit.

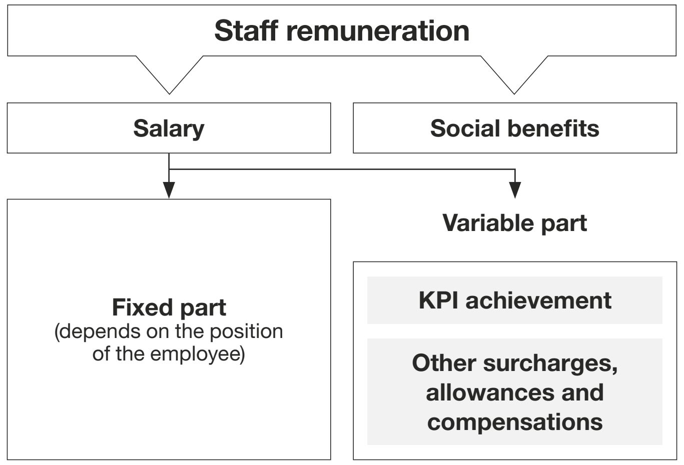
Despite the pandemic, we did not make significant cuts to our workforce and, as vacancies appeared, filled them with both internal and external candidates. In 2021, we hired 13,961 new employees. Hiring costs per employee were equal to $58.

Remuneration and incentivisation

SUEK maintains an effective remuneration system aimed at ensuring we hire and retain qualified staff.

We regularly monitor local labour markets, analyse best practices in staff remuneration, incentives, guarantees and other benefits, and we pay attention to industry-specific practices. By analysing this data, we remain confident that we are offering employees competitive packages, and we can plan and adapt our HR management policies to reflect external economic influences.

SUEK's financial incentive system includes fixed and variable parts stipulated in collective bargaining agreements. The fixed part is paid for the performance of professional duties. The variable part includes short-term economic and production targets and sustainability-related KPIs as incentives to improve working efficiency, as well as other compensation. To increase employee engagement and retain qualified employees, we also have a special bonus system for those participating in long-term strategic projects, approved by the Board and targeted at operational improvements.



For our senior management remuneration system, see p. 103

To stimulate innovation, SUEK also offers financial rewards to employees who obtain and implement patents and introduce cost-saving ideas. The exact amount depends on the annual economic effect, which is calculated by SUEK's financial service, and can reach RUB 1m (~$13,000).

Our employees also receive various social benefits.

Social support

The principle of social partnership, which underpins our relations with our employees, manifests itself through collective bargaining and joint resolution of labour issues and disputes.

Our social commitments are enshrined in bilateral territorial agreements with trade unions. Collective bargaining agreements also set out the mutual obligations of social partners. SUEK's coal assets are also subject to the Federal Coal Industry Agreement of the Russian Federation.

SUEK employees are offered a wide variety of social benefits such as voluntary medical insurance, insurance for industrial accidents, financial support and compensation, participating in cultural and sporting events, etc.

For information about additional social benefits offered to our employees, see our sustainable development reports

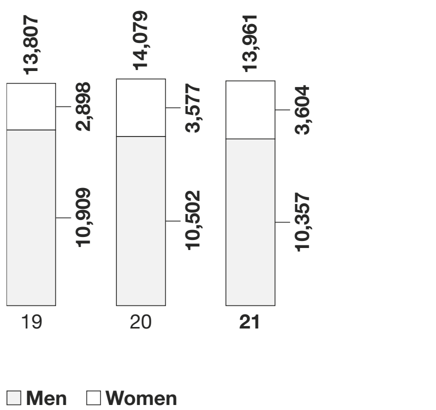
90%

of employees are covered by collective bargaining agreements

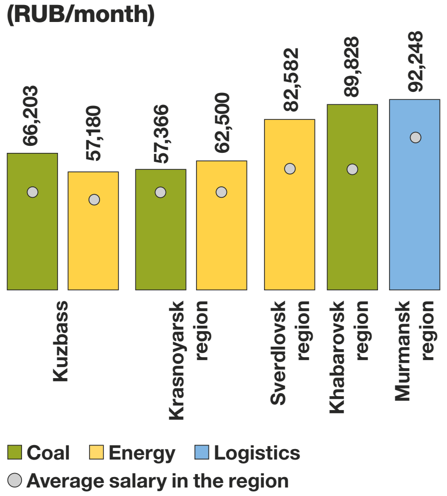
44%

of employees are members of trade unions

New employees hired



Salary level at SUEK's major facilities (RUB/month)



Cooperation with trade unions

SUEK recognises the right of all employees to freedom of association and considers trade unions to be the most important partners of its business, helping to create conditions for promoting a strong safety culture, improving the work environment and protecting health. The Russian Independent Trade Union of Coal Industry Workers (Rosugleprof), the Independent Trade Union of Russian Miners (NPG), the All-Russia Electric Trade Union and the Trade Union of Water Transport Workers are all active at the company's facilities.

We consider the views of these trade unions when issuing corporate acts concerning social and labour relations, work safety and remuneration. The key documents are work and vacation schedules and personnel motivation systems. Representatives of trade union organisations participate in work safety assessments, joint initiatives to prevent COVID-19 and mandatory health and safety awareness testing.

Corporate culture and internal communications

Our corporate culture is based on the principles of transparency, leadership, respect and openness. We work hard to develop and strengthen our culture on an ongoing basis, and also to help all members of our team understand and share our vision and values.

We maintain an open dialogue with our employees using a system of corporate channels, a hotline and employee engagement surveys (once every two years).

In order to ensure new employees are inducted appropriately, in 2021 we updated our induction e-courses to ensure new joiners meet our corporate ethics, compliance and safety requirements.

We are also focused on the development of our HR brand, with a key strategic objective to become one of the leading HR brands in the sector. In 2021, SUEK's status was reinforced by winning the HeadHunter HR Brand Award.

Employee volunteering

We promote a culture of volunteering among our employees.

Decisions on participating in volunteering programmes are made at the facility level in agreement with facility management and the Communications and HR services facilitating the participation. The youth councils of the facilities also provide support and coordination. Support for interregional and federal actions is initiated by Headquarters.

SUEK provides material and administrative resources for charitable purposes, including premises, transport, gifts, equipment, etc., and equips volunteers with food, protective clothing, and tools for events like street cleaning and forest work.

For more information about volunteer projects, see 'Community development' on p. 96

Valuing every employee's opinion

At the end of 2021, we conducted a staff engagement survey.

Target: Research and create an action plan to improve staff engagement with the company's production operations and social life.

Scope: The event included all of SUEK's industrial sites and offices. **Up to 50%** of SUEK Group employees took part in the survey.

After analysing the survey results, and comparing them with similar surveys run by our competitors, SUEK's management was able to measure employee satisfaction with the company working conditions and environment. The survey revealed key strengths such as SUEK's safe working environment, an atmosphere of respect, good ethics and social responsibility, and effective collaboration. it also revealed key areas for improvement: enhancing employee understanding of the company's prospects and development initiatives and introducing tools and opportunities for direct engagement with senior management.

Specific actions will be developed in 2022 and presented to the CEO and the Board of Directors.

Talent and knowledge management

To meet our current and future needs for qualified personnel, we are building a unified talent pipeline, which helps us with activities all the way from attracting, recruiting and adapting employees to training, incentivisation and talent management.

SUEK's goal is to have 'the right people in the right positions' both today and in the future. To this end, we develop new approaches to personnel assessment on an ongoing basis, building career paths and rotations, and developing succession and talent pools.

Developing competencies

SUEK runs a Corporate University, an analytical, methodological and advisory centre for knowledge management, personnel training and development, in addition to 14 regional training centres. The educational programmes are developed and tailored to meet the current and future needs of the business.

To increase the efficiency of production process management through better management and better use of human resources, in 2021 we created a new line of programmes for managers at various levels: from heads of production units to site managers. In 2021, we began to train the directors and chief engineers of SGC's heat distribution unit, and we launched the first training sessions for site managers at the Coal Division. In 2022, we plan to replicate these programmes across all Group divisions.

In order to develop the professional competencies of non-production employees (procurement, HR, HSE), we introduced competency assessment projects and employee development programmes at our Corporate University. Training programmes aim to deepen professional knowledge and develop core competencies required to enable these functions to deliver their strategic projects. In 2022, this work will continue and will include additional key service functions across the Group.

Developing young professionals

We strive to hire young and talented professionals. To this end, SUEK runs the Young Professionals educational programme, including:

- Overseeing specialised classes for high school students targeted at the coal, power and logistics industries
- Cooperating with Russia's vocation-oriented colleges and universities
- Developing partnership projects with leading specialised universities, creating educational programmes for students and accepting them for internships with the possibility of employment after graduation
- Providing students with work placement opportunities at our facilities

Additionally, SUEK participates in youth forums, holds professional skills contests and job fairs and provides vocational guidance for pupils and applicants.

32 hours
of training per employee on average in 2021

$73
investment in education per employee in 2021

Training centres

Compulsory courses	Vocational training	Advanced training

Corporate University

- Programmes for the development of managerial competencies
- Development of professional competencies of service functions
- Programmes for new employees according to corporate standards and rules

Supply chain

Responsible at every stage

SUEK's supply chain management ensures we offer the highest quality products and services, that we supply these products and services to customers reliably, and that we are able to maintain uninterrupted operations at our facilities, all while following the principles of sustainable development throughout the entire product cycle.

2021 results

48%
of heat consumers use a single online portal (+17% in 2020)

99.6%
of key contractors are located within Russia

93%
of key contractors were verified as meeting our requirements

2021 priorities

- Improving the quality of online services for heat consumers and increasing online users
- Improving the quality of heat infrastructure
- Development of supplier management system
- Development of product procurement strategies

Our regulatory framework

- SUEK's Procurement Policy and internal standards
- SUEK's Code of Corporate Ethics
- Compliance Policy
- Laws of the countries where SUEK operates
- ISO 55001
- ISO 9001

All of our policies can be found on the company's website

Contribution to UN SDGs

SDG	SUEK's contribution
12	Strict control of resource consumption for production and material reserves, use of innovations and the best available technologies to improve the efficiency of asset utilisation, ensure resource efficiency of consumables, and a reduction of the company's environmental impact

Our approach

Our approach to responsible sourcing is in line with our Purpose. We look for partners who are compliant with all the relevant laws and standards and who share our desire to improve the quality of people's lives and increase the level of industrial safety.

We carry out risk-based monitoring of our current and prospective suppliers on an ongoing basis. This allows us to respond quickly to emerging risks or problem areas affecting them. The criteria for risk-based assessments are set out in the supplier accreditation methodology.

Our relations with suppliers are guided by the current legislation, SUEK's Code of Corporate Ethics, Compliance Policy and internal corporate procurement standards.

Responsible procurements

SUEK's procurement strategy is underpinned by the following priorities:

- **Efficiency and rationality** in choosing the method and cost of procurement
- **On-time and complete supplies** through automated planning
- **Minimising risks** when choosing a supplier through strict accreditation procedures and assessment of the quality of supplied materials, labour and services
- **Continuous training** of our procurement team
- **Strict control of material reserves** for rational procurements

Procurement is carried out on a competitive basis in compliance with all the rights of potential contractors. The selection process uses the internal SAP SRM trading platform.

In 2021, we started a project aimed at ensuring the transparency and objectivity of the supplier accreditation, qualification and selection processes. We introduced a risk-based approach to verifying the accreditation of new Russian suppliers through a specialised screening system, and started to develop a unified approach to improving the efficiency of claims work.

When procuring services and materials, we strive to work with local suppliers to support regional economies and production. In 2021, the company engaged over 13,000 suppliers. 99.6% are located within Russia and 63% in the regions of SUEK's presence.

Product stewardship and customer relations

We monitor the quality of our products at every stage of SUEK's supply chain to meet or exceed customer expectations.

Our Quality Policy and Quality Management System comply with the ISO 9001 international standard and the ISO 55001[1] asset management standard.

Supply chain risk management

As part of managing sustainability risks in our supply chain, we require our suppliers to comply with responsible business practices.

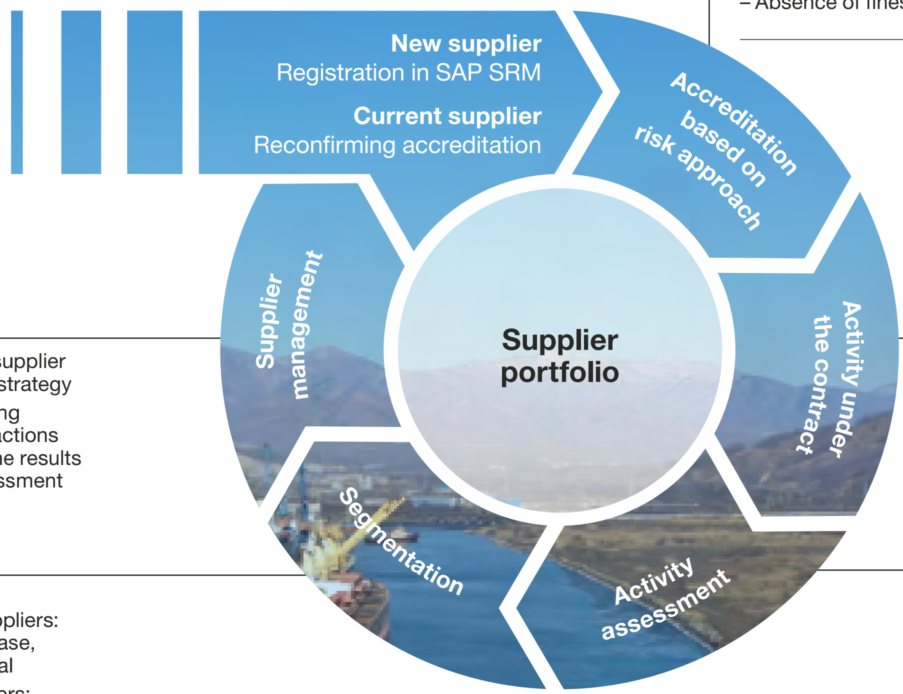
Where we identify or suspect a risk, we will raise our concern with suppliers and require them to develop a corrective action plan. This gives them a fair opportunity to manage the risk and anticipate possible repercussions. If a supplier refuses to remove a risk or fails to show progress on a request, the matter is escalated and may result in a review of the supplier relationship.

To minimise the possibility of entering into business relationships with counterparties that may be involved in fraudulent and/or corrupt activities, we prefer to work directly with suppliers and limit purchases from intermediaries. We reduce the risk of dependence on a single supplier by enlarging our pool of potential suppliers on an ongoing basis.

In 2021, we continued to monitor the COVID-19 situation and mitigate related risks by maintaining workplace sanitation and streamlining repair and procurement programmes.

Supplier management process

Suppliers are checked against the following criteria:
- Legal capacity
- Absence from sanctions lists
- Certificates and permits for activities
- Materials and equipment necessary to fulfil contractual obligations
- Absence of fines and litigation



Supplier also has to agree to:
- The requirements of SUEK's Compliance Policy, and industrial and environmental safety standards
- Be monitored on its own integrity, including compliance with legal and regulatory norms

Identification of inconsistencies with the terms of the contract and the handling of complaints

Key criteria:
- Delivery accuracy and volume
- Product quality
- Mutual dependence
- Feedback from internal customers

Categories:
- Current suppliers: strategic, base, transactional
- New suppliers: new, critical

- Defining a supplier interaction strategy
- Implementing corrective actions based on the results of the assessment

Coal

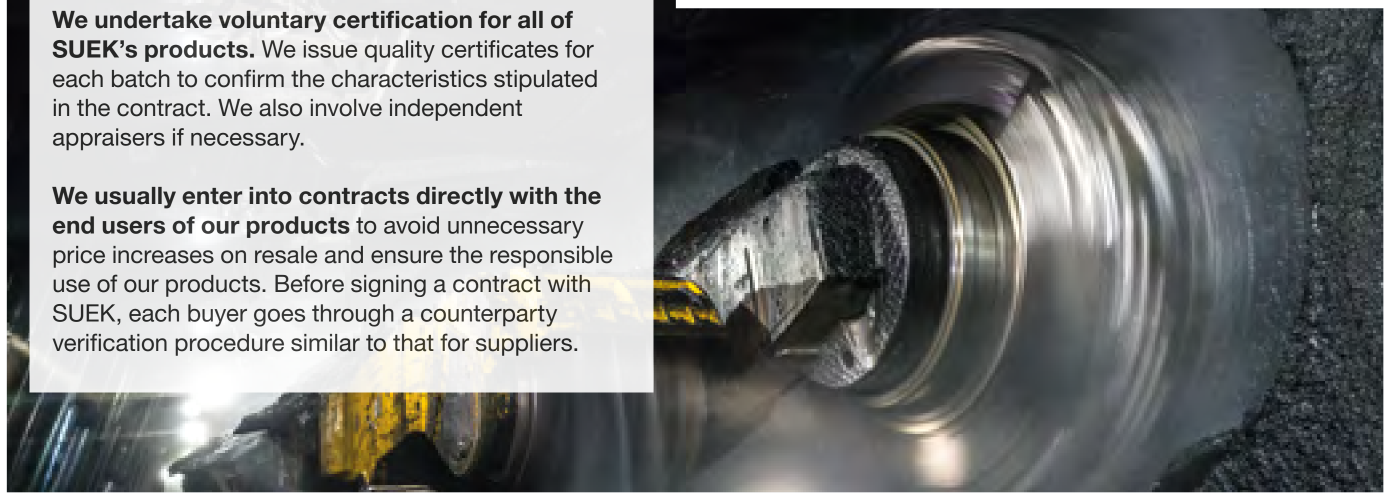
Our priority: steady supply of high-CV coal with low ash, sulphur and nitrogen content

We invest in the development of high-quality coal deposits and processing capacities to reduce emissions during the transportation and consumption of our coal. SUEK has also developed innovative technologies for processing deep coal into high-CV concentrate and smokeless briquettes.

We constantly upgrade our quality control system, modernising our laboratories, introducing new methods to evaluate the characteristics of coal and other products and improving mechanised methods for the selection and preparation of product samples.

We undertake voluntary certification for all of SUEK's products. We issue quality certificates for each batch to confirm the characteristics stipulated in the contract. We also involve independent appraisers if necessary.

We usually enter into contracts directly with the end users of our products to avoid unnecessary price increases on resale and ensure the responsible use of our products. Before signing a contract with SUEK, each buyer goes through a counterparty verification procedure similar to that for suppliers.



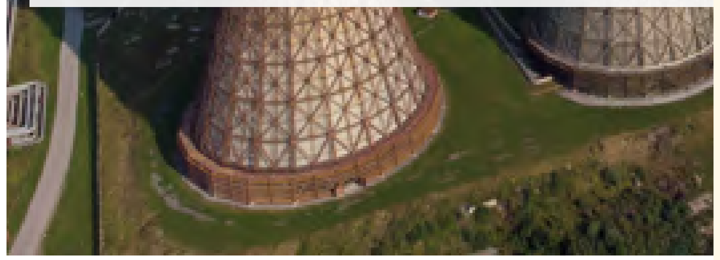
Cyber security

We pay close attention to the security of our IT infrastructure, including the storage of customer and supplier data.

Information security processes have been developed in accordance with international standard ISO 27001. Internal policies and procedures set out the company's approach to ensuring corporate cyber security, the duties of employees and the procedures for detecting suspicious messages, along with the actions which should be taken. In the case of any violation of these duties, employees may face disciplinary action.

We also conduct annual penetration testing to analyse the vulnerabilities of our IT infrastructure. In 2021, there were no real cases of penetration into the SUEK corporate system.

1 The standard covers the management of environment, energy, finance, personnel and information systems; its aim is to achieve maximum efficiency throughout the company's business cycle.



Energy

Our priority: increasing the reliability of heat supply and improving consumer satisfaction

The quality of heat supply is important to Russian consumers, since the average age of Russia's main heating networks is more than 30 years, meaning there is always a risk of supply interruptions.

Our projects are aimed at **improving the reliability of heat supply systems and reducing heat losses**:
- We replace and renovate old heating networks and automate the processes of checking the condition of our heat infrastructure
- We switch consumers from obsolete standalone dirty boiler houses to our CHPPs, equipped with filters to prevent air pollution, and decrease fuel burn and carbon emissions through the combined generation of electricity and heat
- Local residents help us monitor the quality of heat supplies through feedback channels and joint field inspections
- This comprehensive approach helps ensure that our customers have reliable heat supplies, even when temperatures drop to -40°C, and minimises air pollution

Increased focus on consumers

SUEK is a customer-centric business. We take into consideration not only our needs and legal requirements but also the preferences of our consumers. Regular customer satisfaction surveys ensure we remain aware of these.

To improve the speed and convenience of our customer interaction, we introduced remote client services that allow our customers to quickly receive answers to any questions they have, transmit meter readings and make other enquiries. We are also actively working on digitalising requests for connecting new households and business facilities to our heat supply system to make the process faster and more transparent.

IoT improving service for heat consumers

We monitor the temperature of consumer homes 24/7 online using special sensors (loggers). The sensor transmits temperature readings to the company's database every hour. That device helps to define any deviation from the temperature regime if the apartment suddenly becomes too cold or hot. The data is reflected in the monitoring programme and signals action for SGC specialists. With this system, the internet of things helps us promptly eliminate the problem directly, without the involvement of our consumers.

Logistics

Our priority: transporting clients' goods safely and on time

We constantly improve management systems across our logistics assets and introduce the best available techniques for transporting and transshipping so that cargo, people and environment are all kept safe.

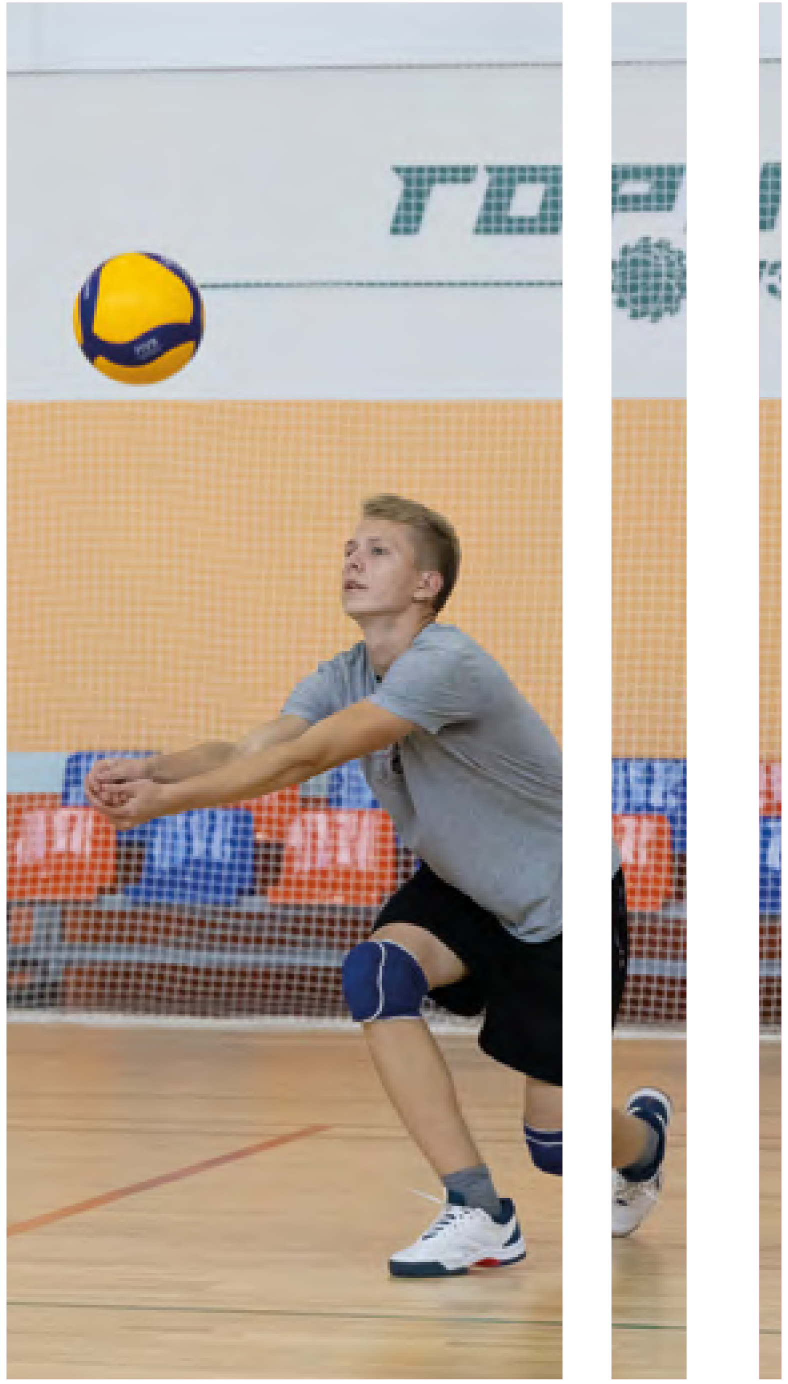
We check certificates and declarations for the transshipped cargoes to make sure that they meet the required safety parameters. Our international clients periodically inspect our ports to check the service quality as well as compliance with health, safety and environmental regulations during our transshipment.

We hire independent surveyors to review the quality of our service and the products for transshipment.

Community development

Energising local potential

We are committed to maintaining the trust of our employees and stability in the regions where we operate, to supporting an ongoing improvement of the quality of life for local communities, and to empowering local people to develop their potential and build a bright future for their families.



2021 results

>150
social and charitable programmes delivered

6,087
new jobs created through investment projects for energy facilities

101
growth points created

2021 priorities

- Support for medicine in the regions where we operate and for the most vulnerable social groups during the pandemic
- Support for environmental initiatives involving local residents
- Support for a large-scale volunteer movement involving SUEK employees

Our regulatory framework

- SUEK's Corporate Social Policy
- SUEK's Compliance Policy (including the observance of human rights)
- SUEK's Code of Corporate Ethics
- ISO 26000 standards
- Social Charter of Russian Business
- UN Global Compact

All of our policies can be found on the company's website

Our approach

Our assets perform an **important infrastructural function**, supplying heat to around 6 million people in regions where the temperature drops below 0°C for more than six months of the year.

SUEK contributes significantly to local **employment** by creating attractive jobs and working conditions for 73,000 people in 14 regions of Russia. Moreover, the majority of our employees are local residents. We also encourage social entrepreneurship to expand the range of social services and increase employment in industries not directly related to the company's operations.

Our activity stimulates overall regional development through **regular tax payments** to federal, regional and municipal budgets. Tax payments in the reporting year amounted to $835m, half of which was transferred to local budgets.

We **strive to work with local suppliers** when purchasing services and materials, supporting the regional production and economy. In 2021, 63% of goods and services were supplied to SUEK by local counterparties.

SUEK's social strategy intends to create an environment in which local residents can fulfil their potential. Involving them in making positive changes accelerates economic development and improves living standards. By investing in infrastructure and education we can also help address urgent problems and secure the necessary resources. In 2021, we continued providing systematic support to the local regions in the fight against COVID-19. Alongside this, we delivered as planned all key programmes, such as SUEK's Work Teams, the development of social entrepreneurship, vocational guidance programmes, and environmental projects.

Through constructive cooperation with local communities and by integrating social programmes into our business we are able to promote the interests both of local communities and of our plants. We also work to improve the quality of life for all of our employees, their families and the entire population in the regions where SUEK operates. We develop and implement key investment projects and social programmes in close cooperation with our stakeholders, including regional and municipal administrations, non-governmental organisations and local residents, and focus on the social development priorities of the territories as well as SUEK's strategic goals.

Our approach to engaging with local communities is outlined in SUEK's Corporate Social Policy. Through our social activities, we endeavour to contribute to the UN SDGs, comply with best practices in the field of ESG, the Social Charter of Russian Business and ISO 26000 (Guidance on Social Responsibility) international standards. Our interaction with local communities is also based on our Code of Corporate Ethics, which describes SUEK's corporate values and culture, and our Compliance Policy, which contains SUEK's stance on human rights.

Human rights of indigenous peoples

We respect the rights of all our stakeholders, including indigenous and minority peoples living in the regions of the company's operations, and pay attention to the preservation of local religions and cultural heritage. According to Russian laws, no licensed areas can include territories populated by indigenous and minority peoples. Therefore, SUEK does not operate in the territories where they live and respects their rights.

Community consultations

SUEK maintains an active and open dialogue with local communities. Public consultations are a key tool to assess our environmental and social impact. The rules for holding public consultations are set by local authorities. We analyse suggestions received during public hearings and, if appropriate, adjust the relevant project documents accordingly. All consultation materials are available on the websites of the company and local administrations.

We respond to requests from local residents and feedback through SUEK's Hotline, corporate website, email and social media, including live streams with company managers on Instagram. We also attract local people to provide an evaluation of how the city's heat infrastructure is prepared for the heating season.

Assessment of social programmes

We monitor the social environment in our communities carefully in order to better shape our community programmes. Both independent and in-house experts regularly assess our ongoing progress and outcomes. We measure the efficiency of our social investments through the continuous monitoring of our projects using integrated social research, evaluating individual initiatives and the final results of our programmes. This analysis enables us to ensure the impact of our social investments is closely in line with our strategic and tactical goals. Moreover, by carrying out continuous analysis we can quickly respond to changes and identify areas for potential improvement.

Our assessment tools include:
- Meetings of project expert panels
- Focus groups with representatives of local administrations and non-governmental organisations
- Surveys of experts and programme participants
- Discussion of programme results at public events with stakeholders

Quantitative parameters:
- Number of events and participants
- Number of beneficiaries
- Funds raised for the company's community development programmes
- Partners involved
- Growth points created as a result of the company's community involvement
- Media coverage results

Qualitative parameters:
- The increased efficiency of public-private partnerships, including closer interaction between commercial and non-profit sector companies in solving social problems
- Sustainability of previously implemented social projects
- Favourable conditions for interaction with state authorities and the public
- Enhancement of SUEK's reputation as a socially responsible and sustainable company

Effectiveness assessment of our community investment

Indicator	2019	2020	2021
Number of beneficiaries[1] of our social programmes	1,500+	1,500+	**2,600+**
Approximate number of beneficiaries[2]	70,100	81,600	**156,264**
Growth points created[3]	84	51	**101**

1 Beneficiaries are participants in SUEK's social activities, along with the recipients of grants and donations.
2 Beneficiaries are residents of the territories that benefit from the results of our community, entrepreneurial and social-entrepreneurial projects.
3 New organisations and infrastructure facilities, and projects created as a result of social activities.

Key projects

We implement ongoing social and charitable programmes in all our regions of presence. In 2021, we successfully ran more than 150 community and charitable projects. For this purpose, SUEK allocated $19m.

At SUEK we seek to address urgent community issues in the regions where we operate. We contribute to the creation of a favourable social climate, the improvement of housing conditions for residents of mining cities and towns, the development of education, sports, healthcare and culture, and vocational guidance for the youth. The ultimate goal is to increase the appeal of the territories of SUEK's presence for young people, attract them into the mining and energy industry, and ensure the stable development of these territories for years to come.

In 2021, the company celebrated its 20th anniversary, and this was marked by both ongoing and specially organised social and charitable projects. Our anniversary programmes and our entire social policy involved the active participation of employees and other residents in planning and hosting events, and offered them the opportunity to choose the most interesting and relevant projects for the territories, including competitions, landscaping, land rehabilitation and volunteering.

For more details on social projects, see SUEK's sustainable development reports

How our projects contribute to SDGs

Area	Description of projects	Contribution to SDG
Urban infrastructure development	Joint projects with local administrations to improve public spaces, implement master plans and create a comfortable urban environment.	6, 9, 11, 17
Education and vocational guidance	Developing innovative thinking and business skills, fostering initiative and leadership qualities in children and teenagers, and vocational guidance for occupations in engineering using dedicated platforms and classes.	4, 8
Sports and healthy lifestyle	Promoting a healthy lifestyle among employees and local communities through sports projects.	3
Medical care	Providing cutting-edge medical care to employees, their families and local communities, treating and rehabilitating children and coal industry veterans, and delivering specialised projects for disabled children.	3
Leisure and culture	Developing a culture of creativity and inclusiveness by offering and financing public lectures on art, workshops, festivals and music projects.	4
Environment	Promoting a culture of environmental awareness through environmental projects, including tree planting, improving recreational areas, waste collection for recycling, and attracting young people to participate.	3, 11, 15
Local entrepreneurship development	Developing business and leadership skills, offering personal guidance and improving competencies through training and SUEK's School of Social Entrepreneurship for the development of education, medicine, culture, sports, leisure and public services in the mining regions.	4, 8, 9
Charity	Helping disadvantaged groups and protecting children.	3

SUEK improves the quality of local drinking water

SUEK supports the Russian federal Clean Water programme. We build and upgrade treatment facilities for the water used in our production cycle and switch to a closed water cycle where possible. In addition, SUEK helps improve the quality of drinking water through the installation of automated filtration plants in communities where the water has high levels of harmful microelements.

These plants ensure the deferrisation, demanganisation and UV disinfection of water. Having gone through several treatment stages, the resulting water meets all sanitary standards.

In 2020–2021, several schools with a total of around 1,500 pupils in four settlements in the Krasnoyarsk region were given access to clean drinking water.

When choosing the type of filter, the hardness of water and the number of pupils in the school are always taken into account.

Another water treatment plant is being constructed in Borodino.

Maintaining high standards

Samir Brikho,
Chairman of the Board of Directors

Strong corporate governance underpins SUEK's ability to live up to our Purpose and abide by our Values. The Board is committed to ensuring that we continue to adhere to high standards of corporate governance.

In 2021, the Board continued strengthening corporate governance to maintain the resilience of the business and ensure that we adhere to the best practices.

We announced a number of changes to the Board in 2021 as we continually refresh its composition to meet the company's needs. As we began the year, I was pleased to welcome Michael Hogan, who has more than 30 years' expertise in mining, industrial safety and environmental protection. Michael joined the Board on 24 February 2021 and was appointed to head the Board's newly established HSE Committee, which aims to form a comprehensive decision-making system covering all key sustainability issues.

Michael Baumgaertner, Vladimir Hlavinka and Stefan Judisch stepped down from the Board in 2021. I would like to reiterate my thanks to all of them for their dedicated service and the contributions they had made to the Board and the company's prosperity.

During the reporting year, the Board focused on developing reporting and internal control processes covering all areas of the business, including operational and HSE issues. We revised and approved the strategies of service functions such as HR, Procurement, IT, and Legal, to ensure these are able to provide strong support to our business operations as we grow and diversify.

As noted in the 2020 Annual Report, the Board approved a new approach to the work of SUEK's Compliance, Risk and Internal Audit systems, aimed at developing an early warning system for significant business risks. During the reporting year, the Board continued to strengthen these functions by expanding and preparing methodologies, attracting new highly competent specialists to the team, and approved an updated version of our Compliance Policy, which is focused on proactively preventing and minimising risks of violations of mandatory requirements and now covers the company's position on and regulation of human rights issues.

In March 2022, following geopolitical developments two of our Board members – Andrey Melnichenko and Vladimir Rashevsky – were placed under sanctions and left SUEK's Board, while the company's CEO Stepan Solzhenitsyn and Sergey Tverdokhleb joined the Board.

With all of these changes, we at the Board are taking every effort to ensure effective corporate governance to support business continuity and SUEK's resilience and value creation for all stakeholders in 2022 and beyond.

Composition of the Board of Directors

As at 31 March 2022

Samir Brikho, 63
Chairman of the Board of Directors, Independent Director

S N H

Appointed
June 2020

Experience
Samir has almost 40 years of senior management experience in energy and power engineering companies.

Between 1983 and 2000, Samir held senior management positions at ASEA and ABB Power Generation, after which he moved to Alstom, where he served as Chief International Operations Officer and Senior Vice President, as well as CEO of Alstom Kraftwerke in Germany. In 2003, he became CEO of ABB Lummus Global and in 2006, he was appointed to the Group Executive Committee of ABB Ltd, serving as Head of the Power Systems Division at ABB Group. From October 2006 to 2016, Samir was CEO of Amec Foster Wheeler, where he was widely credited with the company's financial recovery.

Samir served as a UK Business Ambassador and was co-chair of both the UK-UAE CEO Forum and the UK-Korea CEO Forum. A member of the advisory board of LIFE Lebanon and a former member of the advisory board of SOAS University of London, Samir was also the 2009 and 2016 chair of the World Economic Forum's Engineering and Construction Board. He served as chair of the Forum's Disaster Resource Partnership and was co-chair of the Forum's Infrastructure & Urban Development Industries Committee.

Current external appointments
Samir is a non-executive director of Skandinaviska Enskilda Banken, member of the Advisory Board of Stena and Chairman of the Board of Directors at EuroChem Group AG.

Education and qualifications
- MSc in Thermal Technology, Royal Institute of Technology (Sweden)
- Honorary Doctorate, Cranfield University (UK)
- Graduate of Young Managers Programme, INSEAD
- Graduate of Senior Executive Programme, Stanford University (US)

Michael Hogan, 63
Independent Director

H

Appointed
February 2021

Experience
Michael has 32 years of experience in the mining industry and has worked in both hard rock and soft rock mining environments. He joined Potash Corporation of Saskatchewan in 1989 where he held several operational roles prior to serving as General Manager at a number of mines. From 2007 to 2009, he was assigned as General Manager for Arab Potash Company in Jordan and was involved in Saskatchewan Mining Association, Saskatchewan Potash Producers Association and International Minerals Innovation Institute. From 2010 to 2014, he held various senior management positions for Potash Corp's Potash Division.

He is also a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

Current external appointments
Michael is a member of the Board of Directors of EuroChem Group AG.

Education and qualifications
- BSc in Mining Engineering, Queen's University (Canada)
- Graduate of Executive programmes, Queen's University and Western University (Canada)

Juerg Seiler, 66
Independent Director

A

Appointed
June 2020

Experience
Juerg has held a number of key financial positions across different energy businesses and has over 30 years of international experience including assignments in South Africa, Hong Kong, USA and Switzerland.

Juerg has been global CFO at ABB Power Systems and CFO at ABB Lummus Global. From 2012 to 2014, he served as CFO at Ventyx, the Enterprise Software business of ABB.

Current external appointments
Juerg is a member of the Board of Directors of EuroChem Group AG, and Chairman of the Audit Committee.

Education and qualifications
- MSc in Economics, University of St Gallen (Switzerland)

Mikhail Kuznetsov, 53
Non-executive Director

S

Appointed
December 2020

Experience
Mikhail has a broad range of leadership experience, with expertise in power generation, banking, and public governance.

After several years in banking, between 1995 and 2003 Mikhail was a member of the Russian Federation State Duma, the Deputy Chairman of the Budgeting, Taxes, Banking and Finance Committee, and represented the Pskov region. In 2004–2009, Mikhail was the Governor of the Pskov region. From 2013 to 2018, Mikhail was the Chief Executive Officer of Siberian Generating Company.

Education and qualifications:
- Specialist in Physics, Lomonosov Moscow State University

Stepan Solzhenitsyn, 48
Non-executive Director

Appointed
March 2022

Experience
Since 2004, Stepan worked at the Russian office of McKinsey and was in charge of the electric power industry and heat supply in Russia and the CIS. Stepan supervised projects in the field of power generation, network development and operation, as well as sales activities. He has worked at SUEK since 2018; from November 2018 till May 2020 he was CEO of SGC. In this role, he solved the issues of upgrading the Group's energy facilities, developing the heat supply infrastructure, and improving the environmental efficiency of power facilities. In 2020–2022 Stepan was CEO of SUEK Group, and in April 2022 he returned to his role of CEO of SGC, while joining SUEK Group's Board of Directors.

Education and qualifications
Stepan graduated from the Massachusetts Institute of Technology and Harvard University. He specialised in regulatory and environmental aspects of the power industry.

Sergey Tverdokhleb, 48
Non-executive Director

S N

Appointed
March 2022

Experience
From 1995 to 2004, Sergey worked in the analytical and economic divisions of the following commercial banks: SBS-Agro, Avtobank and MDM Bank. In 2004, he began his tenure with SUEK as an adviser to the CEO and then served as Director of the Corporate Policy and Special Projects Department, and as Director of Strategy and Corporate Policy in SUEK until 2020. In 2020, Sergey was appointed Deputy General Director for Special Projects in EuroChem.

Education and qualifications
Sergey graduated from the History Department of the Lomonosov Moscow State University and the Finance and Credit Department of the Finance Academy under the Government of Russia.

Competencies of the Board of Directors as of 31 March 2022

International operations	67%
Mining	67%
Energy, power engineering	83%
Finance	100%
Investment	83%
Corporate governance	83%
Risk management	100%
Strategy and leadership	100%
Industrial safety	50%
Environment	67%

Key

- S Strategy Committee
- N Nomination and Compensation Committee
- A Audit Committee
- H Health, Safety and Environment Committee
- Chairman of the Committee

Directors who retired from the Board after 31 December 2021

Andrey Melnichenko and Vladimir Rashevsky retired from the Board of Directors in March 2022.

Corporate governance system

SUEK's corporate governance system is focused on effective, responsible business conduct and creating value for all of our stakeholders.

This system is underpinned by the following principles:

- Treating all shareholders equally, recognising and protecting their rights
- Ensuring effective strategic, ESG and operational management, as well as internal control and audit mechanisms
- Ensuring transparent information and financial disclosure by providing stakeholders with accurate information in convenient formats
- Ensuring compliance with ethical business practices
- Providing a decent, safe and healthy working environment for all of our employees

SUEK's key internal corporate governance documents are the Charter, Regulations on the Board of Directors and Committees, Regulations on Preparing, Convening and Holding the General Meeting of Shareholders, SUEK's Corporate Governance Code and Code of Corporate Ethics.

These documents can be found on the company's website

While developing corporate governance, we are guided by the Corporate Governance Code, per the recommendation of the Bank of Russia, as well as international best practices. So far, the following is in place:

- The positions of the Chairman of the Board and CEO are separated; the Chairman is an independent director
- The Board has a Strategy Committee, Audit Committee, Nomination and Compensation Committee and HSE Committee, all of which include Independent and Non-Executive Directors with relevant experience
- When making decisions, Board members avoid potential conflicts of interest
- Both the status and number of Independent Directors are monitored and approved by the Board of Directors
- The Board of Directors conducts a self-evaluation of its activities on an annual basis

SUEK's governing bodies are the General Meeting of Shareholders, the Board of Directors and the CEO. We also have strong support from management, all of whom have relevant experience and competencies in relevant areas.

All biographies can be found on the company's website

Corporate governance structure

General Meeting of Shareholders
Making decisions on the most material issues, including the increase or reduction of authorised capital, the distribution of profit, and the selection of Board members and external auditors

Board of Directors
- Strategic planning, general supervision and improving efficiency
- Ensuring the successful performance of the company in the long term while considering the interests of all stakeholders
- Ensuring the effectiveness of the corporate governance system and regular reporting on its functioning to the company's shareholders

Strategy Committee
- Analysis of management initiatives, risk assessments and recommendations to the Board of Directors
- Reviewing strategies and strategic plans
- Setting tasks related to investment and sales strategy

Nomination and Compensation Committee
- Making recommendations to the Board of Directors regarding HR strategy, nominations and compensation, corporate governance and social policy

HSE Committee
- Supervising compliance with industrial and environmental safety standards and climate strategy issues

Audit Committee
- Supervising the preparation of financial statements and management statements
- Monitoring the implementation of budget policy and planning
- Evaluation of independent audits, internal control and risk management systems

CEO
- General management of the company
- Implementation of the company's strategy and policy

Management
- Management of production, operational and commercial activities
- Fulfilment of tasks assigned by and reporting to the Board of Directors and the CEO

Internal audit department
- Internal checks and audits
- Preparation of reports for the Audit Committee

General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of the company. In 2021, the Annual General Meeting of Shareholders elected the members of the Board of Directors, approved the 2020 Annual Report and financial statements, and appointed Deloitte as the external auditor for 2021. Three Extraordinary General Meetings of Shareholders were held in the reporting year, where the company's Charter and the revised Regulation on Board Remuneration were approved.

Share capital

As at 31 December 2021, the share capital of JSC SUEK amounted to RUB 1,180,300 divided into 236,060,000 ordinary registered shares with a face value of RUB 0.005 each.

Board of Directors' Report

Composition

The Board of Directors ensures effective company management and long-term business success. The Board of Directors has four Committees intended to support it and improve the quality of decision-making at Board level.

SUEK regularly rotates its Board of Directors. In 2021, Michael Baumgaertner and Vladimir Hlavinka left SUEK. Stefan Judisch returned to the Board of Directors in February 2021 and then retired in May 2021. At the same time, the Board welcomed Michael Hogan, an expert in the mining industry. Following the introduction of personal sanctions, in March 2022, Andrey Melnichenko and Vladimir Rashevsky left SUEK's Board. Meanwhile, Stepan Solzhenitsyn and Sergey Tverdokhleb joined the Board. Both at the end of December 2021 and at the end of March 2022, the Board included three Independent Directors: Samir Brikho, Juerg Seiler and Michael Hogan. Their independence was confirmed by a Board resolution on 24 February 2021.

Selection and nomination policy

The Nomination and Compensation Committee oversees the selection and nomination of new Board members, ensuring that the Board is well balanced and that the competencies of Directors meet the company's strategic objectives. Board members are elected for the annual period until the next Annual General Meeting, with the possibility of re-election.

Candidates for the Board are Directors who have knowledge of the coal mining sector and the electricity and heat generation industries. They should also be highly proficient in finance, investment, risk and strategic management.

When determining the status of Independent Directors, the Board is guided by the Corporate Governance Code, recommended by the Bank of Russia, and the Order of the Federal Property Management Agency 'On approval of methodological recommendations for organising the work of the Board of Directors in a joint stock company'.

Independent Directors are not affiliated to SUEK, SUEK's substantial shareholder, SUEK's substantial counterparty or competitor, state or municipality.

Induction and familiarisation procedure

Upon election, the Corporate Secretary familiarises Directors with the company's activities and policies. Directors are given full access to an updated database of documents containing all materials from previous meetings, minutes and resolutions of the Board of Directors and Committees, alongside internal company documents. To gain a deeper understanding of certain topics, they meet with senior managers who provide more detailed information on a specific work area.

Information support

All Directors have full and timely access to the information they need to perform their duties. They may receive advice from the Group's General Counsel, the Corporate Secretary, other members of management and Group employees, as well as external advisers.

If a Director is unable to attend a Board or Committee meeting, he or she is provided with all relevant documents and information related to the meeting and is invited to further discuss all the topics with the Chairman of the Board or Committee and its members.

Between meetings, Non-Executive Directors regularly receive reports on the company's activities, and notifications of important events, including all incidents at production plants.

Training

SUEK invests a considerable amount of time and money into the training of employees, but sees it as equally important for members of the Board of Directors to develop and update their knowledge of the Group's activities.

There are regular site visits, where Board members meet with asset managers and learn about the technologies, materials and equipment in use, occupational safety standards and the procurement processes in place.

The Board is kept informed on all relevant company developments through regular management reports, including production and financial performance, and progress of investment projects. Board meetings include presentations by employees, which provide Directors with internal expertise, and presentations by external consultants.

Stakeholder engagement

SUEK's Board of Directors actively engages with both internal and external stakeholders and personally addresses the most significant matters.

Directors regularly visit the company's production assets and communicate with employees and representatives of the local community. This gives them a better understanding of the facilities and helps in evaluating the company's industrial and environmental safety. In 2021, due to restrictions caused by the pandemic, all discussions were held in an online format.

The Board pays special attention to employee engagement assessment. In 2021, SUEK conducted an employee engagement survey at the end of the year. Its results and proposed areas for improvement will be discussed in 2022.

Board of Directors' meetings

SUEK's Board works on a scheduled basis; the work plan is approved for the year and adjusted semi-annually. The Corporate Secretary is responsible for supporting the work of the Board and its Committees, including, jointly with the CEO, providing the necessary materials for the meetings in advance.

The Board held 17 meetings in 2021.

In addition to regular matters, such as revising company strategy, budget and investment planning, and setting objectives for senior managers and assessing their performance, the Board reviewed a number of strategic and COVID-19 risk management initiatives at its meetings in 2021. This included planning the company's further transformation, approving strategic transactions and reviewing the short- and long-term financing strategy, along with other matters requiring the Board's approval according to the Regulation.

Key matters considered at Board meetings in 2021

Category	Items
Strategy	The Board of Directors considered the approval of a number of strategic issues: – Consolidated budget for 2021 and consideration of the consolidated budget for 2022 – Strategy of asset development in Khakassia – Strategies of HR, Procurement, IT, Legal and HSE functions – Stages 2 and 3 of the investment project of the Vanino Bulk Terminal expansion up to 40 Mt per year and the overall project budget, and – Other strategic initiatives in the field of logistics, including the expansion of the railcar fleet
Health, Safety and Environment	– Approved HSE function strategy and integral KPI – Approved the concept and principles of the project motivation system – Approved the incentive programme for investment projects implemented under the DPM-2 programme – Approved the approach for evaluating the performance of participants of the Short-Term Incentive Programme for 2021, including the Methodology for calculating and determining production safety indicators and their impact on remuneration
Corporate governance	In order to ensure the effectiveness of corporate governance in the company, the Board reviewed the relevance of corporate policies and other documents, and assessed the balance of the Board and the effectiveness of the Directors' work during the reporting period, including: – Updating the composition of the Board of Directors and Committees under the Board, key functional managers and organisational structure in accordance with the updated profile and strategy of SUEK – Recognition of the independence of members of the Board of Directors – Assessment of the Board of Directors' activity – Formation of the HSE Committee of the Board of Directors and approval of its Regulations – Approval of SUEK's revised Compliance Policy

Directors' participation in meetings of the Board of Directors in 2021

	Board attendance			Committee attendance (meetings and videoconferences)			
Directors	**Attended/held**	In person	Via videoconference	Strategy Committee	HSE Committee	Audit Committee	Nomination and Compensation Committee
Independent Directors							
Samir Brikho	**17/17**	16	1	6/6	6/6	6/9	6/6
Juerg Seiler	**17/17**	14	3	6/6	6/6	9/9	6/6
Michael Hogan	**14/17**[1]	11	3	3/6	6/6	–	–
Non-Executive Directors							
Andrey Melnichenko	**17/17**	16	1	6/6	–	6/9	6/6
Vladimir Rashevsky	**17/17**	16	1	6/6	6/6	6/9	6/6
Mikhail Kuznetsov	**17/17**	16	1	6/6	–	2/9	5/6[2]

1 Michael Hogan joined the Board of Directors in February 2021.

2 Mikhail Kuznetsov, on his own initiative, resigned from the Nomination and Compensation Committee in December 2021.

Priority matters to consider in 2022

- Geopolitical, economic and further strategic development of the Logistics strategy
- Optimisation of the commercial function
- Further improvement of the risk management system
- Building management statements process
- Completion of a performance management project
- Improvement of long-term and short-term incentive programmes

Board effectiveness and evaluation

The Board of Directors regularly evaluates its own performance. The assessment is overseen by the Nomination and Compensation Committee based on a questionnaire and is refined annually to meet changing business priorities and the objectives of the Board. Each Director assesses various aspects of the Board's activities and the Chairman's work, expresses their opinion on the Board's effectiveness and recommends specific solutions for improving its work.

Overall, the Directors gave positive feedback on the Board's work in 2020 and 2021. The Board praised the following areas:

- Board meets sufficiently often
- Boards members receive sufficient support and information from the Corporate Secretary office

Remuneration

Board

Members of the Board of Directors receive remuneration and/or reimbursement for expenses related to the performance of their duties during the period of their appointment. The General Meeting of Shareholders approves the amount of such remuneration and compensation.

The criteria for determining remuneration for the members of the Board are established by the Regulation 'On remuneration of members of the Board of Directors'. Remuneration is paid to members of the Board of Directors in proportion to the period of their service on the Board of Directors and Committees.

The total remuneration paid to Directors for their contributions in 2021 is presented below:

$	2021
Total remuneration paid to Board members	**1,703,045**
Total compensation for work-related expenses	**745**

The Regulation on remuneration of the Board of Directors is available on the corporate website

Management

Goal setting at SUEK is based on the corporate-wide strategy as well as functional and segment strategies approved by the Board of Directors, which set strategic goals and objectives for the medium and long term (three to five years). These goals and objectives are translated into business plans and budgets (annual, three-year), and contribute to the top-level goals and KPIs that support their achievement. Top-level goals and KPIs for the CEO and senior management are discussed annually with the Nomination and Compensation Committee and then approved by the Board of Directors. After this, goals and KPIs are assigned to lower levels of management in accordance with their area of responsibility and level of authority, and are confirmed by the heads of the relevant departments and business units.

The indicators used for the annual assessment and calculation of remuneration include both the economic performance of the company and the achievement of sustainable development goals, such as ensuring the required level of industrial and environmental safety, social security of employees and contributing to the development of the regions where SUEK operates.

Management remuneration consists of a fixed component (base salary) and a bonus that depends on management performance. The bonus component can vary between 50% and 150% of base salary.

Liability insurance for Board members

Since 2006, the company has been adhering to the policy of liability insurance for members of the Board of Directors and key executives (D&O). For the period from November 2021 to November 2022, SOGAZ was selected as the insurance service provider (maximum annual liability limit of $10m).

Board Committee reports

Strategy Committee

Members of the Committee as of 31 March 2022

- Samir Brikho (ad hoc Chairman)
- Mikhail Kuznetsov
- Sergey Tverdokhleb

Areas of responsibility

The Strategy Committee is responsible for reviewing management's initiatives, assessing associated risks and making recommendations to support the Board's decision-making in the following areas:

- Developing the company's overall strategy, strategic plans for business segments and strategies by functional area
- Carrying out investment planning, project management and capital management
- Defining the company's operating priorities and evaluating the operational efficiency of management
- Improving key business processes

2021 report

The Strategy Committee focused on revising the corporate strategy and improving the evaluation processes for investment projects.

To ensure we build an effective business management model, the Committee began developing an optimal performance model to determine the enablers of strong economic decision-making and transparent management reporting frameworks.

Much attention was given to developing the strategy for SUEK's assets in the Russian Far East. Decisions were made on the investment programme as well as organisational measures designed to turn around unprofitable operations. The Committee approved an organisational project implementation plan for the Far East and the project management approaches.

The Committee also evaluated and selected potential new projects to be proposed under the DPM-2 programme.

SUEK's development strategy for Khakassia envisages increasing saleable product output and export sales of steam coal, and reducing production and extraction costs, as well as initiatives such as the further development of the Chernogorsky and Abakansky open pits.

Several strategic decisions were made regarding flexible fleet contracting and the participation of the company and its subsidiaries in the authorised capital of other legal entities.

The Committee also considered improvements to the model for evaluating the investment case for CAPEX projects and the methodology used to assess their efficiency, as well as proposals aimed at improving commercial operations.

During the year, the Committee also paid attention to regular matters such as strategic initiatives, budget control, forecasting of macro issues and long-term pricing, enterprise value and M&A opportunities.

Health, Safety and Environment Committee

Members of the Committee as of 31 March 2022

- Samir Brikho (Chairman)
- Michael Hogan

Areas of responsibility

Given the high importance of industrial health and safety, environmental and climate issues for the company and its stakeholders, and in order to form a comprehensive system of decision-making on key HSE issues, the HSE Committee was established under the Board at the beginning of 2021. It is responsible for:

- Overviewing HSE and climate corporate and functional strategies
- Monitoring our system of KPIs in this area
- Ensuring and assessing the compliance of our industrial safety system with regulatory and corporate requirements, and assessing the efficiency of controls in this area
- Analysing the causes and consequences of accidents and developing recommendations on their future prevention

2021 report

In the reporting year, as part of the conceptual approach to the industrial safety management system, the Committee reviewed and recommended for approval by the Board the strategy of transformation of the HSE function, which fixes eight initiatives aimed at achieving the strategic goal of zero accidents and reducing damage to equipment and the environment in the medium term.

Read more about the HSE function transformation on p. 80

During the year, the Committee regularly reviewed the stages of implementation of the planned measures within the framework of the approved strategy, and also case studies of industry leaders, and considered opportunities for their implementation at the Group's sites.

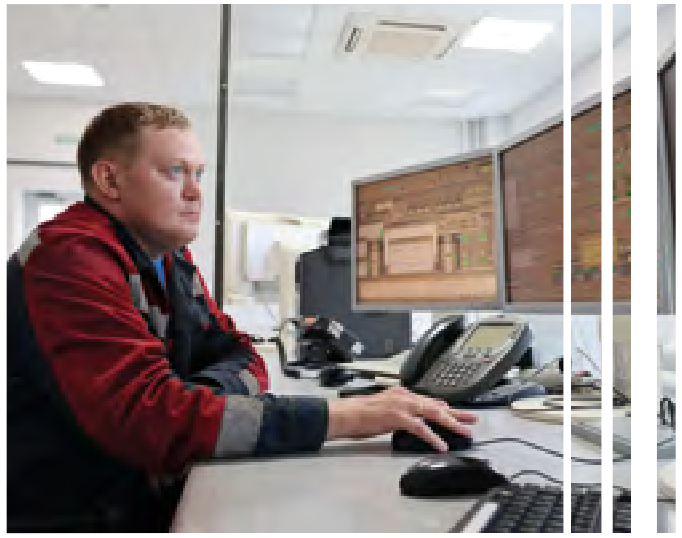
In order to assess the effectiveness of management's efforts to improve industrial safety, the Committee approved the use of the integral industrial safety indicator as a KPI in the short-term staff incentive programme for 2021-2022, which will allow us to assess the contribution of each employee to improving industrial safety based on objective and measurable metrics. The methodology for determining and calculating the indicator was also recommended by the Committee for approval by the Board of Directors.

To improve high-level safety at production sites, the Committee promoted the increasing digitalisation of industrial management processes through the implementation of state-of-the-art analytical and monitoring technologies within the framework of the InSight information system.

As part of COVID-19 monitoring, the Committee reviewed in detail the statistical data on Group companies by region in terms of disease incidence, and also recommended an active vaccination and revaccination campaign followed by a discussion of the effectiveness of these measures.

One of the constant topics at meetings was the consideration of reports on the results of investigations into fatalities and severe injuries at work. The Committee analysed the causes and consequences of accidents and developed recommendations on their future prevention.

During 2021, the Committee also paid great attention to overseeing environmental risk management, including the process of registering environmental risks, and considered the proposal on establishing independent corporate control represented by mobile control groups in the regions.



Audit Committee

Members of the Committee as of 31 March 2022

– Juerg Seiler (Chairman)

Areas of responsibility

– Ensuring that published financial statements are complete and accurate
– Guiding the development of management reporting with regular reviews of performance reports
– Overseeing budget planning and evaluating the effectiveness of budgeting systems
– Evaluating the performance of the external auditor and the effectiveness of the external audit process
– Assessing the effectiveness of internal control and risk management
– Supervising the work of the Internal Audit Service, including the quarterly analysis of audit findings and the annual effectiveness analysis of audit activities and plans

2021 report

The Committee focused on both routine matters and issues relating to the development of SUEK's internal control, risk management and compliance functions.

The Committee reviewed the management accounting and reporting systems in accordance with IFRS, starting with the adoption of new methodological principles, as well as developing the necessary accounting policies and standards at a consolidated Group level and ensuring these were adopted and implemented at subsidiary level. Work progressed on developing a methodology for measuring business/functional efficiency and applying this across the Group, preparing an action plan to develop key performance measurement tools as part of performance management.

In 2021 the Committee reviewed and recommended for approval an updated version of the Compliance Policy. The new version of the document envisages proactively preventing and minimising the risks of violations of mandatory requirements.

In its role supervising the internal audit function, the Internal Audit Department reviewed the results of industrial safety and environmental compliance audits, as well as the risk assessments for investment projects, and increased its focus on internal controls over financial reporting. In particular, the Committee closely monitored whether management was taking appropriate corrective measures.

Overall, a broader range of risks, including financial, regulatory compliance, health and safety, remote work and other operational risks posed by COVID-19, were overseen by the Committee. It also evaluated the pandemic's impact on the internal control environment and the effectiveness of internal controls.

The Committee also considered matters relating to financial statements, external auditor performance and remuneration, the annual re-evaluation of the risk map, operating results, insurance coverage, preparation of the Annual Report and the Committee's work plan.

Nomination and Compensation Committee

Members of the Committee as of 31 March 2022

– Samir Brikho (Chairman)
– Sergey Tverdokhleb

Areas of responsibility

– Making recommendations to the Board of Directors regarding HR strategy, nominations and compensation, corporate governance and social policy
– Ensuring the continuity of senior management, developing a succession pool and talent pipeline, and designing and assessing programmes for developing future managers

2021 report

Throughout the year, the Committee received regular updates on the progress of initiatives to develop key strategic areas.

The Committee reviewed and recommended that the Board of Directors approve the following functional strategies:
– HR
– Procurement
– Legal
– IT

The Committee also worked on the development of the governance framework designed to build a well balanced and efficient business model. The Committee supported a proposal to modify the governance framework for the Energy segment given the increase in the scale of the business and its associated CAPEX programme, as well as the substantial involvement of senior managers in production operations. The Directors reviewed the requirement for leaders and training programmes and screened and recruited candidates for Board and management leadership positions.

The Committee led an effort to modify the approaches to setting short-term targets for senior managers, shifting to focus on value added performance, and to further define the key elements of the long-term incentive programme. The Board also reviewed the project incentive system to motivate large capital projects teams to achieve better capital project delivery and maximise the value of our project portfolio.

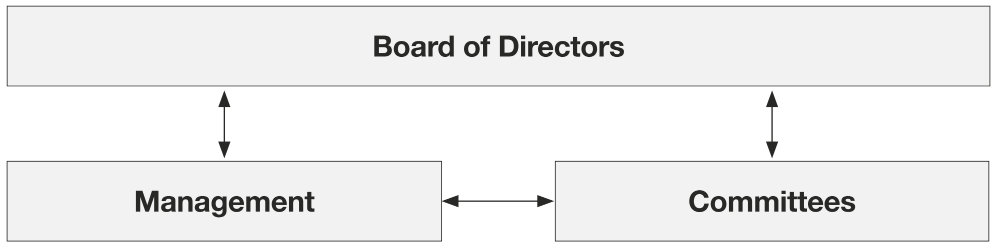
In order to maintain a sufficiency in skilled personnel, the Committee evaluated the adequacy of the workforce at Kuzbass, where there is the highest competition for skilled mining specialists, and reviewed new approaches to finding and attracting external candidates and developing internal talent. The Committee also assessed SUEK's Housing Programme, which would enable the company to cost-efficiently relocate employees across its regions to help meet internal needs.

Enhancing controls for early warning

SUEK has a comprehensive system of internal control, compliance and risk management to ensure business sustainability and integrity. Risk management and internal control functions are divided between three lines of defence, which are controlled by SUEK's management.

SUEK's three lines of defence

- Control over risk and capital management
- Consideration of information necessary for making management decisions in the framework of risk and capital management



Responsibilities	1st line	2nd line	3rd line
	Acceptance and control of risks (business units)	**Risk management coordination (Risk Management Directorate, Compliance Service)**	**Internal audit**
	– Compliance with strategic goals and capital requirements – Decision-making in the context of risk-return (risk taking) – Participating in risk identification and management directly	– Coordination of risk and capital management at the level of the Group – Monitoring risk acceptance and preventing impaired risk appetite – Making proposals on the structure of limits and control – Measurement of risks, formation of recommendations for minimising risks	– Control over the compliance of activities of the 1st and 2nd lines of defence with the principles, standards and methodologies of risk and capital management
Risks examples			
Price risk	Commercial Department	Risk Management Directorate, Compliance Service	Internal Audit Directorate
Liquidity risk	Treasury Department	Treasury Department, Risk Management Directorate	Internal Audit Directorate
Operational risk	Operational business units	HSE Department, Risk Management Directorate, Compliance Service	Internal Audit Directorate

Risk management

SUEK continues to make significant progress in aligning our risk management approach with the ISO 31000 standard, the COSO ERM framework and Basel requirements for the market, credit and liquidity risks.

Within our organisational structure, the risk function is independent of the business. SUEK's **Board of Directors** oversees the risk management framework and reviews its effectiveness by setting the direction, and approving target levels of risk appetite, risk limits and risk capital allocation across the Group.

The **Risk Committee** under the CEO is responsible for capital adequacy planning and structure, and the management of significant risks.

Management ensures that risk management is assigned and communicated as a responsibility to employees at all levels and holds them accountable. Management approves the risk and capital management strategy and significant risk management policies, makes risk-based decisions, reviews risk appetite and stress scenarios, prepares risk and performance reports, and controls risk capital utilisation.

The **Risk Management team** is responsible for risk management methodologies and quantitative risk assessment model development, risk analysis as part of significant decision-making, and reporting to management, the Risk Committee and the Board.

Internal Audit follows a risk-based audit approach, which includes assessing the performance of the risk and capital management framework, and the verification of the risk analysis methodologies and risk management procedures.

We strive to instil in our employees an understanding of the risk management culture as an integral part of the overall corporate culture, and everyday and strategic decision-making. At all corporate levels, we train our managers in the specifics of decision-making in the context of uncertainty, risk-based planning and budgeting methods and other aspects.

Approach to risk assessment

In 2021 we introduced the assessment of risk appetite and risk capital.

Risk capital calculations enable us to determine the current SUEK risk profile and control the capital adequacy. **Stress testing** helps to assess SUEK's resilience during periods of dramatic internal or external changes.

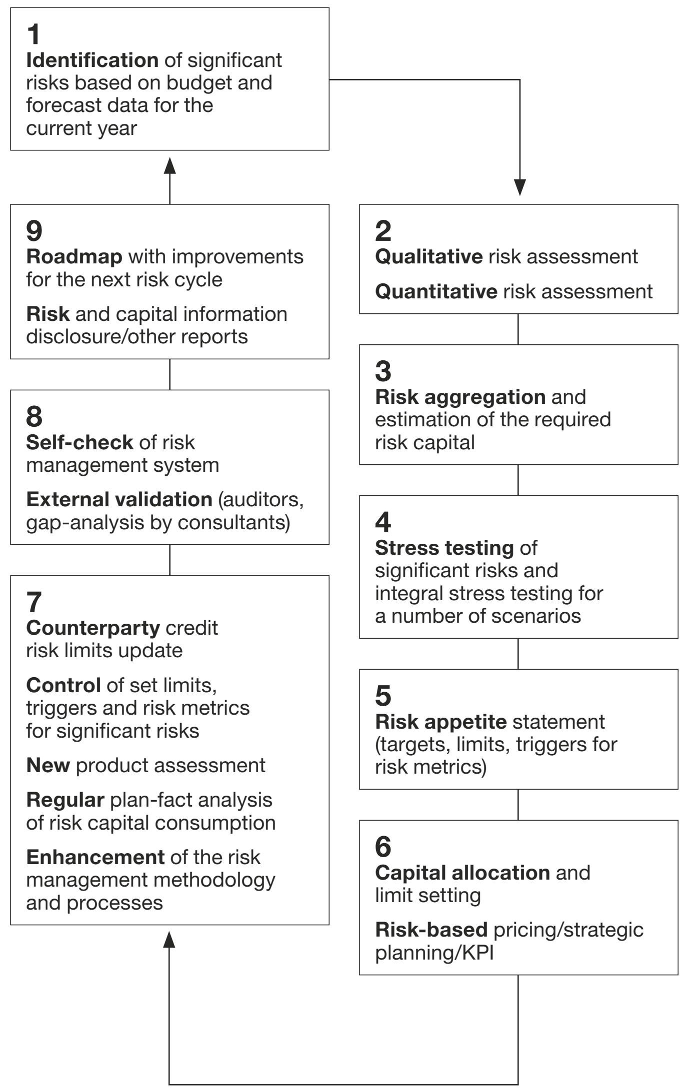
Risk appetite allows us to set the maximum aggregated level of risk that the Group is ready to absorb. This takes into account the strategic goals for return on equity, the maintenance of financial performance indicators and covenants, external ratings management, and the target level for significant risks. The level of risk appetite is established to ensure SUEK has sufficient capital to cover all significant risks, including stress scenarios, while achieving their strategic and budget goals.

We carry out **risk assessments** to support significant business decisions. The relevant stakeholders are involved in all such evaluations, and findings are communicated to key decision-makers and the management. When making a decision or approving an initiative, we apply a range of quantitative risk management techniques to measure uncertainty. Back-testing allows us to review and continuously improve the effectiveness of different analysis methods.

Risk response involves balancing the potential benefits from achieving our objectives against the costs, efforts, potential risk exposure and disadvantages involved in implementation.

In order to control significant risks, the Risk Committee sets threshold values (**limits and warning signal values**). The set threshold values are controlled on an ongoing basis by the Risk Management team.

Risk-based decision making



Internal audit

Internal audit is an independent function assessing the adequacy and effectiveness of controls, systems and procedures at SUEK.

SUEK's Internal Audit Directorate has the following key objectives:
- To assess the compliance of the distribution of roles and responsibilities in risk management and internal control with international best practices
- To facilitate the timely identification of risks and the development of risk mitigation actions by evaluating the efficiency of operations, compliance with regulatory requirements, the quality of the Group's policies, and the reliability of the company's external and internal reporting
- To provide management, the Audit Committee and the Board of Directors with information about key risks so they can make key decisions and have reasonable confidence in achieving the company's strategic goals

The independence of the Internal Audit Directorate is ensured by its functional subordination to the Audit Committee of the Board of Directors. The Committee reviews the Service's reports on a quarterly basis, approves internal audit plans and the Service's budget, and holds regular meetings with the Internal Audit Director.

When planning its work, the Internal Audit Directorate applies a risk-based approach. This means that the Directorate primarily focuses on areas with increased risk for business, while also considering external conditions and company performance, the areas of focus of the Board of Directors and management, and risk assessment results.

Based on recommendations of the Internal Audit Directorate, executives develop and take corrective actions to improve the efficiency of the internal control system, business processes and operations. Internal Audit monitors and analyses these measures throughout the year, providing the Board of Directors with status updates.

In 2021, our internal audit covered:
- Managing environmental compliance risks at energy and logistics assets, including those acquired in last two years, and industrial safety, including accident prevention at energy assets
- Risk management related to the planning and delivery of major investment projects
- Monitoring corrective actions

All internal audit work aims to promote ongoing cross-functional interaction between management to improve our business processes. In addition to its main activities, the Internal Audit Directorate participated in the development and implementation of methodological materials on risk management and procurement, and assisted with confirming the international certification of the compliance and anti-corruption system.

Compliance system

SUEK runs, develops and continuously updates a compliance system aimed at ensuring that the company's activities constantly comply with applicable laws, internal rules and regulations, external liabilities, and compliance principles and standards in all business segments and jurisdictions.

SUEK's compliance system has been certified according to ISO 19600:2014[1] (Compliance Management) and ISO 37001:2016 (Anti-Corruption Management) standards. In 2021, SUEK recertified its compliance with these standards.

As part of the compliance management system, we monitor mandatory requirements and SUEK's compliance with them in the regulatory areas most relevant to our business:

- Compliance with licensing requirements and subsoil use terms and conditions
- Sanctions compliance, compliance with covenants
- Compliance with tax laws
- Corporate ethics
- Anti-corruption
- Anti-monopoly regulation
- Physical, economic, information security, personal data protection
- Compliance with anti-epidemic regulatory requirements amid the COVID-19 pandemic
- Health, safety and environment

As part of our corporate internal control system, we regularly assess compliance risks in the regulatory areas mentioned above, possible scenarios in which they might occur, and the probability and materiality of every scenario. Thanks to the proactive measures taken by the company, no new high-level unmanaged compliance threats were identified in 2021.

In the reporting year, the efficiency of the compliance system was approved taking into account the provisions of the updated international standard ISO 37301:2021. Key changes include:
- Prioritisation human rights principles
- Unifying approaches to compliance risk management through division of risks into centralised and decentralised ones
- Standardisation of risk management methods for all regulatory risk areas

The compliance function is independent from business functions.

The updated Compliance Policy is available on the company's website

1 In 2021, the standard was updated and renamed as ISO 37301. Recertification under the updated standard will take place as planned in 2022.

Anti-corruption

We ensure full compliance with international anti-corruption requirements, and the anti-corruption laws of the Russian Federation and other countries where we operate. There is also an Anti-Corruption, Bribery and Money Laundering Policy in place at SUEK. All necessary anti-corruption procedures are implemented. The Board of Directors has general control of the management and continuous improvement of the anti-corruption system.

The Anti-corruption Policy can be found on the company's website

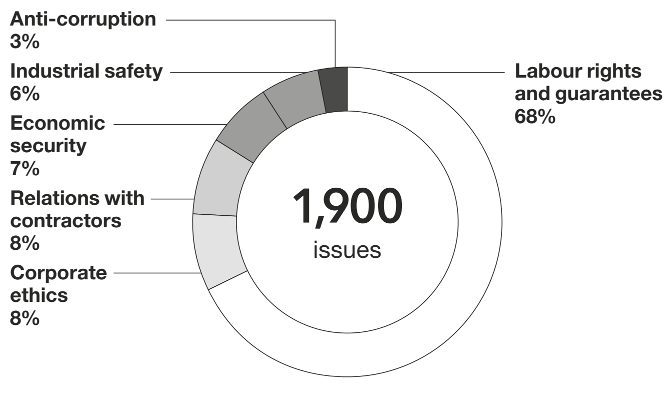
For the second consecutive year, SUEK has topped the Anti-Corruption Rating of Russian Business, compiled by the Russian Union of Industrialists and Entrepreneurs. Based on a comprehensive expert review, in 2021, SUEK was assigned an A1 rating: 'A company with the highest level of anti-corruption and the lowest level of corruption risks. The lowest level of associated threat to investors, creditors, business partners and other stakeholders'.

Hotline

SUEK supports the continuous operation of a confidential reporting channel (Hotline) dedicated to receiving reports of potential violations, including those related to ethical, social and environmental issues. Any employee, business partner or resident from the regions where we operate can report any compliance issue, openly or anonymously.

In the reporting year, we analysed over 1,900 complaints, adopted the necessary approaches and provided answers and explanations. Of the regulatory risk areas in 2021, labour law questions were the most popular. In 2021, there were no cases of complaints to external authorities due to dissatisfaction with the position communicated through the compliance line.

Structure of submissions to the Hotline by category in 2021



Promoting compliance culture

New employees receive mandatory interactive introductory training, including training on the basic concepts of the compliance system and the company's compliance-related values.

All employees regularly receive a mandatory video course, which focuses on managing compliance risks in the most significant areas (ecology, anti-corruption, anti-monopoly requirements, corporate ethics). The course is equipped with the functionality of assessing the level of knowledge gained by employees.

Corporate compliance resources (compliance portal, printed materials, newsletters) are always available and include the contacts of SUEK's compliance department, as well as the Hotline and e-mail address.

Human rights

Unconditional respect for human rights and freedoms when doing business is enshrined in SUEK's Compliance Policy, which applies to all Group employees. The policy also requires our contractors to comply with these standards. The main principles, which are based on Russian law and the generally accepted provisions of international law, include:
- Promoting respect for the fundamental human rights and freedoms, dignity and worth of every person
- Ensuring the equality of civil, economic and social rights and freedoms for men and women and equal opportunities to exercise them
- Assessing the risks of the potential impact of the company's activities on human rights, analysing such findings and taking subsequent action

We regularly monitor the observance of human rights:
- We assess risks in this area and report them to the Board of Directors
- We analyse calls to the Hotline
- We initiate inspections at our assets in cases of receiving information about possible violations of human rights

In 2021, we did not record any human rights violations against workers, contractors, or local people.

Independent auditor’s report to the Shareholders of JSC SUEK

Opinion

We have audited the consolidated financial statements of JSC SUEK and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Auditor’s Independence Rules and the Auditor’s Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Group’s consolidated financial statements as of 31 December 2020 and for the year then ended, were audited by another auditor whose report, dated 29 January 2021, expressed an unqualified opinion on those financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor’s report thereon. The Annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined to be a key audit matter

Assessment of the fair value of Mining assets

Refer to Note 11 ‘Property, plant and equipment’, Note 4 ‘Critical judgements and estimates’

The group’s property, plant and equipment includes USD 7,607 million of mining assets within the coal segment.

Mining assets are measured after initial recognition using the revaluation model. As at 31 December 2021, the date of the latest revaluation, management recorded USD 1,339 million (2020: USD 648 million) of revaluation gain mainly due to the coal price forecast revisions as detailed in Note 4.

For this purpose the fair value is determined by discounting future cash flows which are expected to be obtained from operations of the mines based on the life-of-mine plans and deducting the fair value of the operating tangible fixed assets which are separate from mining assets.

The fair value of the operating tangible fixed assets was determined by internal expert using both direct (based on recent actual acquisitions of similar assets adjusted for depreciation accumulated at the date of valuation) and indirect (change of historic value of assets by observable price change indices for particular assets) methods.

The assessment of the Fair Value of Mining assets was considered to be a key audit matter as it involves significant judgement. Auditing the fair value of mining assets is complex and subjective due to the use of forward-looking estimates, which are inherently difficult to determine. There is also a significant level of judgement applied by management in determining the key assumptions used for the purpose of assessment of the fair value of mining assets.

The key assumptions and estimates made by management for the purpose of the fair value assessment were as follows **(Note 4 Critical accounting judgements and estimates)**:

- The **reserve estimates** are based on several assumptions about the physical existence of coal reserves, future mining, recovery factors, etc. which in turn are complex and include significant uncertainty and judgments.

  The Group performed reassessment of the coal reserves by independent consulting mining engineers as at 1 January 2019 and roll-forward the balance till the date of the fair value assessment by adjusting reserves for actual volumes extracted in 2019–2021 period.
- **Coal prices:** the coal price forecast has a significant impact on the fair value assessment, and is inherently uncertain. There is a risk that management’s commodity price assumptions are not reasonable and may not appropriately reflect changes in supply and demand, including due to climate change and energy transition programs announced recently, leading to a material misstatement.
- **Coal sales volumes:** Sales volumes forecasts are significantly impacted by local and global demand limited by capacity constraints at coal mines, available transportation facilities, etc.
- **Discount rate:** given the long life of SUEK’s assets, recoverable amounts are sensitive to the discount rate applied. Determining the appropriate discount rate involves significant judgments.

How the matter was addressed in the audit

We obtained the valuation model for mining assets (discounted cash flow model) used by management to determine the fair value of these assets as at 31 December 2021. We engaged our internal valuation experts to assist us in evaluating the methodology and assumptions used in the fair value assessment described below. Our audit procedures to evaluate management assessment of the fair value of mining assets included:

- Evaluation of the design and implementation of the internal controls over the Group’s processes of assessment of fair value of mining assets.
- Assessment of the appropriateness of valuation model applied.
- Assessment of appropriateness of key assumptions (see below), such as coal prices, inflation rates, discount rates, foreign exchange rates and other inputs including the most recent development and capital expenditure plans, operating costs.
- Where relevant, assessment of accuracy of management’s historical forecasts and consistency of assumptions applied;
- Performance of sensitivity analysis to evaluate the impact of reasonably possible changes in key assumptions such as coal price, discount rates, coal sales volumes;
- For **reserve estimates** and coal **sales volumes:**
  - Comparison of the production profiles used in the fair value assessment to the latest management’s approved reserves and resources estimates.
  - Comparison of the reserve estimations calculated by the Group to those provided by the independent external reserves specialist and independently rolled forward to the date of valuation.
  - We also assessed the qualifications, competence and the objectivity of the internal and external experts.
- For **coal price** assumption – independent comparison of future short and long-term commodity prices to consensus analysts’ forecasts and those adopted by other companies based on available external sources.
- For **discount rate** assumption – evaluation of SUEK’s discount rates used in the discounted cash flow model with input from Deloitte valuation specialists.
- Assessment of the integrity of the cash flow model used by management, check of the mathematical accuracy.

As a result of the performed procedures:

- we are satisfied that audit evidence obtained supports management’s estimation on fair value of mining rights;
- we determined that the revaluation of mining assets recorded is appropriate and that adequate disclosures have been made in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Andrei Shvetsov
(ORNZ No. 21906101417),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 18.10.2021 authorising to sign off the audit report on behalf of AO "Deloitte & Touche CIS"
(ORNZ No. 12006020384)
28 January 2022

Consolidated statement of profit or loss

For the year ended 31 December 2021

Millions of US Dollars

	Notes	2021	2020
Revenue	6	**9,743**	**6,683**
Cost of sales	7	**(5,063)**	(3,846)
Distribution costs	8	**(2,355)**	(1,762)
General and administrative expenses	9	**(212)**	(185)
Other (expenses)/income, net		**(26)**	2
Operating profit		**2,087**	**892**
Finance costs, net	10	**(291)**	(337)
Foreign exchange gain/(loss)		**92**	(308)
Profit before tax		**1,888**	**247**
Income tax expense	27	**(426)**	(53)
Net profit for the year		**1,462**	**194**
Net profit attributable to:			
Ordinary shareholders of the parent		**1,438**	185
Non-controlling interests		**24**	9
Net profit for the year		**1,462**	**194**
Basic and diluted earnings per share (in US Dollars)	20	**6.09**	0.78

Stepan Solzhenitsyn
Chief Executive Officer

Paul Maguire
Chief Financial Officer

28 January 2022

The accompanying notes on pages 120 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

Millions of US Dollars

	Notes	2021	2020
Net profit for the year		**1,462**	**194**
Other comprehensive income/(loss)			
Items which may be reclassified to profit or loss in the future:			
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax	16	**470**	31
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	16	**(443)**	(488)
Total items which may be reclassified to profit or loss in the future		**27**	**(457)**
Items which may not be reclassified to profit or loss in the future:			
Translation difference		**17**	(354)
Revaluation of intra-group debt denominated in foreign currency	3.2	**(7)**	(43)
Revaluation surplus	4	**1,339**	648
Tax effect of revaluation	4	**(268)**	(130)
Actuarial (losses)/gains		**(9)**	8
Total items which may not be reclassified to profit or loss in the future		**1,072**	**129**
Total other comprehensive income/(loss) for the year		**1,099**	**(328)**
Total other comprehensive income/(loss) attributable to:			
Ordinary shareholders of the parent		**989**	(263)
Non-controlling interests		**110**	(65)
Total other comprehensive income/(loss) for the year		**1,099**	**(328)**
Total comprehensive income/(loss) attributable to:			
Ordinary shareholders of the parent		**2,426**	(81)
Non-controlling interests		**135**	(53)
Total other comprehensive income/(loss) for the year		**2,561**	**(134)**

The accompanying notes on pages 120 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2021

Millions of US Dollars

	Notes	2021	2020
ASSETS			
Non-current assets		**15,157**	**14,109**
Property, plant and equipment	11	**14,279**	13,068
Right-of-use assets	12	**431**	591
Deferred tax assets	27	**253**	246
Goodwill		**78**	78
Derivative financial assets	16	**10**	21
Other assets	13	**106**	105
Current assets		**2,827**	**1,925**
Trade accounts and other receivables	14	**1,294**	822
Inventories	15	**809**	704
Derivative financial assets	16	**117**	33
Prepaid and recoverable taxes	17	**252**	183
Cash and cash equivalents	18	**355**	183
Total assets		**17,984**	**16,034**
EQUITY AND LIABILITIES			
Equity		**7,547**	**5,054**
Share capital	19	**–**	–
Share premium		**104**	104
Revaluation reserve		**6,056**	5,267
Hedging reserve		**(313)**	(340)
Translation reserve		**(2,099)**	(2,110)
Retained earnings		**3,579**	2,016
Attributable to ordinary shareholders of the parent		**7,327**	**4,937**
Non-controlling interests		**220**	**117**
Non-current liabilities		**6,983**	**7,900**
Long-term borrowings	21	**4,217**	5,270
Long-term lease liabilities	22	**307**	470
Deferred tax liabilities	27	**1,826**	1,510
Derivative financial liabilities	16	**322**	314
Other liabilities	24	**311**	336
Current liabilities		**3,454**	**3,080**
Short-term borrowings	21	**1,947**	1,732
Short-term lease liabilities	22	**135**	147
Trade accounts and other payables	25	**942**	915
Derivative financial liabilities	16	**182**	102
Taxes payable	26	**248**	184
Total shareholders' equity and liabilities		**17,984**	**16,034**

The accompanying notes on pages 120 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

Millions of US Dollars

	Notes	2021	2020
Profit before tax		**1,888**	247
Adjustments to profit before tax:			
Depreciation and amortisation	7, 8	**1,228**	1,081
Impairment losses, net of reversals, on financial assets		**25**	19
Finance costs, net	10	**291**	337
Foreign exchange (gain)/loss		**(92)**	308
Other, net		**31**	6
Changes in working capital items:			
Increase in trade accounts and other receivables		**(476)**	(263)
Increase in inventories		**(57)**	(7)
(Increase)/decrease in prepaid and recoverable taxes (other than income tax)		**(64)**	22
Increase in trade accounts and other payables		**261**	8
Increase in taxes payable (other than income tax)		**50**	49
Net cash flow from operations		**3,085**	**1,807**
Income tax paid		**(305)**	(138)
Net cash flow from operating activities		**2,780**	**1,669**
Investing activities			
Purchase of property, plant and equipment		**(1,020)**	(965)
Interest received		**2**	7
Loans issued, net		**(2)**	3
Business combinations	33	**(303)**	(262)
Acquisition of subsidiaries		**–**	(9)
Other non-current investments, net		**4**	3
Net cash flow used in investing activities		**(1,319)**	**(1,223)**
Financing activities			
Proceeds from long-term borrowings		**636**	3,067
Proceeds from/(repayments of) short-term borrowings, net		**388**	(102)
Repayments of long-term borrowings		**(1,832)**	(2,407)
Interest and commissions paid		**(198)**	(264)
Payment of lease liabilities	22	**(214)**	(224)
Acquisition of non-controlling interests	33	**(55)**	–
Dividends paid to non-controlling interests		**(13)**	(5)
Payment for purchase of leased railcars		**–**	(363)
Dividends paid to shareholders		**–**	(103)
Other transactions	33	**–**	(20)
Net cash flow used in financing activities	23	**(1,288)**	**(421)**
Foreign exchange effect on cash and cash equivalents		**(1)**	(19)
Net increase in cash and cash equivalents		**172**	**6**
Cash and cash equivalents at the beginning of the year	18	**183**	177
Cash and cash equivalents at the end of the year	18	**355**	**183**

The accompanying notes on pages 120 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2021

Millions of US Dollars

	Share capital	Share premium	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Attributable to ordinary shareholders of the parent	Non-controlling interests	Total
Balance at 1 January 2020	**–**	**104**	**4,866**	**117**	**(1,747)**	**2,088**	**5,428**	**175**	**5,603**
Net profit for the year	–	–	–	–	–	185	185	9	194
Other comprehensive loss	–	–	549	(457)	(363)	8	(263)	(65)	(328)
Transfer to retained earnings	–	–	(148)	–	–	145	(3)	3	–
Total comprehensive income/(loss) for the year	**–**	**–**	**401**	**(457)**	**(363)**	**338**	**(81)**	**(53)**	**(134)**
Acquisition of subsidiaries under common control (see note 33)	–	–	–	–	–	(287)	(287)	–	(287)
Dividends to shareholders	–	–	–	–	–	(103)	(103)	–	(103)
Other transactions (see note 33)	–	–	–	–	–	(20)	(20)	–	(20)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(5)	(5)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(410)**	**(410)**	**(5)**	**(415)**
Balance at 31 December 2020	**–**	**104**	**5,267**	**(340)**	**(2,110)**	**2,016**	**4,937**	**117**	**5,054**
Balance at 1 January 2021	**–**	**104**	**5,267**	**(340)**	**(2,110)**	**2,016**	**4,937**	**117**	**5,054**
Net profit for the year	–	–	–	–	–	1,438	1,438	24	1,462
Other comprehensive income	–	–	960	27	11	(9)	989	110	1,099
Transfer to retained earnings	–	–	(171)	–	–	170	(1)	1	–
Total comprehensive income for the year	**–**	**–**	**789**	**27**	**11**	**1,599**	**2,426**	**135**	**2,561**
Acquisition of non-controlling interests (see note 33)	–	–	–	–	–	(36)	(36)	(19)	(55)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(13)	(13)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(36)**	**(36)**	**(32)**	**(68)**
Balance at 31 December 2021	**–**	**104**	**6,056**	**(313)**	**(2,099)**	**3,579**	**7,327**	**220**	**7,547**

The accompanying notes on pages 120 to 148 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

Millions of US Dollars, unless otherwise stated

1. General information

Organisation and principal activities

Joint Stock Company ("JSC") "Siberian Coal Energy Company" ("SUEK" or the "Company") was founded on 1 December 1999. The Company and its subsidiaries are collectively referred to as the Group. The address of registered office is Dubininskaya st. 53, bld. 7, Moscow, Russian Federation. The principal activities of the Group are the extraction and sales of coal, generation and sales of electricity, heat and capacity and railroad transportation and transshipment in ports.

AIM Capital PLC, registered in the Republic of Cyprus, is the immediate parent company of SUEK with 92.2% interest in the Company's share capital.

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 99.9% of AIM Capital PLC.[1]

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for:
– mining assets carried at fair value; and
– derivative financial instruments which are stated at fair value.

Functional currency

The functional currency of subsidiaries of the Group is the currency of the primary economic environment where these entities operate. The functional currency of foreign trading subsidiaries and predominantly export-oriented Russian subsidiaries is US Dollar ("USD"). The functional currency of the Company and Russian subsidiaries that are not predominantly export-oriented is the Russian Rouble ("RUB").

Presentation currency

The presentation currency is the USD. The translation of the consolidated financial statements into the presentation currency was performed in accordance with the requirements of IAS 21 *"The Effects of Changes in Foreign Exchange Rates"*.

The following RUB/USD exchange rates were applied at 31 December and during the years then ended:

	2021	2020
Year end	**74.29**	73.88
Average rate	**73.65**	72.15

1 Andrey Melnichenko withdrew from the company's shareholding on 10 March 2022.

Adoption of new and revised standards and interpretations

New amendments and improvements to standards set out below became effective 1 January 2021 (unless otherwise stated) and did not have any impact or did not have a material impact on the Group's consolidated financial statements:
– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform (phase 2);
– Amendments to IFRS 16 – Covid-19-Related Rent Concessions (effective from 1 April 2021).

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2021, and have not been early adopted by the Group:
– Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
– IFRS 17 "Insurance contracts";
– Amendments to IAS 1 – Classification of liabilities as current or non-current;
– Narrow scope amendments to IAS 16, IAS 37 and IFRS 3 – Proceeds before intended use, Onerous contracts (cost of fulfilling a contract), Reference to the Conceptual Framework;
– Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRSs 2018-2020;
– Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
– Amendments to IAS 8 – Definition of Accounting Estimates;
– Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group's consolidated financial statements.

3. Significant accounting policies

3.1. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The acquisition of subsidiaries from third parties is accounted for using the purchase method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition. Non-controlling (minority) interest is measured at its proportionate interest in the identifiable assets and liabilities of the acquiree. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in ownership interests by the Group in a subsidiary, while maintaining control, are recognised as an equity transaction.

Upon a loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset at fair value through profit or loss depending on the level of influence retained.

Business combination under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recorded previously in the predecessor's consolidated financial statements. Difference between the purchase consideration and carrying value of net assets acquired is recognised directly in equity.

3.2. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the respective functional currency at the exchange rate ruling at the balance sheet date. Exchange differences arising from changes in exchange rates are recognised in profit or loss, except that exchange differences arising from the revaluation of the intra-group debt accounted for as a part of net investments in foreign entities are recognised in other comprehensive income in the consolidated financial statements.

The translation of the financial statements from functional currency into presentation currency is performed in accordance with the requirements of IAS 21 *"The Effects of Changes in Foreign Exchange Rates"* as follows:

– all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated statement of financial position presented;
– all income and expenses in the consolidated statement of profit or loss are translated at the average exchange rate for the year;
– resulting exchange differences are included in equity and presented separately; and
– in the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates. All cash flows are translated at the annual average exchange rates for the years presented. Resulting exchange differences are presented as foreign exchange effect on cash and cash equivalents.

3.3. Property, plant and equipment

Basis of carrying value of property, plant and equipment

Mining assets

Mining assets include mineral rights with capitalised mine development costs and certain types of operating equipment, such as equipment which represents an integral part of a particular mine or a particular open-pit, or such items of mining equipment whose use on an alternative mine or open-pit is impracticable or not economically feasible. The remaining part of tangible fixed assets besides listed above is defined as operating tangible fixed assets.

Mining assets are carried at fair value since the date of the creation of this new class of property, plant and equipment. Mineral rights were classified as property, plant and equipment and carried at fair value starting from 1 January 2013.

The fair value is determined by discounting future cash flows which can be obtained from operations of the mines based on the life-of-mine plans and deducting the fair value of the operating tangible fixed assets.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the mining assets and the net amount is restated to the revalued amount of the asset. Revaluations are performed on an annual basis.

A revaluation increase is recognised in other comprehensive income and accumulated in equity except to the extent it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease is recognised in profit or loss except to the extent that it reverses a revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

At the year end a portion of the revaluation reserve, which is equal to the difference between depreciation based on the revalued carrying amount of the mining assets and depreciation based on the asset's historical cost, is transferred from the revaluation reserve to retained earnings.

The mineral rights of new greenfields are carried at historical value until detailed technical and financial plans for the assets are finalised.

Property, plant and equipment, other than mining assets

Property, plant and equipment, other than mining assets, is stated at cost less accumulated depreciation and impairment losses. The cost of self- constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads, and the corresponding capitalised borrowing costs.

Where an item of property, plant and equipment, other than mining assets, comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment, other than mining assets, that is accounted for separately, is capitalised to the carrying amount of the component that has been replaced being written off.

Renewals, improvements and major capital maintenance costs are capitalised and the assets replaced are retired. Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit and loss as incurred.

Depreciation

Mining assets are depreciated using the unit-of-production method, based on the estimated proven and probable coal reserves to which they relate, or are written off if the mine is abandoned or where there is an impairment in value. The impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. Estimated proven and probable coal reserves determined in accordance with internationally recognised standards for reporting coal reserves reflect the economically recoverable coal reserves which can be legally recovered in the future from coal deposits.

Tangible assets, other than mining assets, are depreciated using the straight-line method based on estimated useful lives. For each item the estimated useful life has due regard to both its own physical life limitations and, if applicable, the present assessment of the economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all tangible assets, with annual reassessments for major items.

The estimated useful lives of property, plant and equipment, including mining assets, are as follows:

– mining assets	average of 57 years
– generating assets	4 – 68 years
– machinery, equipment, transport and other	2 – 45 years
– buildings, structures and utilities	5 – 60 years
– railcars	7 – 32 years

3.4. Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to mine development, construction of buildings, infrastructure, processing plant, machinery and equipment. Amortisation or depreciation of these assets commences when the assets are put in the location and condition necessary for them to be capable of operating in the manner intended by management. Capital construction-in-progress is reviewed regularly to determine whether its carrying value is recoverable.

3.5. Impairment

The Group reviews the carrying amounts of its tangible and intangible assets regularly to determine whether there are indicators of impairment. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Goodwill is tested annually by the Group to determine the extent of the impairment loss (if any).

A recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment losses are recognised in profit or loss for the year. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6. Research and exploration expenditure

Pre-exploration costs are recognised in profit or loss as incurred.

Exploration and evaluation costs (including geophysical, topographical, geological and similar types of expenditure) are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of extracting coal is considered to be determinable when proven coal reserves are determined to exist. Expenditure deemed to be unsuccessful is recognised immediately in profit or loss.

3.7. Inventories

Coal

Coal is measured at the lower of production cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Production costs include on-mine and processing costs, as well as transportation costs to the point of sale.

Consumable stores and materials

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.8. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group recognises a financial asset or a financial liability in its consolidated statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets at amortised cost

Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (“FVTPL”):
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through other comprehensive income (“FVOCI”)

Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions and are not designated as at FVTPL:
- they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at fair value through profit or loss

Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss. This includes all derivative financial assets.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

If the Group changes its business model for managing financial assets it must reclassify all affected financial assets.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss. After initial recognition, the Group cannot reclassify any financial liability.

The Group derecognises a financial liability (or a part of a financial liability) when the obligation specified in the contract is discharged or cancelled or expires.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model applies to the financial instruments that are not measured at FVTPL.

Loss allowance is recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group measures loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date;
- other financial instruments (other than lease and trade receivables) for which credit risk has not increased significantly since initial recognition.

For loans, the Group measures ECL on an individual basis, or on a collective basis for portfolios that share similar economic risk characteristics.

An impairment loss in respect of the financial assets is calculated as present value of the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. In assessing the impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset. Impairment losses on financial assets are presented under ‘other expenses’ in the operating profit or loss, similar to the presentation under IAS 39, and not presented separately in the consolidated statement of profit or loss due to materiality considerations.

Derivative financial instruments

The Group may enter into a variety of derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk, interest rate risk and risk of changes in the price of freight.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. The subsequent changes are recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss (to revenue or foreign exchange gain/loss depending on a hedged item) in the same period in which the hedged item affects profit or loss.

When a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, or the designation is revoked, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is reclassified to profit or loss.

3.9. Provisions

Provisions are recognised when the Group has legal or constructive obligations, as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10. Employee benefit obligations

Remuneration to employees in respect of services rendered during a reporting year is recognised as an expense in that reporting year.

Defined contribution plan

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution pension plan. The only obligation of the Group is to make the specified contributions in the year in which they arise and these contributions are expensed as incurred.

Defined benefit plans

In accordance with current legislation and internal documentation the Group operates defined benefit plans whereby field workers of its coal-producing, logistic and energy subsidiaries are entitled to a lump sum payment and regular additional payments. The amounts of benefits depends on age, years of service, compensation and other factors.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. Actuarial gains and losses are recognised directly in other comprehensive income.

The defined benefit obligation is calculated annually by the Group. The Projected Unit Credit Method is used to determine the present value of defined benefit obligations and the related current service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

3.11. Income tax

Income tax expense comprises current and deferred taxation.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill and temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

3.12. Revenue recognition

Revenue comprises the sales value of coal, energy, heat, capacity and other goods and services supplied to customers during the period, excluding value-added tax.

Revenue is recognised when the Group fulfils the obligation to perform by transferring the promised goods and services to a customer. An asset is transferred when the buyer receives control of such an asset. Revenue is recognised in the amount of reimbursement that the Group expects to receive in return for the transfer of the promised goods or services to the customer.

Revenue from the sale of coal and other goods is recognised at the time of delivery. Revenue from the sale of electricity and heat is recognised at the time the electricity and heat are supplied to consumers. The ordinary conditions for settlements with customers imply payment upon delivery. Revenue from the provision of logistics services is recognised when the service is provided.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if the term of settlement is up to one year from the date when the Group transfers a promised goods or services to a customer and the customer pays for that goods or services within one year or less.

Energy sales are carried out on both regulated and unregulated energy markets. Regulated market revenue is based on the application of authorised tariffs as approved by the Federal Antimonopoly Service and Regional Energy Commission of the Russian Federation. Revenue is recognised on a monthly basis upon the delivery of the electricity, heat and capacity. Capacity is a special good/service which gives a customer the right to demand generating company (the Group) to maintain its generation assets in a state of readiness to enable the electricity production for the customer.

Electricity volumes produced, not covered by the regulated contracts are traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Non-regulated bilateral contracts for supply of capacity may be also concluded.

The amounts of revenue and expenses of self-produced and consumed electricity volume are shown net for presentation purposes based on selling prices on a day-ahead market. Management believes that such presentation provides more relevant and meaningful information about the operation of the Group.

Revenue from the sale of railroad and transhipment service is recognised when the Group fulfils the obligation of transhipment. The ordinary conditions for settlements with customers imply payment upon delivery.

3.13. Dividends declared

Dividends and related taxation thereon are recognised as a liability in the year in which they have been declared and become legally payable.

Retained earnings legally distributable by the Group are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual Group entities. These amounts may differ significantly from the amounts recognised in the Group's consolidated IFRS financial statements.

3.14. Development expenditure

Development costs are capitalised when shaft sinking is done to prepare a certain part of a deposit for mining and used throughout the life of a mine. Development costs are capitalised in case longwalls are being prepared for extraction and amortised during the mining of the longwall.

3.15. Overburden removal expenditure

In open-pit coal mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable coal.

Stripping costs incurred during the pre-production phase of the open-pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

Due to the specifics of the geology of the Group's mining assets, the period required to gain access to a coal seam is short, and the stripping ratio (volume of overburden removed over the volume of coal extracted) is relatively constant over the periods. Therefore, stripping costs incurred during the production phase of the open-pit mine are recognised in the profit or loss as incurred.

3.16. Environmental obligation

Environmental obligation includes provision for decommissioning and site restoration costs.

Environmental provision is recognised when the Group has a present legal or constructive obligation as a result of past events that existed at the balance sheet date:
- to dismantle and remove its items of property, plant and equipment (decommissioning); and
- to restore site damage after the commencement of coal production to bring the land into a condition suitable for its further use (site restoration).

Estimated future costs are provided for at the present value of estimated future expenditures expected to be incurred to settle the obligation, using estimated cash flows, based on current prices adjusted for the inflation.

The increase in the provision through unwinding of the obligation, due to the passage of time, is recognised as a finance cost in profit or loss.

Changes in the obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset to the extent of the carrying amount of the asset; the excess is recognised immediately in profit or loss.

Gains from the expected disposal of mining assets at the end of the life of the mine are not taken into account when determining the provision.

3.17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss for the year in which they are incurred.

3.18. Goodwill

Goodwill arises on acquisitions and is recognised as an asset initially measured at cost, being the excess of the cost of the business combination over the Group's share of the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. If the Group's share of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, after reassessment, exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Transaction costs incurred in a business combination are expensed.

3.19. Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any repayments of lease made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the payments of lease discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The weighted-average rate applied is 7.19% (7.6% in 2020).

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, payments of lease in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change:
- in future payments of lease arising from a change in an index or rate;
- in a lease term due to reassessment of an option to purchase, extend of terminate the lease; and
- in the amounts expected to be payable under residual value guarantees as part of the lease liability.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

If the terms of the asset's lease agreement provide for a purchase option and the Group is reasonably certain that it exercises this option, the Group depreciates the right-of-use asset from the commencement date till the end of the useful life of the underlying asset. Depreciation will be calculated based on the useful life of assets under lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (with a value of USD 5,000 or less upon purchase). The Group recognises the payments of lease associated with these leases as an expense on a straight-line basis over the lease term.

4. Critical accounting judgements and estimates

In the process of applying the Group's accounting policies management has made the following principal judgements and estimates that have a significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Coal reserve estimates

Coal reserve estimates are used as the basis for future cash flows, which enter into the valuation of mining rights, the determination of provision for environmental obligations, calculations of amortisation and depreciation of mining assets, the unwinding of discount on environmental obligations and the related deferred taxes.

The coal reserve estimates represent the quantity of coal expected to be mined, processed and sold at prices at least sufficient to recover the estimated total costs, the carrying value of the investment and anticipated additional expenditures ("proven and probable coal reserves" in international mining terminology). The estimates are based on several assumptions about the physical existence of coal reserves, future mining and recovery factors, production costs and coal prices and have been calculated using the assessment of available exploration and other data. The Group undertakes revisions of the coal reserve estimates, which are confirmed by independent consulting mining engineers, as appropriate.

Although management's long-term mine plans exceed the remaining useful life of some of the mining licenses of the Group, the Group has a legal right to apply for the extension of the licenses for its existing mining resources and therefore management is confident that the licenses will be extended provided that it is the same coal resource within the original mining license and that certain other conditions are met. Extensions to new seams or adjacent areas are often subject to open auctions. Delay or failure in securing relevant government approvals or licences, as well as any adverse change in government policies, may cause a significant adjustment to development and acquisition plans, which may have a material adverse effect on the Group's financial position and performance.

Valuation of mining assets

Mining assets for coal extraction are stated at their fair value based on reports prepared by internal specialists of the Group at each year end.

Since there is no active market for mining assets, the fair value is determined by discounting future cash flows, which can be obtained from the operations of the mines based on the life-of-mine plans, and deducting the fair value of the operating tangible fixed assets. The Group did not identify any material intangible assets which should be deducted in arriving at the fair value of the mining assets.

Since the operating tangible fixed assets are carried at historical cost, for the purposes of regular revaluation of mining assets their fair value is determined either based on market prices for similar items of tangible fixed assets recently acquired or constructed by the Group or, in absence of such items, by applying a price index for the relevant year of acquisition of mining equipment to the residual value of items.

At 31 December 2021 the fair value of mining assets was determined based on the following key assumptions:
- the cash flows were projected based on actual operating results and life-of-mine models constructed for each cash-generating mining unit and based on an assessment of proven and probable reserves using projected volumes of coal and the available capacity of the transport infrastructure in the foreseeable period and thereafter;
- export coal sales volumes were estimated to grow at an average of 1.1% for the foreseeable forecasted period 2022-2032;
- export coal prices for Asian markets are estimated to reduce by 10% in 2022 in comparison to abnormally high prices in 2021 and to reduce at an average of 5% for 2023-2026. Export coal prices for European markets are estimated to reduce by 31% in 2022 in comparison to 2021 and to reduce at an average of 6% for 2023-2026. Forecast for 2023-2026 is based on the forward rates and consensus forecast of investment banks, forecast after 2026 is estimated to be in line with long-term USD inflation;
- domestic coal sales volumes were estimated to grow at an average of 1.5% for the foreseeable forecasted period 2022-2032;
- domestic coal prices were estimated to grow at an average of 4.8% in 2022 and to grow in line with RUB inflation thereafter;
- regulated railroad tariffs for 2022 were estimated to grow at an average of 5.3% and to grow in line with RUB inflation less than 0.1% thereafter;
- the RUB/USD exchange rate was estimated in 2022 at the level of 73.8 RUB/USD. For 2022-2026 the estimate was based on the RUB/USD forward rate and a consensus forecast of investment banks and was indexed by the ratio between the expected RUB inflation of the corresponding year and the long-term USD inflation thereafter;
- cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 14.4% in RUB for brown coal mining units and at the nominal weighted average cost of capital of 9.4% in USD for hard coal mining units.

At 31 December 2021 the total effect of the revaluation of the mining assets was an increase of 1,339 million USD (31 December 2020 – an increase of 648 million USD); the after-tax effect on equity was an increase of 1,071 million USD (31 December 2020 – an increase of 518 million USD).

Example changes in key assumptions applied to the first forecasted year would have the following effect on the fair value of the mining assets:

	(Decrease)/increase of the fair value
Increase in weighted average cost of capital by 1 percentage point	(948)
Increase in export coal prices of 1%	518
Increase in RUB/USD exchange rate of 1%	224
Increase in export coal sales volumes of 1%	79
Increase in regulated railroad tariffs growth of 1%	(158)
Increase in domestic coal prices of 1%	106
Increase in domestic coal sales volumes of 1%	19

5. Segmental information

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by management.

Operating segments identified by management are coal, logistics, energy and corporate segments.

The coal segment includes coal extraction, coal washing, sales and distribution of coal, petroleum coke and other commodities in the Russian Federation and abroad; the logistics segment includes railroad transportation and transshipment in ports; the energy segment includes generation and sales of electricity, heat and capacity and the corporate segment includes operations of holding companies. Non-current assets of the Group are mostly located in the Russian Federation.

Operating segment information for the Group at 31 December 2021 and for the year then ended is as follows:

	Coal	Logistics	Energy	Corporate	Intersegment elimination	Total
Segment revenue and profitability						
Segment external revenues	6,423	632	2,688	–	–	9,743
Pacific region	3,676	117	–	–	–	3,793
Russian Federation	565	445	2,688	–	–	3,698
Atlantic region	2,182	70	–	–	–	2,252
Inter-segment revenues	846	1,831	69	55	(2,801)	–
Segment expenses	(6,131)	(1,971)	(2,235)	(120)	2,801	(7,656)
Operating profit/(loss)	**1,138**	**492**	**522**	**(65)**	**–**	**2,087**
Depreciation and amortisation	(739)	(212)	(257)	(20)	–	(1,228)
Interest expense and interest on lease	(116)	(58)	(54)	(234)	217	(245)
Interest income	10	6	1	202	(217)	2
Profit/(loss) before tax	1,043	459	462	(76)	–	1,888
Income tax (expense)/benefit	(244)	(104)	(93)	15	–	(426)
Net profit/(loss) for the year	**799**	**355**	**369**	**(61)**	**–**	**1,462**
Capital expenditures incurred during the year	438	238	410	–	–	1,086
Additions of right-of-use assets	8	48	1	–	–	57
Segment assets and liabilities						
Total segment assets	**14,504**	**2,572**	**3,673**	**2,171**	**(4,936)**	**17,984**
Total segment liabilities	**4,697**	**1,552**	**1,975**	**7,149**	**(4,936)**	**10,437**

Operating segment information for the Group at 31 December 2020 and for the year then ended is as follows:

	Coal	Logistics	Energy	Corporate	Intersegment elimination	Total
Segment revenue and profitability						
Segment external revenues	4,057	252	2,374	–	–	6,683
Russian Federation	488	252	2,374	–	–	3,114
Pacific region	2,377	–	–	–	–	2,377
Atlantic region	1,192	–	–	–	–	1,192
Inter-segment revenues	760	1,666	65	48	(2,539)	–
Segment expenses	(4,779)	(1,542)	(1,917)	(92)	2,539	(5,791)
Operating profit/(loss)	**38**	**376**	**522**	**(44)**	**–**	**892**
Depreciation and amortisation	(637)	(207)	(228)	(9)	–	(1,081)
Interest expense and interest on lease	(136)	(76)	(83)	(227)	218	(304)
Interest income	5	6	1	214	(218)	8
(Loss)/profit before tax	(183)	387	438	(395)	–	247
Income tax benefit/(expense)	33	(77)	(88)	79	–	(53)
Net (loss)/profit for the year	**(150)**	**310**	**350**	**(316)**	**–**	**194**
Capital expenditures incurred during the year	723	64	227	12	–	1,026
Additions of right-of-use assets	8	1	11	–	–	20
Segment assets and liabilities						
Total segment assets	**13,291**	**2,565**	**3,410**	**1,748**	**(4,980)**	**16,034**
Total segment liabilities	**4,962**	**1,224**	**2,119**	**7,655**	**(4,980)**	**10,980**

6. Revenue

	2021	2020
Coal	**5,924**	3,799
Electricity	**944**	813
Capacity	**908**	832
Heat	**761**	647
Logistic services	**632**	252
Petroleum coke and other commodities	**400**	136
Other	**174**	204
Total	**9,743**	**6,683**

7. Cost of sales

	2021	2020
Coal and other commodities purchased from third parties	**1,758**	779
Depreciation and amortisation	**1,023**	887
Labour	**812**	752
Consumables and spares	**409**	354
Purchased fuel	**335**	330
Purchased energy	**202**	187
Repairs and maintenance services	**139**	144
Property and other taxes	**58**	58
Fire and rescue brigade expenses	**35**	36
Personnel transportation services	**35**	35
Transportation services	**32**	44
Tax on mining	**32**	29
Transfer of heat	**19**	21
Drilling and blasting services	**15**	16
Other	**159**	174
Total	**5,063**	**3,846**

Proceeds from the sale of electricity and purchased energy are presented after deduction of cost of electricity generated by the Group and consumed for own process needs in the amount of 97 million USD for the year ended 31 December 2021 (for the year ended 31 December 2020 – 83 million USD).

8. Distribution costs

	2021	2020
Railway services	**1,220**	1,034
Freight	**585**	310
Depreciation and amortisation	**205**	194
Stevedoring from third parties	**202**	112
Labour	**52**	42
Repair and maintenance services	**52**	38
Consumables and spares	**18**	16
Property and other taxes	**2**	2
Other	**19**	14
Total	**2,355**	**1,762**

9. General and administrative expenses

	2021	2020
Labour	**139**	127
Consulting, legal, audit and other professional services	**39**	31
Charitable donations	**19**	14
Other	**15**	13
Total	**212**	**185**

10. Finance costs, net

	2021	2020
Interest expense on borrowings	**210**	241
Interest on lease	**35**	63
Bank commissions and charges	**31**	26
Unwinding of discount on provisions	**17**	15
Interest income	**(2)**	(8)
Total	**291**	**337**

11. Property, plant and equipment

	Mining assets	Generating assets	Machinery, equipment, transport and other	Buildings, structures and utilities	Railcars	Construction-in-progress	Total
Cost							
Balance at 1 January 2020	**7,574**	**3,019**	**3,360**	**1,890**	**380**	**849**	**17,072**
Revaluation of mining assets	648	–	–	–	–	–	**648**
Business combination (see note 33)	–	181	5	17	2	17	**222**
Additions	42	–	23	27	–	934	**1,026**
Transfers	81	86	451	160	14	(792)	**–**
Reclassification from right-of-use assets	–	–	–	7	808	–	**815**
Disposals	–	(2)	(57)	(8)	(12)	(9)	**(88)**
Translation difference	(314)	(512)	(165)	(164)	(106)	(61)	**(1,322)**
Balance at 31 December 2020	**8,031**	**2,772**	**3,617**	**1,929**	**1,086**	**938**	**18,373**
Revaluation of mining assets	1,339	–	–	–	–	–	**1,339**
Additions	23	2	13	5	109	934	**1,086**
Transfers	225	82	395	261	20	(983)	**–**
Reclassification from right-of-use assets	–	–	–	–	24	–	**24**
Disposals	–	(2)	(222)	(7)	(2)	(28)	**(261)**
Translation difference	(19)	(22)	(6)	(3)	(6)	(3)	**(59)**
Balance at 31 December 2021	**9,599**	**2,832**	**3,797**	**2,185**	**1,231**	**858**	**20,502**
Accumulated depreciation and amortisation							
Balance at 1 January 2020	**1,369**	**816**	**1,838**	**670**	**69**	**–**	**4,762**
Depreciation and amortisation	272	158	377	107	20	–	**934**
Reclassification from right-of-use assets	–	–	–	–	30	–	**30**
Disposals	–	(1)	(56)	(7)	(5)	–	**(69)**
Translation difference	(73)	(136)	(83)	(58)	(2)	–	**(352)**
Balance at 31 December 2020	**1,568**	**837**	**2,076**	**712**	**112**	**–**	**5,305**
Depreciation and amortisation	428	156	428	122	23	–	**1,157**
Reclassification from right-of-use assets	–	–	–	–	1	–	**1**
Disposals	–	–	(211)	(7)	–	–	**(218)**
Translation difference	(4)	(13)	(3)	(1)	(1)	–	**(22)**
Balance at 31 December 2021	**1,992**	**980**	**2,290**	**826**	**135**	**–**	**6,223**
Net carrying value							
at 31 December 2020	6,463	1,935	1,541	1,217	974	938	13,068
at 31 December 2021	7,607	1,852	1,507	1,359	1,096	858	14,279

In the second half of 2021, the Group acquired a company which owned mainly railcars and railcars in lease for a consideration of 67 million USD from a third party. The Group treated this transaction as an acquisition of assets.

At 31 December 2021 the Group assets include advances issued for capital expenditures of 107 million USD (31 December 2020 – 45 million USD).

If mining assets had been carried at the historical cost, the net book value of property, plant and equipment at 31 December 2021 would have been 7,461 million USD (31 December 2020 – 7,366 million USD).

12. Right-of-use assets

	Generating assets	Buildings, structures and utilities	Machinery, equipment, transport and other	Railcars	Total
Cost					
Balance at 1 January 2020	**88**	**155**	**13**	**1,595**	**1,851**
Additions	11	5	3	1	**20**
Modifications	11	24	1	36	**72**
Reclassification to property, plant and equipment	–	(7)	–	(808)	**(815)**
Disposals	(9)	(6)	(10)	(1)	**(26)**
Translation difference	(14)	(24)	(2)	(190)	**(230)**
Balance at 31 December 2020	**87**	**147**	**5**	**633**	**872**
Additions	1	6	2	48	**57**
Modifications	1	18	–	102	**121**
Reclassification to property, plant and equipment	–	–	–	(24)	**(24)**
Disposals	(30)	(86)	(5)	(107)	**(228)**
Translation difference	–	–	1	(4)	**(3)**
Balance at 31 December 2021	**59**	**85**	**3**	**648**	**795**
Accumulated depreciation					
Balance at 1 January 2020	**11**	**14**	**8**	**171**	**204**
Depreciation	11	9	3	145	**168**
Modifications	–	–	–	(8)	**(8)**
Reclassification to property, plant and equipment	–	–	–	(30)	**(30)**
Disposals	(1)	(1)	(9)	(1)	**(12)**
Translation difference	(2)	(2)	(1)	(36)	**(41)**
Balance at 31 December 2020	**19**	**20**	**1**	**241**	**281**
Depreciation	10	5	2	134	**151**
Modifications	–	–	–	(5)	**(5)**
Reclassification to property, plant and equipment	–	–	–	(1)	(1)
Disposals	(2)	(10)	(1)	(49)	**(62)**
Translation difference	1	1	–	(2)	**–**
Balance at 31 December 2021	**28**	**16**	**2**	**318**	**364**
Net carrying value					
at 31 December 2020	**68**	**127**	**4**	**392**	**591**
at 31 December 2021	**31**	**69**	**1**	**330**	**431**

13. Other assets

	2021	2020
Contract assets under concession agreements	**83**	52
Other assets	**23**	53
Total	**106**	**105**

14. Trade accounts and other receivables

	2021	2020
Trade accounts receivable	**1,176**	833
Advances issued	**263**	133
Other receivables	**46**	32
Subtotal	**1,485**	**998**
Less: Expected credit losses	**191**	176
Total	**1,294**	**822**

As at 31 December 2021 USD 45 million (31 December 2020 – USD 12 million) included in trade accounts receivable relates to provisionally priced receivables which are subsequently measured at fair value through profit or loss.

15. Inventories

	2021	2020
Coal stock	**392**	288
Consumable stores and materials	**461**	454
Less: Allowance for obsolescence	**44**	38
Net consumable stores and materials	**417**	416
Total	**809**	**704**

16. Derivative financial instruments

	2021		2020	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Coal contracts – cash flow hedges	**101**	**103**	2	86
Cross-currency swaps – cash flow hedges	**23**	**378**	22	328
Cross-currency forward contracts – cash flow hedge	**–**	**–**	27	1
Other derivatives	**3**	**23**	3	1
Total	**127**	**504**	**54**	**416**

Derivative financial instruments were valued using observable inputs, which correspond to Level 2 of the hierarchy of the fair value measurements (see note 31). Details of the effective portion of changes in fair value of cash flow hedges were as follows:

	2021		2020	
	Loss recognised in comprehensive income	Loss recycled from comprehensive income to the profit or loss	Loss recognised in comprehensive income	Loss recycled from comprehensive income to the profit or loss
Effective portion of changes in fair value of cash flow hedges	**(534)**	**532**	(558)	40
Deferred tax	**91**	**(62)**	70	(9)
Total	**(443)**	**470**	**(488)**	**31**

Coal contracts

The Group uses coal forwards to hedge the coal price index used in index price coal sales and purchase contracts. Details of the coal forwards designated as cash flow hedges were as follows:

	2021		2020	
	Volume (million tonne)	Derivative	Volume (million tonne)	Derivative
Derivative assets	**6.4**	**101**	0.7	2
Derivative liabilities	**5.4**	**103**	10.2	86

At 31 December 2021 the average coal sales price under the hedge coal forward contracts was 117 USD per ton (31 December 2020 – 64 USD per ton).

Cross-currency swaps

The Group entered into cross-currency swap contracts to manage exposure of fluctuations in foreign currency exchange rates.

At 31 December 2021 the outstanding nominal amount of the hedge is 2,939 million USD. Details of the cross-currency swaps designated as cash flow hedges were as follows:

	2021		2020	
	Volume (million USD)	Derivative	Volume (million USD)	Derivative
Derivative assets				
2021	**–**	**–**	13	1
2022	**256**	**13**	256	11
2023	**258**	**10**	258	10
Total	**514**	**23**	**527**	**22**
Derivative liabilities				
2021	**–**	**–**	194	14
2022	**920**	**72**	937	73
2023	**798**	**158**	831	127
2024	**220**	**46**	220	35
2025	**487**	**102**	476	79
Total	**2,425**	**378**	**2,658**	**328**

17. Prepaid and recoverable taxes

	2021	2020
Value-added tax recoverable	**223**	145
Income tax receivable	**27**	36
Prepaid other taxes	**2**	2
Total	**252**	**183**

18. Cash and cash equivalents

		2021	2020
Current accounts	— foreign currency	**180**	117
	— RUB	**69**	17
Deposits	— RUB	**52**	33
	— foreign currency	**3**	11
Other cash equivalents	— foreign currency	**51**	5
Total		**355**	**183**

19. Share capital and reserves

	Number of shares, in thousands 2021	2020
Authorised share capital		
Ordinary shares	**236,060**	236,060
Issued share capital		
Ordinary shares	**236,060**	236,060

Ordinary shares of the Company have a par value of 0.005 RUB. All issued shares were fully paid.

20. Earnings per share

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no dilution effect.

	2021	2020
Profit for the year attributable to ordinary shareholders of the parent	**1,438**	185
Weighted average number of ordinary shares in issue (in thousands)	**236,060**	236,060
Basic and diluted earnings per share (in USD)	**6.09**	**0.78**

21. Borrowings

	Effective interest rate	2021	2020
Long-term borrowings			
Variable rate borrowings		**3,160**	**4,115**
Unsecured USD-denominated borrowings	6M LIBOR + 0.9% to 1M LIBOR + 2.1%	**1,659**	2,545
Unsecured RUB-denominated borrowings	CBR + 0.3% to CBR + 1.85%	**1,257**	1,286
Unsecured EUR-denominated borrowings	6M EURIBOR + 0.37% to 6M EURIBOR + 2.25%	**244**	284
Fixed rate borrowings		**2,578**	**2,843**
Unsecured RUB-denominated bonds	6.7% to 7.5%	**1,168**	1,314
Unsecured USD-denominated borrowings	2.99% to 4.15%	**798**	1,404
Unsecured USD-denominated bonds	3.38%	**505**	–
Unsecured RUB-denominated borrowings	0.05% to 5.47%	**107**	125
Subtotal		**5,738**	**6,958**
Less: Current portion of long-term borrowings		**1,521**	1,688
Total long-term borrowings		**4,217**	**5,270**
Short-term borrowings			
Fixed rate borrowings		**426**	**44**
Unsecured USD-denominated borrowings	1.55% to 1.85%	**420**	–
Unsecured RUB-denominated borrowings		**–**	41
Other borrowings		**6**	3
Subtotal		**426**	**44**
Current portion of long-term borrowings		**1,521**	1,688
Total short-term borrowings		**1,947**	**1,732**

In September 2021 the Group issued 3.38% bonds in the amount of 500 million USD due in 2026 on the Main Securities Market of The Irish Stock Exchange.

The Group's long-term borrowings have restrictive covenants including, but not limited to, the requirement to maintain minimum ratios associated with:
- consolidated net indebtedness to earnings before interest, tax, depreciation and amortisation ("EBITDA"); and
- EBITDA to consolidated interest expense.

The covenants are calculated based on the IFRS financial statements of the Group on a semi-annual basis. As at 31 December 2021 the Group was in compliance with all such covenants.

22. Lease liabilities

	2021	2020
Opening balance	**617**	**1,224**
Additions	**57**	20
Modifications	**126**	74
Interest on lease	**35**	63
Payment of lease liabilities	**(214)**	(224)
Disposals	**(176)**	(14)
Payment for purchase of leased railcars	**–**	(363)
Translation difference	**(3)**	(163)
Closing balance	**442**	**617**

Closing balance of a lease liability of 31 million USD relates to berths in lease.

23. Changes in liabilities arising from financial activities

The table below provides information of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Dividends paid to shareholders	Other	Total
Balance as at 1 January 2020	**6,583**	**155**	**1,224**	**–**	**–**	**7,962**
Cash flows	396	(102)	(587)	(103)	(25)	(421)
Foreign exchange loss	(278)	(19)	(163)	–	–	(460)
Interest expenses and interest on lease	231	10	63	–	–	304
Change in lease obligations	–	–	80	–	–	80
Bank commissions	26	–	–	–	–	26
Other payables	–	–	–	103	25	128
Balance as at 31 December 2020	**6,958**	**44**	**617**	**–**	**–**	**7,619**
Balance as at 1 January 2021	**6,958**	**44**	**617**	**–**	**–**	**7,619**
Cash flows	(1,394)	388	(214)	–	(68)	(1,288)
Foreign exchange loss	(48)	(26)	(2)	–	–	(76)
Interest expenses and interest on lease	191	20	34	–	–	245
Change in lease obligations	–	–	7	–	–	7
Bank commissions	31	–	–	–	–	31
Other payables	–	–	–	–	68	68
Balance as at 31 December 2021	**5,738**	**426**	**442**	**–**	**–**	**6,606**

24. Other long-term liabilities

	2021	2020
Provision for environmental obligation	**139**	159
Provision for defined benefit obligation	**51**	44
Other long-term liabilities	**121**	133
Total	**311**	**336**

Provision for environmental obligation

The extent and cost of future site restoration programmes are inherently difficult to estimate and depend on the estimated lives of the assets, the scale of any possible disturbance and contamination as well as the timing and extent of corrective actions. The following is a summary of the key assumptions on which the discounted carrying amounts of the obligations are based:

	2021	2020
Discount rate	**8%**	7%
Inflation rate	**4-5%**	4%

Provision for defined benefit obligation

Actuarial assumptions used for the calculation of the defined benefit obligation were as follows:

	2021	2020
Discount rate	**8%**	6%
Inflation rate	**5%**	4%
Future increases in salaries	**4-6%**	4%

25. Trade accounts and other payables

	2021	2020
Trade accounts payable and accruals	**440**	325
Advances from customers	**138**	93
Wages and salaries	**76**	42
Accrual for vacation payments	**69**	62
Payables for the acquisition of assets (see note 11)	**57**	–
Payables for the acquisition of subsidiaries (see note 33)	**–**	282
Other creditors	**162**	111
Total	**942**	**915**

26. Taxes payable

	2021	2020
Value-added tax	**147**	104
Income tax	**50**	35
Social security contributions	**26**	26
Other	**25**	19
Total	**248**	**184**

27. Taxation

	2021	2020
Current income tax expense	**346**	138
Deferred income tax expense/(benefit)	**80**	(85)
Income tax expense	**426**	**53**

The reconciliation of theoretical income tax, calculated at the rate effective in the Russian Federation, where the Company is domiciled, to the amount of actual income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2021	2020
Profit before tax	**1,888**	**247**
Theoretical income tax expense at 20%	**378**	49
Impact of specific tax rates in Switzerland	**(1)**	(5)
Impact of specific tax rates in Russian Federation	**(1)**	(1)
Change in estimates related to prior years	**13**	–
Tax effect of non-deductible expenses	**37**	10
Total income tax expense	**426**	**53**

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	Opening balance	Recognised in equity	Recognised in profit or loss	Effect of translation to presentation currency	Closing balance
2021					
Deferred tax assets	**600**	**29**	**(142)**	**(3)**	**484**
Tax losses carried forward	348	–	(99)	(1)	248
Lease liabilities	113	–	(34)	(1)	78
Derivative financial liabilities	46	29	–	–	75
Environmental and other provisions	32	–	(4)	–	28
Prepaid expenses and accruals	9	–	8	–	17
Employee benefit obligations	13	–	6	–	19
Trade accounts and other receivables	13	–	5	–	18
Inventory	4	–	–	(1)	3
Other	22	–	(24)	–	(2)
Deferred tax liabilities	**(1,864)**	**(266)**	**62**	**11**	**(2,057)**
Property, plant and equipment	(1,742)	(266)	34	9	(1,965)
Right-of-use assets	(120)	–	31	(1)	(90)
Other	(2)	–	(3)	3	(2)
Net deferred tax liabilities	**(1,264)**	**(237)**	**(80)**	**8**	**(1,573)**

	Opening balance	Recognised in equity	Recognised in profit or loss	Reclassification of railcars	Effect of translation to presentation currency	Closing balance
2020						
Deferred tax assets	**531**	**46**	**164**	**(73)**	**(68)**	**600**
Tax losses carried forward	191	–	177	–	(20)	348
Lease liabilities	231	–	(9)	(73)	(36)	113
Derivative financial liabilities	–	46	–	–	–	46
Environmental and other provisions	39	–	(4)	–	(3)	32
Prepaid expenses and accruals	14	–	(4)	–	(1)	9
Employee benefit obligations	17	–	(2)	–	(2)	13
Trade accounts and other receivables	11	–	3	–	(1)	13
Inventory	5	–	1	–	(2)	4
Other	23	–	2	–	(3)	22
Deferred tax liabilities	**(1,880)**	**(101)**	**(79)**	**73**	**123**	**(1,864)**
Property, plant and equipment	(1,627)	(116)	(88)	–	89	(1,742)
Right-of-use assets	(231)	–	5	73	33	(120)
Derivative financial assets	(15)	15	–	–	–	–
Other	(7)	–	4	–	1	(2)
Net deferred tax liabilities	**(1,349)**	**(55)**	**85**	**–**	**55**	**(1,264)**

Unrecognised temporary differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and distribution of dividends, including distribution on a tax-free basis when certain conditions are met, and it is probable that the temporary difference will not be reversed in the foreseeable future, amounted to 4,166 million USD (31 December 2020 – 3,843 million USD).

Management believes that sufficient taxable profits will be available, against which the unused tax losses can be utilised by the Group in the unlimited future period.

For presentation purposes certain deferred tax assets and liabilities are offset in accordance with the accounting policy.

28. Related party transactions

Related parties are considered to include the ultimate beneficiary, affiliates and entities under common ownership and control of the same principal ultimate beneficiary. The Company and its subsidiaries, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties.

Transactions with related parties not dealt with elsewhere in the consolidated financial statements are as follows:

	2021	2020
Sales of logistics services to EuroChem group	**395**	126
Coal sales to DEC group, which was an associate of a company with the same principal ultimate beneficiary till June 2020	**–**	44
Other sales to EuroChem group	**74**	18
Other sales	**9**	64
Purchases of goods and services from EuroChem group	**149**	74
Purchases of goods and services from other companies	**92**	34
Remuneration of the Board of Directors and the Management members	**11**	12

The outstanding balances with related parties are as follows:

	2021	2020
Trade accounts and other receivables from EuroChem group	**32**	13
Trade accounts and other payables to EuroChem group	**38**	34
Lease liabilities from EuroChem group	**52**	–
Payables to EuroChem group for the acquisition of subsidiaries (see note 33)	**–**	288
Other payables	**18**	–

29. Commitments

Capital commitments. The following key capital expenditures were approved:

	2021	2020
Contracted	**1,359**	885
Not yet contracted	**2,920**	1,466
Total	**4,279**	**2,351**

30. Contingencies

Insurance

The insurance industry in the Russian Federation is in the process of development, and some forms of insurance protection common in developed markets are not yet generally available at commercially acceptable terms. The Group has limited coverage for its mining, processing, transportation and energy generating facilities for business interruption or for third-party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain operating assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits which will be required to settle such liabilities.

Management believes that it has provided adequately for all tax liabilities based on its interpretation of the tax legislation. However, the relevant authorities may have differing interpretations, and the effect could be significant.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions in which it operates. The Group's operations involve disturbance of land, discharge of materials and contaminants into the environment and other environmental concerns.

The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates. However, changes in environmental regulations are currently under consideration in the Russian Federation. The Group is continually evaluating its obligations relating to new and changing legislation. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology and incur future additional material costs to meet more stringent standards.

Climate change

Impacts related to climate change and the transition to a lower carbon economy may include:

- demand for the Group's commodities decreasing, due to policy, regulatory, legal, technological, market or societal responses to climate change, resulting in a proportion of a CGU's reserves becoming incapable of extraction in an economically viable fashion;
- physical impacts related to risks resulting from increased severity of extreme weather events, and those related to chronic risks resulting from longer-term changes in climate patterns.

The Group continues to develop its assessment of the potential impacts of climate change and the transition to a lower carbon economy. Where sufficiently developed, the potential financial impacts on the Group of climate change and the transition to a lower carbon economy have been considered in the assessment of indicators of impairment, including:

- the Group's current assumptions relating to demand for commodities and their impact on the Group's long term price forecasts;
- the Group's operational emissions reduction strategy.

The Russian Federation risk

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. This change in the environment did not have a significant effect on the Group's operations, however, the longer-term effects of the imposed and possible additional sanctions are difficult to determine. The Group implemented relevant compliance policy, continuously monitors economic sanctions and analyses their effect on the Group's financial position and operation results.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Business environment

On 11 March 2020, the World Health Organisation declared a new coronavirus infection (COVID-19) a pandemic. The global markets began to experience significant volatility. Together with other factors, this has resulted in a sharp decrease in the oil price, stock market indices and coal prices, as well as a depreciation of the Russian rouble. Responding to the potentially serious threat that COVID-19 presents to public health, Russian and other countries government authorities have taken extensive measures to contain the outbreak, including imposing restrictions on the cross-border movement of people, entry restrictions for foreigners and instructing the business community to transfer employees to working from home.

The management of the Group is taking necessary precautions to protect the safety and well-being of employees against the spread of COVID-19. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group's products; its supply chain; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants.

Taking into account the above-mentioned measures and the Group's current operational and financial performance along with other currently available public information, management does not anticipate significant adverse impact of the COVID-19 outbreak on the Group's financial position and operating results. However, it may be difficult to predict the impact of COVID-19 in the medium and long term perspective. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects of the COVID-19 pandemic.

The consolidated financial statements reflect management's assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

31. Fair value measurement

The fair value of assets and liabilities is determined with reference to various market information and other valuation methods as considered appropriate. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

Financial instruments carried at amortised cost

At 31 December 2021, the fair values of financial instruments carried at amortised cost, which are mainly loans, payables and receivables, did not materially differ from the carrying values. For payables and receivables this is based on their short-term nature, and loans fair values were calculated based on the present value of future cash flows (including interest) discounted at market interest rate.

Financial instruments carried at fair value

Fair values of derivative financial assets and liabilities were determined using inputs from observable market data, which correspond to Level 2 of the hierarchy of fair values.

Mining assets carried at fair value

The fair value of mining assets was determined using discounted cash flow method corresponding to Level 3 of the hierarchy of fair values (see note 4).

32. Financial risk management

In the normal course of its operations, the Group is exposed to market (including foreign currency and interest rate), credit and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out through regular meetings of a risk management committee of operational management and by the central treasury department. The Board of Directors approves principles for overall risk management. In addition, operational management have developed policies covering specific areas, such as foreign currency risk, interest rate risk and the use of derivative and non-derivative financial instruments.

32.1. Market risk

Market risk is the risk that changes in market prices, such as coal prices, foreign exchange rates and interest rates will negatively impact the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk management includes the analysis of foreign currency and interest rate risks.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group.

The Group's interest rate risk arises primarily from long-term borrowings. The Group's borrowings at variable interest rates are primarily denominated in USD. Borrowings at variable interest rates expose the Group to a cash flow interest rate risk. The Group monitors the risk and, if necessary, manages its exposure by entering into variable-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable interest rates to fixed interest rates. The total net unhedged liability which exposes the Group to interest rate risk amounts to 3,160 million USD (31 December 2020 – 4,115 million USD).

An increase or decrease in the floating interest rate by 1 percentage point, provided that the amount of outstanding balance remained constant for the whole year, would have decreased or increased profit for the year by 32 million USD (2020 – 41 million USD).

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

A significant portion of the Group's revenues are denominated in USD, whereas the majority of the Group's expenditures are denominated in RUB. Accordingly, operating profits may be adversely impacted by the appreciation of the RUB against the USD. The risk of negative fluctuations in the USD/RUB exchange rate for future revenue streams is naturally hedged by the USD borrowings.

The Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

			2021			2020
	RUB	USD	EUR	RUB	USD	EUR
Balances with third and related parties	**(109)**	**(1,028)**	**(302)**	**(469)**	**(1,204)**	**(380)**
Prepaid and recoverable taxes	80	–	–	25	–	–
Cash and cash equivalents	51	15	5	4	13	6
Trade accounts receivable	48	8	1	42	6	–
Other receivables	6	–	–	2	–	–
Borrowings	–	(1,041)	(244)	(13)	(1,221)	(304)
Other long-term liabilities	(132)	–	–	(203)	–	–
Trade accounts payable and accruals	(65)	(10)	(28)	(66)	(2)	(26)
Other creditors	(12)	–	(36)	(193)	–	(56)
Taxes payable	(28)	–	–	(21)	–	–
Accrual for vacation payments	(35)	–	–	(30)	–	–
Wages and salaries	(22)	–	–	(16)	–	–
Intra-group balances	**(854)**	**(1,125)**	**1**	**(1,117)**	**(1,008)**	**2**
Intra-group receivables	217	18	203	220	9	195
Intra-group borrowings	(907)	(1,092)	(202)	(1,041)	(971)	(193)
Intra-group payables	(164)	(51)	–	(296)	(46)	–
Total net liabilities	**(963)**	**(2,153)**	**(301)**	**(1,586)**	**(2,212)**	**(378)**

In addition to monetary assets and liabilities the Group has cross-currency swap contracts, which are used to manage exposure of fluctuations in foreign currency exchange rates (see note 16). The outstanding nominal amount of swaps (long RUB, short USD) is 2,939 million USD (31 December 2020: 3,185 million USD). Total net liabilities including cross-currency swap contracts in RUB and USD as at 31 December 2021 amounted to 478 million USD (31 December 2020: 991 million USD).

A 10% devaluation of functional currencies against foreign currencies at the reporting date would have the following effect on the profit or loss for the year and the equity including effect on derivatives:

				2021
	RUB	USD	Other	Total
(Increase)/decrease in equity	144	157	22	323
(Increase)/decrease in profit or loss for the year	(4)	113	22	131

32.2. Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to a financial loss to the Group. The Group minimises its exposure to this risk by ensuring that credit risk is spread across a number of counterparties. Trade receivables comprise international companies and large Russian companies, and credit is only extended to these customers after rigid credit approval procedures. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

At 31 December 2021 5% of total trade receivables were due from the Group's largest customer and 27% of the total trade receivables were due from the Group's next 17 largest customers (31 December 2020 – 4% and 22%, respectively).

The table below analyses the Group's trade receivables into relevant groupings based on ageing.

		2021		2020
	Gross	Expected credit losses	Gross	Expected credit losses
Not past due	890	–	559	–
Past due for less than 12 months	155	44	150	36
Past due for more than one year	131	131	124	124
Total	**1,176**	**175**	**833**	**160**

The movement in the expected credit losses in respect of trade receivables during the year was as follows:

	2021	2020
Opening balance	**160**	**185**
Additional doubtful debts	86	69
Bad debt recovered	(62)	(51)
Bad debt written-off	(8)	(13)
Effect of translation to presentation currency	(1)	(30)
Closing balance	**175**	**160**

Analysis of credit quality of cash and cash equivalents, including bank deposits, based on credit ratings of independent agencies "Standard & Poor's", "Fitch Ratings" and others is listed in the table below:

	2021	2020
From A- to AAA	173	28
From BBB- to BBB+	172	113
From BB- to BB+	3	28
Other	7	14
Total	**355**	**183**

32.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

Recently global and Russian capital markets have experienced significant volatility, including a lack of available sources of financing and significant fluctuation of the Russian Rouble against the USD and the Euro. Despite stabilisation measures undertaken by various governments, markets remain volatile.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group expects that cash generated from operations will be the major source of the Group's liquidity in 2022 and will be sufficient to cover the capital expenditures programme of the Group. In addition, management believes that the Company will be able to attract additional sources of financing in order to refinance existing short-term facilities.

The central treasury department of the Group maintains flexibility in funding by ensuring the availability of credit line facilities. The unused portion of these lines at 31 December 2021 totalled 2,556 million USD (31 December 2020 – 2,499 million USD).

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows to maturity, including interest payments.

	Carrying amount	Contractual cash flows	Due in the first year	Due in the second year	Due thereafter
Balance at 31 December 2021					
Long-term borrowings	5,738	6,587	1,809	1,441	3,337
Short-term borrowings	426	426	426	–	–
Lease liabilities	442	698	196	149	353
Net-settled derivative liabilities	504	504	182	174	148
Trade accounts payable and accruals	440	440	440	–	–
Other creditors	219	219	219	–	–
Total	**7,769**	**8,874**	**3,272**	**1,764**	**3,838**
Balance at 31 December 2020					
Long-term borrowings	6,958	7,493	1,885	1,707	3,901
Short-term borrowings	44	44	44	–	–
Lease liabilities	617	997	179	167	651
Net-settled derivative liabilities	416	416	102	73	241
Trade accounts payable and accruals	325	325	325	–	–
Other creditors	393	393	393	–	–
Total	**8,753**	**9,668**	**2,928**	**1,947**	**4,793**

32.4. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders and benefits for other stakeholders.

The Group defines capital as shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares. This strategy remains unchanged from prior years.

33. Investments in significant subsidiaries

Subsidiaries by country of incorporation	Principal activity	2021	2020
Russian Federation			
Murmansk			
JSC "Murmanskiy Morskoi Torgovyi Port"	Port facilities	**100%**	100%
LLC "Murmansk Bulk Terminal"	Port facilities	**100%**	100%
Moscow Region			
JSC "National Transportation Company"	Transportation services	**100%**	100%
Krasnodarskiy krai			
LLC "Tuapse Bulk Terminal"	Port facilities	**100%**	100%
Altai			
JSC "Barnaul Generation"	Energy generation	**100%**	100%
Novosibirsk			
JSC "SIBECO"	Energy generation	**100%**	100%
Kemerovo			
JSC "SUEK-Kuzbass"	Hard coal extraction	**100%**	100%
JSC "Kuzbassenergo"	Energy generation	**99.9%**	99.9%
JSC "Kemerovo Generation"	Energy generation	**100%**	100%
Krasnoyarsk			
JSC "SUEK-Krasnoyarsk"	Brown coal extraction	**100%**	100%
JSC "Razrez Berezovskiy"	Brown coal extraction	**100%**	100%
JSC "Razrez Nazarovskiy"	Brown coal extraction	**100%**	100%
JSC "Yenisei Territorial Generating Company (TGC-13)"	Energy generation	**99.9%**	99.9%
JSC "Nazarovo GRES"	Energy generation	**100%**	100%
Khakasia			
LLC "SUEK-Khakasia"	Hard coal extraction	**100%**	100%
LLC "Vostochno-Beyskiy razrez"	Hard coal extraction	**50%**	50%
Buryatia			
JSC "Razrez Tugnuiskiy"	Hard coal extraction	**100%**	100%
Zabaikalye			
JSC "Razrez Kharanorskiy"	Brown coal extraction	**100%**	100%
Khabarovsk			
JSC "Urgalugol"	Hard coal extraction	**100%**	100%
JSC "Daltransugol"	Port facilities	**100%**	100%
Primorye			
LLC "Primorskugol"	Brown coal extraction	**100%**	100%
LLC "Stevedoring Company "Maly port"	Port facilities	**100%**	49.9%
LLC "Primorskaya GRES"	Energy generation	**100%**	100%
IC LCC SUEK LTD	Debt holding company	**100%**	100%
Switzerland			
SUEK AG	Export sales of coal	**100%**	100%

In January 2021, SUEK LTD redomiciled from the Republic of Cyprus to the Russian Federation.

Acquisition of non-controlling interest

Acquisition of LLC “Stevedoring Company “Maly port”

In the second half of 2021, the Group acquired the remaining share in LLC “SC “Maly port” for 55 million USD from third parties. The port is capable for any bulk cargo transhipment, currently it specialises in coal transshipment.

Business combinations

Acquisition of Krasnoyarskaya GRES-2

In March 2020, the Group acquired generating and other assets of Krasnoyarskaya GRES-2 for 156 million USD from a third party. The core activity of the acquired business is the generation and sale of energy. The fair value amounts of the acquired assets, mainly presented by property, plant and equipment, and assumed liabilities at the date of acquisition were estimated at 158 million USD and 2 million USD, respectively.

Acquisition of Reftinskaya GRES

In October 2019, the Group acquired generating and other assets of Reftinskaya GRES for 345 million USD, including a contingent consideration, from a third party. In 2019 and in 2020 the Group paid for the acquisition 259 million USD and 57 million USD, respectively.

Acquisition of subsidiaries under common control

Acquisition of Primorskaya GRES

In November 2020, the Group acquired from a related company 100% of LLC “Primorskaya GRES” for 49 million USD. The principal activity of the acquired company is the generation and sale of energy. The difference between the transaction price and the net assets of the company was recorded in retained earnings in the amount of 5 million USD. The carrying amount of assets, mainly presented by property, plant and equipment, and liabilities of LLC “Primorskaya GRES” at the date of acquisition were estimated by the related party at 73 million USD and 13 million USD, respectively, and at 63 million USD and 14 million USD as at 31 December 2020. Other transactions in equity and consolidated cash flow statement include an additional contribution to capital made by the prior owner in the amount of 8 million USD.

Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal

In December 2020, the Group acquired LLC “Tuapse Bulk Terminal” and LLC “Murmansk Bulk Terminal” for 114 million USD and 168 million USD, respectively, from EuroChem group to strengthen its position on the logistics market.

Non-controlling interests

Information of LLC “Vostochno-Beyskiy razrez” that has significant non-controlling interests is as follows:

	2021	2020
Non-current assets	**431**	154
Current assets	**71**	44
Non-current liabilities	**(90)**	(29)
Current liabilities	**(6)**	(6)
Net assets	**406**	**163**
Accumulated non-controlling interests	**203**	**82**
Revenue	**138**	131
Net profit for the year	**34**	3
Profit allocated to non-controlling interests	**17**	2
Revaluation of mining assets	**111**	(31)
Cash flows from operating activities	**38**	21
Cash flows used in investment activities	**(24)**	(16)
Cash flows used in financing activities	**(14)**	(6)
Dividends to non-controlling interests	**10**	3

External assurance letter

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Independent Practitioner’s Limited Assurance Report on the Integrated Annual Report of JSC SUEK for 2021

To the Board of Directors of JSC SUEK

Introduction

We were engaged by the Management of JSC SUEK (“the Management”) to report on certain non-financial indicators in the Integrated Annual Report of JSC SUEK (“the Company”) for 2021 (“the Report”) in the form of a limited assurance conclusion that, based on our work performed, nothing has come to our attention that causes us to believe that the Management’s statement that the non-financial indicators are prepared based on the Global Reporting Initiative Sustainability Reporting Standards (“the GRI Standards”) and are free from material misstatement, is not, in all material respects, fairly stated.

Our conclusion covers only the following non-financial indicators for 2021 in the Report (the “selected non-financial indicators”):

Section of the Report	GRI Standard	Indicator	Pages of the Report
Environment	GRI 303-3	Water withdrawal	72
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions (including Emissions of major air pollutants (thousand tonnes) on page 70)	70, 157
	GRI 306-3	Waste generated (including Used and recycled waste on page 73)	73, 158
Health & Safety	GRI 403-9	Work-related injuries (including LTIs, FAR, LTIFR)	78
GRI content index	GRI 205-3	Confirmed incidents of corruption and actions taken	155
	GRI 307-1	Non-compliance with environmental laws and regulations	158
	GRI 406-1	Incidents of discrimination and corrective actions taken	160

Management’s Responsibilities

Management is responsible for preparing and presenting the Report that is free from material misstatement in accordance with the GRI Standards and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control system relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. It also includes: determining the Company’s objectives in respect of sustainable development performance and reporting, including the identification of key stakeholder groups and their material issues; selecting applicable requirements of the GRI Standards; preventing and detecting fraud; identifying and ensuring that the Company complies with laws and regulations applicable to its activities; selecting and applying appropriate policies; making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved in the preparation of the Report are properly trained, information systems are properly updated and that any changes in the reporting system encompass all key business units.

Our Responsibilities

Our responsibility is to perform procedures to obtain evidence in respect of the selected non-financial indicators in the Report prepared by Management and to report thereon in the form of a limited assurance conclusion regarding Management's statement on the selected non-financial indicators in the Report based on the evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Management's statement that the selected non-financial indicators are prepared based on the GRI Standards and are free from material misstatement is, in all material respects, fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the Russian *Rules on Independence of Auditors and Audit Firms and the Russian Code of Professional Ethics for Auditors and by the International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply the *International Standard on Quality Control* 1, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our judgment, including the assessment of risk of material misstatement during the preparation of the Report, whether due to fraud or error, our understanding of the Company's activities, as well as other engagement circumstances.

In making these risk assessments, we considered internal control system relevant to the Company's preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control.

Our engagement also included: assessing the appropriateness of the information included as part of the selected non-financial indicators in the Report, the suitability of the criteria used by Management in preparing the selected non-financial indicators in the circumstances of the engagement; evaluating the appropriateness of the methods, policies and procedures used in the preparation of the selected non-financial indicators in the Report and the reasonableness of estimates made by Management.

The procedures we developed based on the performed risk assessment are a combination of inspections, recalculations, analytical procedures and inquiries.

Our procedures included, but were not limited to, the following:

- Inspection of the processes used by the Company to identify topics and issues material to the Company's key stakeholder groups, with the purpose of understanding such processes in the Company;
- Interviews with Management representatives and officers at corporate headquarter level regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Company, stage of implementation of such policies, and procedures for collecting information on sustainable development;
- Remote procedures on subsidiaries, which were selected for each indicator based on risk analysis using qualitative and quantitative criteria;
- Interviews with staff at subsidiaries responsible for providing the information regarding the selected non-financial indicators in the Report;
- Comparing the information presented in the Report in part of the selected non-financial indicators with data from other sources to determine its completeness, accuracy and consistency in respect of the selected non-financial indicators;
- Assessing the completeness of qualitative and quantitative information on sustainable development against recommendations of the GRI Standards;
- Reading and analysing information on sustainable development included in the Report to determine whether it is in line with our understanding and knowledge of the Company's sustainable development activity;
- Recalculation of quantitative data and inspection of underlying documentation related to the selected non-financial indicators.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used

To evaluate the Report, GRI Standards were used which are available at the link:

https://www.globalreporting.org/standards/

Management's Statement

Management states that the selected non-financial indicators in the Report, as listed in the "Introduction" section of this report, are prepared based on the GRI Standards and are free from material misstatement.

Inherent Limitations

Due to the limitations inherent in any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal control system over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the reporting period, and the procedures were performed on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and described in this report, nothing has come to our attention that causes us to believe that Management's statement that the selected non-financial indicators in the Report, as listed in the "Introduction" section of this report, are prepared based on the GRI Standards and are free from material misstatement, is not, in all material respects, fairly stated.

Vakhidov N.
Partner, JSC "KPMG"
Moscow, Russia
May 19, 2022

GRI content index

GRI Standards Indicator and General standard disclosures	SUEK's response
GENERAL DISCLOSURE	
Organisational Profile	
102-1 Name of the organisation	JSC SUEK (JSC Siberian Coal Energy Company)
102-2 Activities, brands, products, and services	Presenting our business, pages 2–3 Our history, pages 6–7 Investment case, pages 14–15 Where we operate, pages 16–17 Business model, pages 18–19 Business review, pages 44–63 Information on the company, page 164
102-3 Location of headquarters	Contacts, page 164
102-4 Location of operations	Where we operate, pages 16–17 Business review, pages 47, 53, 61
102-5 Ownership and legal form	Information on the company, page 164
102-6 Markets served	Where we operate, pages 16–17 Business model, pages 18–19 Business review, pages 44–63
102-7 Scale of the organisation	Presenting our business, pages 2–3 Our history, pages 6–7 Investment case, pages 14–15 Where we operate, pages 16–17 Business model, pages 18–19 Business review, pages 44–63 Group financial review, pages 40–43
102-8 Information on employees and other workers	Our people and corporate culture, pages 84–88
102-9 Supply Chain	Business model, pages 18–19 Supply Chain, pages 89–92
102-10 Significant changes to the organisation and its supply chain	Financial statements, pages 149–150
102-11 Precautionary Principle or approach	SUEK subscribes to the precautionary approach particularly as regards our control of occupational health and safety, and our impact on the environment. This is implemented through our risk management process and compliance. Risk management, internal control and compliance, pages 108–111 Environment, pages 68–74 Health & safety, pages 78–83
102-12 External initiatives	Our approach to sustainability, page 65
102-13 Membership of associations	SUEK's key memberships include: – Ad Hoc Council – All–Russia Industrial Association of Employers of the Coal Industry – Association of Commercial Seaports – Bettercoal – Clean Seas fund – Consumer Council – German–Russia Chamber of Commerce – IEA Clean Coal Centre – RAND corporation – Russian Managers Association – Russian Union of Industrialists and Entrepreneurs – World Coal Association – World Energy Council
Strategy	
102-14 Statement from senior decision-maker	Chairman's Statement, pages 8–9 Q&A with CEO, pages 10–11 Chairman's introduction, page 97
102-15 Key impacts, risks and opportunities	What impacts SUEK's ability to create value, its sustainability and its stakeholders, is presented in the following sections: Chairman's Statement, pages 8–9 Q&A with CEO, pages 10–11 Global trends and SUEK, pages 26–31 Our strategy, KPIs and key risks, pages 32–39 Stakeholder engagement and materiality, pages 20–23

GRI Standards Indicator and General standard disclosures	SUEK's response
Ethics and Integrity	
102-16 Values, principles, standards, and norms of behavior	Title page, page 1 Investment case, pages 14–15 Our approach to sustainability, pages 64–67 Health & safety, page 79 Our people and corporate culture, page 85 Our Code of Ethics is available on our corporate website: www.suek.com/about–us/corporate–governance/by–laws/
102-17 Mechanisms for advice and concerns about ethics	Our people and corporate culture, page 87 Compliance management system, page 111
Governance	
102-18 Governance structure	Corporate governance system, page 100
102-19 Delegating authority	Our approach to sustainability, pages 64–67 Environment, page 70 Health & safety, page 79 Committees' reports, pages 104–107 For more information, see section 15 and 16 of the Charter of JSC SUEK on our corporate website: www.suek.com/about–us/corporate–governance/by–laws/
102-20 Executive-level responsibility for economic, environmental and social topics	Our approach to sustainability, page 66 Environment, page 70 Health & safety, page 79
102-21 Consulting stakeholders on economic, environmental, and social topics	Our approach to sustainability, pages 72–73 Stakeholder engagement and materiality, pages 20–23 Environment, page 70 Community development, page 94 Board of Directors' report, page 102
102-22 Composition of the highest corporate body and its Committees	Composition of the Board of Directors, pages 98–99 Corporate governance system, page 100 Board of Directors' report, pages 104–107
102-23 Chair of the highest governance body	The Chairman of the Board of Directors, the highest governance body, is not an executive officer.
102-24 Nomination and selection processes for the highest governance body	Board of Directors' report, page 101
102-25 Conflicts of interests	About the company, page 164 The related party transactions are reported in Financial statements, page 141
102-26 The role of the highest governance body and senior executives in setting purpose, values and strategy	The Board has final approval of SUEK's strategy and goals for financial, operational and sustainability development. Our approach to sustainability, pages 64–67 Corporate governance, pages 97–111
102-27 Highest governance body's collective knowledge	Corporate governance, pages 97–111
102-28 Evaluation of the activities of the highest body of governance	Corporate governance, pages 97–111
102-29 Identification and management of economic, environmental and social impacts	Corporate governance, pages 97–111
102-30 Effectiveness of risk management processes	Risk management, internal control and compliance, pages 108–109
102-31 Review of economic, environmental and social topics	Stakeholder engagement and materiality, pages 20–23 Our strategy, KPIs and key risks, pages 34–39 Sustainability section, pages 64–96 Board of Directors' report, page 102 Committees' reports, pages 104–107
102-32 Highest governance body's role in sustainability report	About this Report, page 164
102-33 Communicating critical concerns	Stakeholder engagement and materiality, pages 20–23 Our strategy, KPIs and key risks, pages 34–39 Our approach to sustainability, pages 64–67 Board of Directors' report, page 102 Committees' reports, pages 104–107 Risk management, internal control and compliance, pages 108–111
102-34 The nature and the total number of critical concerns	Stakeholder engagement and materiality, pages 20–23 Our strategy, KPIs and key risks, pages 34–39 Our approach to sustainability, pages 64–67 Board of Directors' report, page 102 Committees' reports, pages 104–107 Risk management, internal control and compliance, pages 108–111
102-35 Remuneration policies	Committees' reports, page 107
102-36 Process for determining remuneration	Committees' reports, page 107
102-37 Stakeholders' involvement in remuneration	Our people and corporate culture, page 87 Committees' reports, page 107

GRI Standards Indicator and General standard disclosures	SUEK's response
Stakeholder Engagement	
102-40 List of stakeholder group(s)	Stakeholder engagement and materiality, pages 20–23
102-41 Collective bargaining agreements	Our people and corporate culture, page 86
102-42 Identifying and selecting stakeholders	Stakeholder engagement and materiality, pages 20–23
102-43 Approach to stakeholder engagement	Stakeholder engagement and materiality, pages 20–23
102-44 Key topics and concerns raised	Chairman's Statement, pages 8–9 Q&A with CEO, pages 10–11 Stakeholder engagement and materiality, pages 20–23 Chairman's statement, page 97 Board of Directors' report, page 102
Reporting Practice (Report Profile)	
102-45 Entities included in the consolidated financial statements	Contents, page 1 Notes to the consolidated financial statements, page 147 About this Report, page 164
102-46 Defining report content and topic Boundaries	Stakeholder engagement and materiality, page 20 About this Report, page 164
102-47 List of material topics	Stakeholder engagement and materiality, page 20
102-48 Restatements of information	–
102-49 Changes in reporting	–
102-50 Reporting period	Financial year from 1 January 2021 to 31 December 2021
102-51 Date of most recent report	April 2021
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	Olga Ilina, Head of Investor Relations E–mail: ir@suek.ru
102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55 GRI content index	Pages 152–160
102-56 External assurance	External assurance letter, page 149 About this Report, page 164

SPECIFIC DISCLOSURE

ECONOMIC	
201 Economic Performance	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23
103-2 The management approach and its components	Presenting our business, pages 2–3 Our history, pages 6–7 Chairman's Statement, pages 8–9 Q&A with CEO, pages 10–11 Investment case, pages 14–15 Business model, pages 18–19 Group financial review, pages 40–43
103-3 Evaluation of the management approach	Group financial review, pages 40–43
201-1 Direct economic value generated and distributed	Presenting our business, pages 2–3 Investment case, pages 14–15 Business model, pages 18–19 Group financial review, pages 40–43 Financial Statements, pages 114–150
201-2 Financial implications and other risks and opportunities due to climate change	Our strategy, KPIs and key risks, pages 34–39 Climate projects and energy efficiency, pages 75–77
201-3 Defined benefit plan obligations and other retirement	Our people and corporate culture, page 86 Financial Statements, pages 114–150
201-4 Financial assistance received from government	During the reporting period the company did not receive any subsidies from the government. However, some infrastructural and social projects implemented by the company can be subsidised by the government.
203 Indirect Economic Impacts	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Our approach to sustainability, pages 64–67 Community development, pages 93–96
103-2 The management approach and its components	Our approach to sustainability, pages 64–67 Community development, pages 93–96
103-3 Evaluation of the management approach	Community development, pages 93–96
203-1 Infrastructure investments and services supported	Business model, pages 18–19 Community development, pages 93–96
203-2 Significant indirect economic impacts	Business model, pages 18–19 Communities, pages 93–96

GRI Standards Indicator and General standard disclosures	SUEK's response
204 Procurement Practices	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Supply chain, pages 89–92
103-2 The management approach and its components	Supply chain, pages 89–92
103-3 Evaluation of the management approach	Supply chain, pages 89–92
204-1 Proportion of spending on local suppliers	Supply chain, pages 89–92 Communities, page 94
205 Anti-Corruption	
103-1 Explanation of the material topic and its Boundary	Compliance management system, pages 110–111
103-2 The management approach and its components	Compliance management system, pages 110–111
103-3 Evaluation of the management approach	Compliance management system, pages 110–111
205-1 Operations assessed for risks related to corruption	SUEK has a corporate risk management system that covers all divisions and businesses of the company. Risk assessment is carried out on a regular basis. Risk management, pages 108–111
205-2 Communication and training about anti-corruption policies and procedures	Compliance management system, pages 110–111
205-3 Confirmed incidents of corruption and actions taken	During the reporting period, no cases of corruption were detected.
207 Tax	
103-1 Explanation of the material topic and its Boundary	Risk management, pages 62–69
103-2 The management approach and its components	SUEK has internal compliance tax policy.
207-1 Approach to tax	SUEK has internal compliance tax policy.
207-2 Tax governance, control, and risk management	Risk management, pages 62–69
207-4 Country-by-country reporting	Financial Statements, pages 127–162

ENVIRONMENTAL	
301 Materials	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Environment, pages 68–70
103-2 The management approach and its components	Environment, pages 68–70
103-3 Evaluation of the management approach	Environment, pages 68–70
301-1 Materials used by weight or volume	Environment, pages 68–70
301-2 Recycled input materials used	Environment, pages 68–70
301-3 Reclaimed products and their packaging materials	Environment, pages 68–70
302 Energy	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Climate projects and energy efficiency, pages 75–77
103-2 The management approach and its components	Climate projects and energy efficiency, pages 75–77
103-3 Evaluation of the management approach	Climate projects and energy efficiency, pages 75–77
302-1 Energy consumption within the organisation	Climate projects and energy efficiency, page 77
302-2 Energy consumption outside of the organisation	Accounting is not conducted due to the lack of legislative requirements.
302-3 Energy intensity	Climate projects and energy efficiency, page 77
302-4 Reduction of energy consumption	Climate projects and energy efficiency, page 77
302-5 Reductions in energy requirements of products and services	Not applicable to company's products.
303 Water and Effluents	
103-1 Explanation of the material topic and its Boundary	Environment, pages 71–73
103-2 The management approach and its components	Environment, pages 71–73
103-3 Evaluation of the management approach	Environment, pages 71–73
303-1 Interactions with water as a shared resource	Environment, pages 71–73
303-2 Management of water discharge-related impacts	Environment, pages 71–73
303-3 Water withdrawal	Environment, page 72 This indicator is disclosed partially.

GRI Standards Indicator and General standard disclosures	SUEK's response
303-4 Water discharge	Environment, page 73

	2017	2018	2019	2020	2021
Coal					
Wastewater discharged, million m³	**121.3**	**145.6**	**135.8**	**133.1**	**155.5**
including contaminated without cleaning	34.2	29.2	25.9	46.1	**0**
insufficiently cleaned	0.8	70.4	59.0	69.8	**57.9**
regulatory clean	3.8	5.9	0	18.6	**0.6**
cleaned	3.3	26.1	40.0	43.9	**71.6**
Transferred to other consumers (after use)	**1.2**	**1.1**	**1.05**	**0.997**	**0.89**
Energy					
Wastewater discharged, million m³	**2,083.2**	**1,850.5**	**1,914.3**	**1,754.6**	**1,685.2**
including contaminated without cleaning	11.7	2.5	2.4	9.6	**6.5**
insufficiently cleaned	53.1	27.9	34.4	29.8	**33.9**
regulatory clean	1,826.2	1,805.5	1,862.0	1,704.8	**1,623.4**
cleaned	186.9	10.7	8.4	9.2	**15.7**
Transferred to other consumers (after use)	**5.3**	**3.9**	**9.4**	**8.2**	**9.2**
Logistics					
Wastewater discharged, million m³	**0.013**	**0.068**	**0.054**	**0.056**	**0.042**
including contaminated without cleaning	0.009	0.004	-	-	**-**
insufficiently cleaned	-	0.018	-	-	**-**
regulatory clean	-	-	-	-	**-**
cleaned	0.004	0.046	0.054	0.056	**-**
Transferred to other consumers (after use)	**0.135**	**0.033**	**0.069**	**0.44**	**0.25**

GRI Standards Indicator and General standard disclosures	SUEK's response
304 Biodiversity	
103-1 Explanation of the material topic and its Boundary	Environment, page 74
103-2 The management approach and its components	Environment, page 74
103-3 Evaluation of the management approach	Environment, page 74
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment, page 74
304-2 Significant impacts of activities, products, and services on biodiversity	Environment, page 74
304-3 Habitats protected or restored	Environment, page 74
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	At SUEK's production assets, as well as adjacent areas, rare, endangered species of animals, plants and fungi have not been identified.

(hectare)	2017	2018	2019	2020	2021
Coal					
at the beginning of year	18,667	19,645	20,427	21,430	**23,304**
at the end of year	19,261	22,246	21,430	22,755	**23,911**
Disturbed during the year	938	2,813	1,742	1,325	**845**
Recultivated during the year	385	212	552	84	**238**
Energy					
at the beginning of year	2,668	2,568	2,532	4,683	**4,845**
at the end of year	2,564	2,556	2,532	4,698	**4,889**
Disturbed during the year, ha	0	0	0	15	**43**
Recultivated during the year, ha	104	12	0	0	**0**
Logistics	0	0	0	0	**0**

GRI Standards Indicator and General standard disclosures	SUEK's response
305 Emissions	
103-1 Explanation of the material topic and its Boundary	Our approach to sustainability, pages 64–67 Environment, pages 70–71 Climate projects and energy efficiency, pages 75–77
103-2 The management approach and its components	Our strategy, KPIs and key risks, page 33 Our approach to sustainability, pages 64–67 Environment, pages 70–71 Climate projects and energy efficiency, pages 75–77
103-3 Evaluation of the management approach	Our strategy, KPIs and key risks, page 33 Environment, pages 70–71 Climate projects and energy efficiency, pages 75–77
305-1 Direct (Scope 1) GHG emissions	Climate projects and energy efficiency, page 76
305-2 Energy indirect (Scope 2) GHG emissions	There are no mandatory legislative requirements for the regular preparation of these indicators and transfer to the authorised state bodies of information on it.
305-3 Other indirect (Scope 3) GHG emissions	There are no mandatory legislative requirements for the regular preparation of these indicators and transfer to the authorised state bodies of information on it.
305-4 GHG emissions intensity	Climate projects and energy efficiency, page 76
305-5 Reduction of GHG emissions	Climate projects and energy efficiency, pages 76–77
305-6 Emissions of ozone-depleting substances (ODS)	Not applicable.
305-7 Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	Environment, page 70

(thousand tonnes)	2017	2018	2019	2020	2021
Coal					
Total emissions	**20.8**	**26.2**	**28.7**	**25.6**	**28.6**
CO	7.5	9.0	8.9	7.8	**9.8**
NO_X	3.8	5.1	6.9	6.4	**6.9**
SO_2	1.7	1.9	2.0	1.4	**1.2**
Solid substance	5.9	8.1	8.5	7.8	**8.4**
Volatile organic compounds excluding methane	1.9	2.1	2.4	2.2	**2.4**
Energy					
Total emissions	**375.2**	**356.2**	**348.6**	**446.0**	**594.6**
CO	17.9	15.5	17.9	15.6	**19.3**
NO_X	114.2	107.7	114.2	108.5	**169.0**
SO_2	158.4	150.7	158.4	150.4	**258.2**
Solid substance	84.5	82.1	84.5	82.2	**145.5**
Volatile organic compounds excluding methane	0.2	0.2	0.2	0.2	**2.6**
Logistics					
Total emissions	**0.7**	**0.7**	**0.74**	**0.75**	**0.86**
CO	0.1	0.1	0.11	0.12	**0.14**
NO_X	0.3	0.3	0.36	0.37	**0.36**
SO_2	0.1	0.1	0.10	0.10	**0.10**
Solid substance	0.1	0.1	0.08	0.08	**0.14**
Volatile organic compounds excluding methane	0.1	0.1	0.09	0.09	**0.11**
Group					
Total emissions	**396.7**	**383.1**	**378.0**	**472.3**	**624.1**
CO	25.5	24.6	26.9	23.5	**29.2**
NO_X	118.3	113.1	121.5	115.2	**176.3**
SO_2	160.2	152.7	160.5	151.9	**259.5**
Solid substance	90.5	90.3	93.1	90.0	**154.0**
Volatile organic compounds excluding methane	0.1	2.4	2.7	2.5	**5.0**

GRI Standards Indicator and General standard disclosures	SUEK's response
306 Waste	
103-1 Explanation of the material topic and its Boundary	Environment, page 73
103-2 The management approach and its components	Environment, page 73
103-3 Evaluation of the management approach	Environment, page 73
306-1 Waste generation and significant waste-related impacts	Environment, page 73
306-2 Management of significant waste-related impacts	Environment, page 73
306-3 Waste generated	Environment, page 73

(thousand tonnes)	2017	2018	2019	**2020**	**2021**
Coal					
Waste generation	**491,154.3**	**592,338.5**	**649,218.5**	**556,507.8**	**614,621.6**
Hazardous	1.7	1.7	2.4	2.4	**2.8**
Non-hazardous	491,152.6	592,336.8	649,216.1	556,505.4	**614,618.8**
Energy					
Waste generation	**3,580.4**	**3,259.3**	**3,063.6**	**5,056.5**	**8,628.4**
Hazardous	0.5	0.6	0.6	0.8	**1.2**
Non-hazardous	3,579.9	3,258.7	3,063.0	5,055.7	**8,627.2**
Logistics					
Waste generation	**12.1**	**11.5**	**12.7**	**13.3**	**11.35**
Hazardous	0.3	0.7	1.0	0.9	**0.34**
Non-hazardous	11.8	10.8	11.7	12.4	**11.01**
Group					
Waste generation	**494,746.8**	**595,609.0**	**652,031.6**	**565,140.2**	**623,261.3**
Hazardous	2.5	3.0	3.1	3.6	**4.3**
Non-hazardous	494,744.3	595,606.3	652,028.5	565,126.7	**623,257.0**

307 Environmental Compliance	
103-1 Explanation of the material topic and its Boundary	Environment, pages 68–70
103-2 The management approach and its components	Environment, pages 68–70
103-3 Evaluation of the management approach	Environment, pages 68–70
307-1 Non-compliance with environmental laws and regulations	All charges for violation of environmental legislation including the elimination of damages paid for the reporting period

($ thousand)	2017	2018	2019	2020	**2021**
Coal	36.3	14.0	11.0	13.6	**33.4**
Energy	17.4	2.0	8,5	12.1	**64.4**
Logistics	17.6	13.5	8.1	15.9	**11.5**

308 Supplier Environmental Assessment	
103-1 Explanation of the material topic and its Boundary	Environment, page 70
103-2 The management approach and its components	Environment, page 70
103-3 Evaluation of the management approach	Environment, page 70
308-2 Negative environmental impacts in the supply chain and actions taken	No negative environmental impact was identified in the SUEK supply chain.

SOCIAL

401 Employment	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23
103-2 The management approach and its components	Our people and corporate culture, pages 84–88
103-3 Evaluation of the management approach	Our people and corporate culture, pages 84–85
401-1 New employee hires and employee turnover	Our people and corporate culture, page 85
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our people and corporate culture, page 86

GRI Standards Indicator and General standard disclosures	SUEK's response
402 Labour/Management Relations	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23
103-2 The management approach and its components	Our people and corporate culture, pages 85–87
103-3 Evaluation of the management approach	Our people and corporate culture, pages 85–87
402-1 Minimum notice periods regarding operational changes	The company follows the Labour Code of the Russian Federation, which defines the minimum notice period regarding significant changes in the activities of the company (no later than two months before the start of the relevant activities, and in the case of a decision to reduce the number of workers or staff, that may lead to mass layoffs – no later than three months before the start of the relevant activities).
403 Occupational Health and Safety	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23
103-2 The management approach and its components	Our strategy, KPIs and key risks, page 33 Our approach to sustainability, pages 64–67 Health & safety, pages 78–83
103-3 Evaluation of the management approach	Our strategy, KPIs and key risks, page 33 Health & safety, pages 78–83
403-1 Occupational health and safety management system	Our approach to sustainability, pages 64–67 Health & safety, pages 78–83
403-2 Hazard identification, risk assessment, and incident investigation	Health & safety, pages 79, 81
403-3 Occupational health services	Health & safety, pages 78–83
403-4 Worker participation, consultation, and communication on occupational health and safety	Health & safety, pages 78–83, 87
403-5 Worker training on occupational health and safety	Health & safety, pages 80–81
403-6 Promotion of worker health	Health & safety, pages 80, 83 Our people and culture, page 86
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health & safety, pages 78–83
403-8 Workers covered by an occupational health and safety management system	All our employees are covered by our health & safety system. Health & safety, pages 79, 81, 83
403-9 Work-related injuries	Health & safety, page 79 This indicator is disclosed partially.

Work performed	Causes	Our measures
– SGC employee working in a heat chamber – Two employees of SGC during the elimination of a defect on the cyclone of the dust system of the boiler unit – SGC employee working in a heat chamber – SUEK employee during earthworks to liquidate a degassing well – SUEK employee during dismantling/installation of a pumping unit – Two SGC employees during the reconstruction of the construction part of the building by a contractor – SUEK employee during installation work – SGC employee working in a heat chamber – SUEK employee working on a rock dump – The contractor when the contractor performs the reconstruction of the construction part of the building	– Insufficiency of organisation of work on the side-admission (conducting briefing, preparation of the venue, control by work managers) – Lack of control over the progress of work by responsible persons – Violation of safety regulations when operating equipment or being at a production facility/site – Weather	– Conducted targeted checks of the organisation of work, during which accidents occurred, the availability of up-to-date technical documentation and familiarisation of employees of enterprises with it – Unscheduled examinations of the knowledge of relevant personnel on safety issues during the operation of equipment and production systems were carried out – Instructions, technical and other regulations, the procedure for issuing work permits for work in the course of which accidents occurred have been finalised and clarified. – Carried out additional checks on the condition of equipment and vehicles – Reassessment of risks in the performance of work in the course of which accidents occurred – Enhanced work performance monitoring system, including by contractors

404 Training and Education	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Our people and corporate culture, page 88
103-2 The management approach and its components	Our people and corporate culture, page 88
103-3 Evaluation of the management approach	Our people and corporate culture, page 88
404-1 Average hours of training per year per employee	Our people and corporate culture, page 88
404-2 Programs of upgrading employee skills and transition assistance programs	Our people and corporate culture, page 88
405 Diversity and Equal Opportunity	
103-1 Explanation of the material topic and its Boundary	Our approach to sustainability, pages 64–67 Our people and corporate culture, page 85
103-2 The management approach and its components	Our approach to sustainability, pages 64–67 Our people and corporate culture, page 85

GRI Standards Indicator and General standard disclosures	SUEK's response
103-3 Evaluation of the management approach	Our people and corporate culture, page 85
405-1 Diversity of governance bodies and employees	Our people and corporate culture, page 85
405-2 Ratio of basic salary and remuneration of women to men	SUEK has set the same base salary for men and women.
406 Non-discrimination	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Our approach to sustainability, pages 64–67 Our people and corporate culture, page 85
103-2 The management approach and its components	Our approach to sustainability, pages 64–67 Our people and corporate culture, page 85
103-3 Evaluation of the management approach	Our people and corporate culture, page 85
406-1 Incidents of discrimination and corrective actions taken	No incidents and complaints related to any kind of discrimination have been identified or received during the reporting year.
GRI Standards Indicator and General standard disclosures	SUEK's response
407 Freedom of Association and Collective Bargaining	
103-1 Explanation of the material topic and its Boundary	Our approach to sustainability, pages 64–67 Our people and corporate culture, pages 85, 87
103-2 The management approach and its components	Our approach to sustainability, pages 64–67 Our people and corporate culture, pages 85, 87
103-3 Evaluation of the management approach	Our people and corporate culture, page 87
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	During the reporting period it was not revealed.
411 Rights of Indigenous Peoples	
103-2 The management approach and its components	SUEK does not operate in the areas of residence of small and indigenous peoples. In the framework of the current legislation of the Russian Federation, the boundaries of license areas cannot include territories inhabited by them. Community development, page 94
411-1 Incidents of violations involving rights of indigenous peoples	Incidents of violations involving rights of indigenous peoples have not been identified in the reporting period.
413 Local Communities	
103-1 Explanation of the material topic and its Boundary	Stakeholder engagement and materiality, pages 20–23 Our approach to sustainability, pages 64–67
103-2 The management approach and its components	Community development, pages 93–96
103-3 Evaluation of the management approach	SUEK's social programmes are assessed in numerous ESG ratings and competitions. For more information see our corporate website: http://www.suek.com/media/news/ Community development, page 95
413-1 Operations with local community engagement, impact assessment, and development programmes	Stakeholder engagement and materiality, pages 20–23 Our approach to sustainability, pages 64–67 Environment, page 70 Community development, pages 93–96
413-2 Operations with significant actual and potential negative impacts on local communities	Environment, pages 68–74 Climate projects and energy efficiency, pages 75–77

Coal reserves report

Regions/Assets	Reserves[1], (Mt) as of 31.12.2021[2]	Reserves[1], (Mt) as of 31.12.2020[2]
Kemerovo region (Kuzbass) – hard coal	**2,063**	**2,093**
Kamyshansky open-pit mine	**127**	127
Zarechny open-pit mine	**110**	116
Komsomolets underground mine	**120**	122
Polysaevskaya underground mine	**25**	25
November 7th New underground mine	**249**	249
Taldinskaya-Zapadnaya 1 underground mine	**138**	142
Taldinskaya-Zapadnaya 2 underground mine	**156**	157
Ruban underground mine	**139**	140
Yalevsky underground mine	**419**	428
Kirov underground mine	**582**	587
Krasnoyarsk region – brown coal	**3,917**	**3,942[3]**
Berezovsky open-pit mine	**3,363**	3,366
Borodinsky open-pit mine	**490**	509
Nazarovsky open-pit mine	**62**	64
Zabaikalye	**528**	**534**
Apsatsky open-pit mine – coking coal	**70**	70
Vostochny open-pit mine – brown coal	**151**	153
Kharanorsky open-pit mine – brown coal	**306**	311
Republic of Buryatia – hard coal	**290**	**302**
Nikolsky open-pit mine	**244**	251
Tugnuisky open-pit mine	**46**	51
Republic of Khakassia – hard coal	**313**	**329**
Abakansky open-pit mine	**37**	38
Vostochno-Beisky open-pit mine	**115**	120
Izykhsky open-pit mine	**35**	37
Chernogorsky open-pit mine	**126**	134
Primorye	**99**	**102**
Nekkovy open-pit mine – hard coal	**2**	2
Pavlovsky and Severnaya Depressia open-pit mines – brown coal	**96**	100
Khabarovsk region – hard coal	**205**	**215**
Bureinsky open-pit mine	**18**	20
Pravoberezhny open-pit mine	**107**	111
Severnaya underground mine	**80**	84
Total	**7,415**	**7,517[4]**
Hard coal	**2,874**	**2,941**
Brown coal	**4,471**	**4,506**
Coking coal	**70**	**70**

1 The reporting of SUEK's Coal Reserves is presented using the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the JORC Code).

2 SUEK's coal reserves were audited by SRK Consulting (UK) Limited as of 1 January 2019. The data are presented taking into account the production of assets for 2020 and 2021 years.

3 This amount also includes reserves of other production assets in the Krasnoyarsk region, the total share of which in the total structure is insignificant.

4 This total does not include the extensions of reserves that were acquired in 2019/2020 after the SRK audit.

Glossary

Terms and definitions

Ash dump A place for collecting ash and slag generated during the combustion of solid fuel-solid fuels at thermal power plants.

Long-term heat tariff Method introduced in Russia in 2017 for calculating heating prices, when only the maximum long-term level is set. It is calculated based on the cost of constructing and operating a new alternative boiler house. The final heating price is determined by agreement of the parties.

API 2 Index The CIF (cost, insurance and freight) price of coal at the ports of ARA (Amsterdam, Rotterdam and Antwerp) with coal calorific value of 6,000 kcal/kg.

Bettercoal Global non-profit organisation promoting continuous improvement in corporate social responsibility related to coal supply systems, including for social, environmental and ethical practices.

Calorific value The amount of potential energy in coal that can be converted into actual heat.

Coking coal Coal suitable for carbonisation in coke ovens. This must have good coking properties to produce strong coke for steel making, with low sulphur and phosphorus content.

Day-Ahead Market (abbr. as DAM) Competitive selection of price and price-taking applications of suppliers and buyers a day before the actual supply of electricity with the determination of prices and supply volumes for each hour of the day.

DPM (or DPM-1) The programme of capacity supply contracts initiated by Russian energy market regulators lasted from 2010 until the end of 2018 and was designed to stimulate investment into the construction of new power generating capacity. Under the programme, investors committed to building a certain generation capacity within the specified period. In return, they received a guarantee on the return of invested funds supported by an increase to sold capacity prices during the subsequent 10 years. Any investor that did not meet their commitments under this programme would be subject to strict penalties.

DPM-2 (or COMMod) The programme, launched by the Russian government in February 2019 as a continuation of DPM-1 programme, guarantees a return on investment in heat and power capacity development for participating projects up until 2031.

ESG Environmental, social and governance criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.

FOB 'Free On Board' means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

gC NEWC Index based on the Free On Board (FOB) delivery of thermal coal at the Port of Newcastle in Australia with coal calorific value of 6,000 kcal/kg NAR.

HELE High-efficiency, low-emissions coal-fired power plants with supercritical and ultra-supercritical steam cycles.

High-CV coals are coals with a calorific value of 5,600+ kcal per kg. Calorific Value is the most important parameter that determines the economics of the power plant. It indicates the amount of heat that is released when the coal is burned.

Installed capacity Amount of energy that a power station is able to produce

LoM Life-of-mine model is specifically designed for each coal production unit based on 3D geology, using special mining software, and covering the production process for both brownfield and greenfield operations for the total duration of mining.

LTIFR Lost time injury frequency rate. Calculated by the formula: (LTI X 1,000,000)/Total man-hours worked. LTIs – Lost time injuries are recorded when an employee or contractor is unable to work on the day following an incident. We record lost days as beginning on the first registered day that the worker is absent after the day of the injury. The day of the injury is not included. LTIs do not include restricted work injuries (RWIs) and fatalities.

Metallurgical coal Generic term referring to coking coal and its different qualities as well as Pulverised coal injection coal (PCI).

RMB The renminbi, official currency of the People's Republic of China

Sized coal Coal which has passed through a screening process and is grouped into ranges according to size of particles. It is used mainly by households for heating purposes.

System Operator of Unified Energy System An organisation that carries out centralised operational dispatch control in the Unified Energy System of Russia.

SRK SRK Consulting is an independent, international consulting practice that provides advice and solutions mainly in the earth and water resource industries.

Abbreviations and acronyms

bn Billion

Bt Billion tonnes

CAPEX Capital expenditure

CHPP Cogeneration or combined heat and power plant

CO_2e CO_2 equivalent

CAGR Compound annual growth rate

CCUS Carbon Capture Utilisation & Storage technology

EBITDA Earnings before interest, tax, depreciation and amortisation

FAR Fatal Accident Rate

Gcal Gigacalorie

GHG Greenhouse gas

GRES State District Power Plant

GW Gigawatt (one billion watts)

HPP Hydro Power Plant

HR Human resources

HSE Health, Safety and Environment

IFRS International Financial Reporting Standards

ISO International Organisation for Standardisation

kcal Kilocalorie

kcal/kg Kilocalories per kilogramme

kg Kilogramme

km Kilometre

KPI Key performance indicator

kW Kilowatt

kWh Kilowatt-hour

LIBOR London Interbank Offer rate

LNG Liquefied natural gas

LTIs Lost time injuries

M&A Mergers and acquisitions

m^3 Cubic metre

MGcal Megacalorie (equal to 1,000,000 calories)

mm Millimetre

Mtce Million tonne of coal equivalent

Mt Million tonnes

MW Megawatt

MWh Megawatt-hour

NGO Non-governmental organisation

QHD Qinhuangdao, domestic Chinese price

PP Power plant

PCI Pulverised coal injection coal

PR Public Relations

R&D Research & Development

RMB The renminbi (official currency of the People's Republic of China)

ROCE Return on capital employed

RUB Russian Rouble

SAP SRM Supplier relationship management

t tonne

TPP Thermal Power Plant

TWh Terawatt hours

UN SDG United Nations sustainable development goals

WP Washing plant

$ US Dollar

$m Million US Dollars

Information on the company and Report

About this Report

This Integrated Report presents the results of SUEK's Group operations for 2021, covering the Group's three segments: Energy segment, represented by Siberian Generating Company (the production of electricity and heat and heat distribution), Coal segment (coal mining, processing and sales) and Logistics segment, represented by National Transportation Company (railcar transportation and seaport transshipment of bulk cargoes).

The objective of this Report is to provide transparent public disclosure on all areas of our activities that are of interest to our stakeholders. The Report provides an account of progress on the implementation of SUEK's strategy to 2025, including financial, operational and ESG targets, the development of a carbon reduction strategy, the diversification of our business and how we respond to macro challenges and evolving stakeholder requirements.

Leading with the theme of 'Essential Energy', our 2021 Report explains the importance of SUEK's products and services for ensuring good living standards in its consumer regions, and how this supports long-term market demand. Additionally, our Report highlights SUEK's commitment to developing and maintaining long-term customer relationships.

SUEK's report was prepared in accordance with the recommendations of the International Integrated Reporting Council (IIRC) and the requirements of Russian legislation. Non-financial information is disclosed in accordance with the Global Reporting Initiative (GRI Standards) core guidelines. The compliance of selected indicators with GRI Standards has been verified and assured by KPMG.

This Integrated Report should be read alongside our 2021 audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) and audited by Deloitte.

The Report was created under the supervision of SUEK's CFO and with the Audit Committee of the Board of Directors also contributing to its overall integrity. The draft of the Report was approved by the Board of Directors in April 2022 and is subject to approval at the General Meeting of Shareholders of JSC SUEK.

Information on the company

SUEK Group is an integrated and diversified energy holding, with production facilities in Russia and a global distribution network. SUEK's key assets are heat and power generating facilities, port and railcar assets, mining, processing, R&D and service facilities in 14 regions of Russia, as well as international trading company SUEK AG (Switzerland) and its global trading network. International Company SUEK LTD (LLC), located in the SAR on Russky Island (Russia), is responsible for the Group's fundraising.

The share capital of JSC SUEK amounts to RUB 1,180,300 (one million, one hundred and eighty thousand, three hundred Russian Roubles) divided into 236,060,000 (two hundred and thirty-six million and sixty thousand) ordinary uncertified shares with a face value of RUB 0.005 (zero point double zero five Russian Roubles) each.

Forward-looking information and statements on competitive position

This Report contains certain statements. All statements, other than those of historical fact, are forward-looking statements that involve risks and uncertainties. There can be no assurances that such statements will prove accurate, and actual results and future events could differ materially from those anticipated.

The information contained herein represents management's judgement as at the date of the Report, based on information currently available. SUEK does not assume the obligation to update any forward-looking statements. Any statements referring to the Group's competitive position are based on our understanding of the prevailing market environment.

This derives from a range of sources including investment analysts' reports, independent market studies and SUEK's own assessments of market share, based on the publicly available information regarding the financial results and performance of market participants.

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