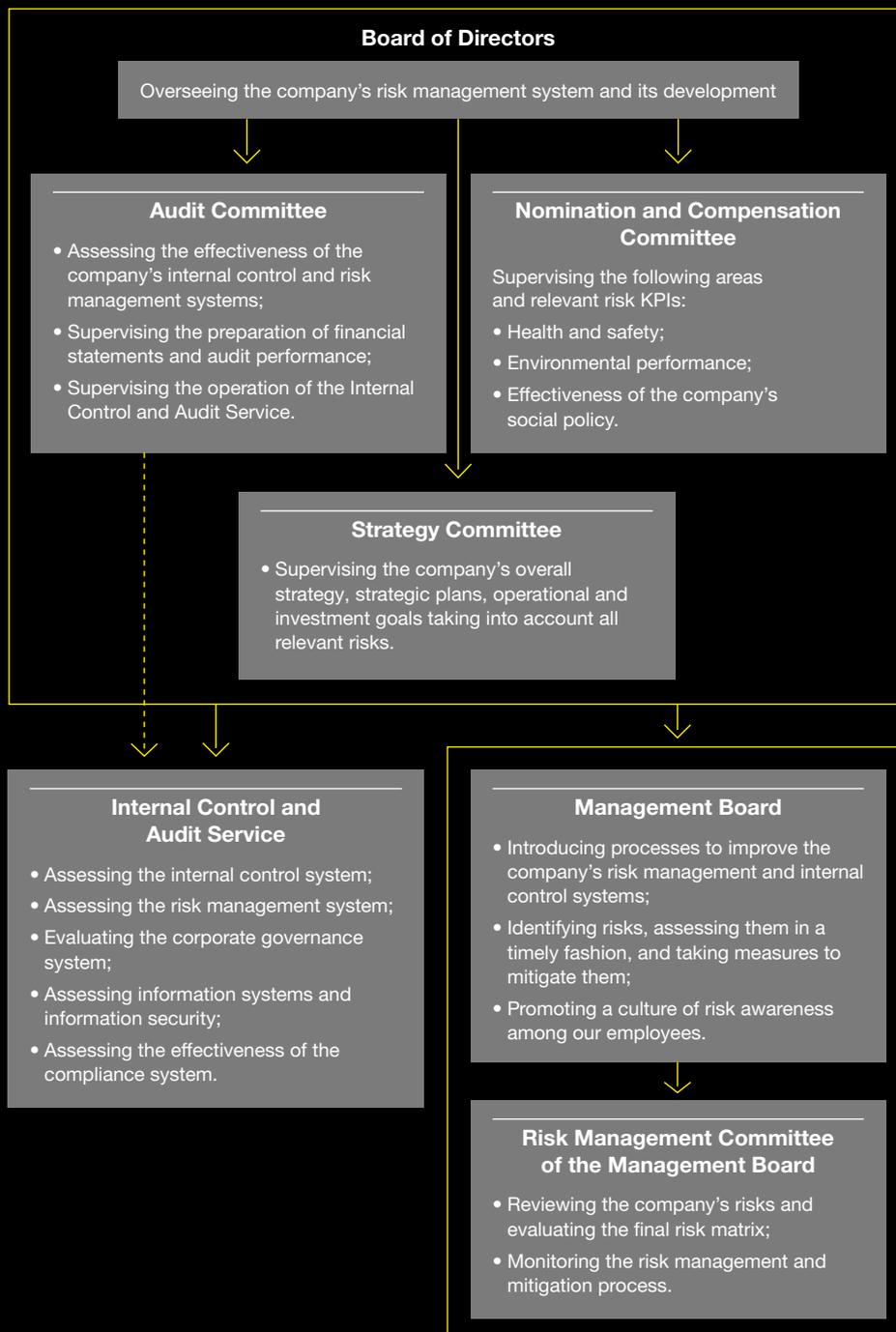


PROACTIVE RISK MANAGEMENT

Effective risk management is essential to the achievement of SUEK’s strategic goals. We are committed to the continuous improvement of our risk management system, which enables us to identify external and internal risks, analyse them, and develop efficient mitigation measures.





Q: What is the main focus of SUEK's risk management system?

A: Given the nature of the coal-mining industry, we pay close attention to the risks related to industrial and environmental safety.

In addition, we are aware that every year, as our operational, commercial and financial activities grow, the need to manage a wider range of risks in order to ensure the sustainability of our business also increases.

Q: How does SUEK mitigate risks connected with initiatives in the field of environmental protection and climate change?

A: We monitor restrictions on coal use as a result of international and national regulatory decisions and PR campaigns. We then make changes to our strategy based on careful risk analysis. In particular, we invest money in activities aimed at increasing the calorific value of our products, which helps reduce their impact on the environment during transportation and use. We also improve the quality of information disclosure in the area of environmental protection in order to maintain access to international capital markets.

In 2017, the company approved activities relating to changes in the Russian legal framework and regulation regarding environmental protection, including the development of a new Environmental Strategy.

VALERY DMITRIEV,
SUEK'S DIRECTOR FOR TAXES, RISK
MANAGEMENT AND INSURANCE

SUEK has implemented a corporate risk management system, which we continue to improve by developing new effective measures to minimise risks across the company. The company's management is fully informed of all significant risks and approves all key parameters for the risk management system. Risk management issues and processes are closely related to strategic planning and influence operational decisions.

Our Management Board controls and monitors the company's risk management system, working closely with the Audit Committee of the Board of Directors. The risk management process is carried out in accordance with the risk management procedure developed and approved by SUEK's Risk Management Committee. This procedure includes the main objectives and principles of risk management, and methods for identifying, assessing and mitigating the risks we face.

We monitor changes in risk levels through our established, annually reviewed risk map. This approach allows us to analyse identified risks and determine the most significant in each area of the company's operations. The responsibility for managing specific risks is delegated to the employees of relevant departments. In early 2017, the Risk Management Committee analysed the risk map for 2016, after which it reviewed and approved a new risk map for 2017.

The Risk Management Committee holds meetings at least once a quarter and considers changes within the area of controlled risks. Where appropriate, adjustments are made to the risk management action plan, and the risk management system is changed as needed. The Risk Management Committee also ensures cross-functional interaction between senior managers and internal operational experts. Employees

responsible for managing certain types of risks devise appropriate responses to emerging issues, and inform the Risk Management Committee of all measures taken to mitigate the risks in question.

Moreover, in order to ensure a timely response to possible adverse developments, we continuously monitor and analyse trends in key markets and related industries, and in the macroeconomic situation, both in Russia and in countries importing SUEK's products. Based upon this analysis, we can further adjust the company's production, sales and financial policies.