
SUEK JSC

Compliance Policy

Version 1.0
Moscow

Policy Information

- 1 The Policy has been adopted through resolution of the sole shareholder dated 25.07.2016 and enforced by Order dated 28.07.2016 No. 76.
- 2 VERSION 1.0. ORIGINALLY Introduced.

1. Introduction

This Policy of Joint-Stock Company Siberian Coal & Energy Company (hereinafter referred to as the Company) has been developed on the basis of requirements of the laws of the Russian Federation in force, international law, the Charter and other regulations of the Company and includes relevant provisions of international standards, recommendations and best Russian and international practices. This Policy is a publicly available document that may be provided to all stakeholders without limitations.

This Policy is recommended for adoption by subsidiary companies.

2. Application

This Policy sets forth compliance principles and goals of the Company in the sphere of compliance, main areas and priorities for the compliance system, by which the Company abides in its business to control compliance risks and ensure that favorable conditions are in place for efficient and sustainable operation and business of the Company.

The Company and its employees are committed to creating and maintaining a corporate culture of intolerance to breach of law.

The rules of this Policy shall apply to all employees of the Company and its divisions regardless of respective positions they may hold immediately upon enactment of this Policy.

3. Terms, definitions, symbols and abbreviations

The Company is SUEK JSC

Compliance is conformity of the Company's business and Company employees to requirements set out in Russian, international, and – where business is conducted outside the Russian Federation – applicable foreign laws as well as local Company bylaws and decisions adopted by Company management bodies.

Company Compliance System is the multitude of corporate culture and values elements, organizational structure, rules and procedures, regulated by in-house bylaws of the Company to ensure that employees of the Company abide by compliance principles regardless of respective positions they may hold.

Compliance Risk is the risk of application of legal or regulatory measures, material financial or reputational losses by the Company resulting from non-compliance by the Company with requirements set out in applicable law, local bylaws and resolutions of Company management bodies.

4. Regulatory references

The Civil Code of the Russian Federation;

The Tax Code of the Russian Federation;

The Criminal Code of the Russian Federation;

The Administrative Offenses Code of the Russian Federation;

The Labor Code of the Russian Federation;
Federal Law dated 30.12.2006 No. 281-FZ On Special Economic Measures; Federal Law dated 25.12.2008 No. 273-FZ On Countering Corruption; Federal Law dated 07.08.2001 No. 115-FZ On Money Laundering and Countering Financing of Terrorism;
United Nations Convention against Corruption dated 31 October 2003;
Criminal Law Convention on Corruption dated 27 January 1999 ET8 No. 173 European Council and Russia. 2002. No. 2;
Corruption laws of the USA and the United Kingdom (including the United Kingdom Bribery Act), Fraud Act, Countering Financing of Terrorism Act; the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Charter of the Company.

5. Company compliance goals

The key goals are:

- Minimizing risks of negative implications related to application of sanctions against the Company for non-compliance with applicable law and business ethics principles;
- Bona fide and transparent business practices;
- Maintaining high levels of business reputation and corporate culture of the Company;
- Creation and implementation of compliance culture in the Company.

6. Compliance principles

In its business the Company adheres to the following Compliance Principles:

6.1. Unconditional compliance principle

All employees of the Company regardless of positions they may hold, employment record or other relationship with the Company shall abide by requirements of applicable law, local bylaws of the Company, and resolutions of management bodies of the Company. The Company and its employees are committed to creating and maintaining a corporate culture of intolerance to breach of law.

6.2. Comprehensive and systemic approach to implementation

This Policy is designed to introduce a compliance culture in the Company. The Compliance System envisages participation of all Company divisions in building this culture through clear distribution of roles and duties.

Compliance controls encompass all divisions and all stages of Company business processes and are implemented on a permanent basis.

6.3. Tone from the top

Company management shall fully comply with compliance requirements and demonstrate intolerance to risks and breach of compliance procedures.

6.4. Unavoidability of liability

Where employees of all levels may commit breach of the requirements of applicable law, existing standards and regulations, and compliance principles and standards, they shall be liable pursuant to

the provisions of the laws of the Russian Federation in force. The Company shall regularly administer compliance checks to identify any breach of compliance.

6.5. Rapid response and elimination of breaches

Company employees regardless of their position in the Company shall make every effort to ensure timely identification, assessment and elimination of compliance breaches.

7. Major areas and priorities of the Compliance System

The Company implements compliance procedures in the following key areas:

7.1. Code of Conduct (Corporate Ethics Code)

Corporate Ethics Code sets forth key rules of behavior to be adhered to by all employees of the Company with no exceptions. The Code reflects professional ethics principles and ethical standards of business communication, defines general ethical approaches to business and actions of all Company employees. The Code also comprises a description of Company values providing the basis for ethical standards. An employee shall be using their discretion while being guided by the basis laid out in the Code when making a decision on the course of action to take in specific circumstances.

7.2. Anti-corruption compliance

The policy of countering corruption, bribery, and money laundering as well as local bylaws of the Company developed on the basis of the policy shall set forth the goals and principles of anti-corruption compliance for the Company to be guided in its business to prevent unfair competition and to create the environment favorable for efficient and sustainable operation of the Company. The Company shall regulate corruption prevention and countering activities, identify the set of measures and specific activities aimed at prevention and elimination of corruption in its business practices. The Company shall cause all contracts made with contractors to include an anti-corruption clause.

7.3. Compliance in the sphere of covenants and limitations contained in loan agreements and in the sphere of compliance with international sanctions

The Company is committed to identifying and preventing potential risks that may arise as a result of breach of obligations assumed by the Company under loan agreements and international sanctions and to maintaining its image as a reliable borrower. To this end, the Company shall set forth key operational principles aimed at systemic tracking and controls of compliance with covenants and limitations contained in loan agreements as well as at compliance with international sanctions while entering into transactions or performing any other form of business and at identifying companies and transactions exposed to the risk of breach of covenants and international sanctions, identifying inconsistency of bylaws and actions of employees leading to the risk of introduction of sanctions and affecting the business reputation of the Company.

7.4. Antimonopoly compliance

The Company shall set forth legal and organizational measures to ensure that the Company and its officers abide by the requirements of antimonopoly laws of the Russian Federation in undertaking its business in respective commodity markets, including the activities involving sale and purchase of coal products, services rendered by railroad transport operators, procurement of goods, works, and services for Company needs, as well as prevention of breach of law.

7.5. Tax compliance

Compliance with tax rules in the sphere of tax legislation is the main principle of Company operation. The Company ensures that laws are observed in decision-making with regard to taxation matters, the existing regulatory requirements are abided by and adherence to high standards of business ethics and impeccable reputation are being followed.

In order to maintain these high principles, the Company has put in place the following areas of tax compliance:

- Prevention of breach of laws in force in the course of Company operation through identification of tax risks and circumstances fostering occurrence of such risks and measures are taken to rectification (prevention) of such circumstances;
- Establishment of consistent methodological approach towards tax laws application;
- Payment of taxes and duties in full within legally established timeframes, keeping track of timeless and full submission of tax returns and adherence to lawful requirements of tax authorities;
- Introduction of a due internal controls system: starting from due bookkeeping assurance and up to controls in interactions between employees and contractors.

7.6. Compliance in the sphere of licensed activities and environmental liabilities

The Company is committed to minimizing – and up to complete ruling out of – the risks, including potential risks related to claims from regulatory, surveillance and law enforcement state authorities in the sphere of use of natural resources and performance of licensed activities. For this purpose, the Company establishes and maintains the surveillance, management and controls system for:

- Compliance in the use of natural resources, including subsoil use, and performance of licensed activities in conformity with requirements of the law, legal statutes applicable to general public as well as local laws and rules, policies, standards, and ethics codes;
Timely obtaining, extensions of scope and term, and termination of required special permits (licenses);
- Compliance with existing limits on discharge, effluence and other harmful effects on the environment.

7.7. Compliance in the sphere of land and property matters

The Company is committed to minimizing – and up to complete ruling out of – the risks, including potential risks related to claims from regulatory, surveillance and law enforcement state authorities in

the sphere of ownership, use and disposal of land plots and other real estate through the establishment and maintaining surveillance, management and controls system for:

- acquisition, use, disposal of land plots and other real estate as well as limitations (encumbrances) of real estate titles arising out of third party rights;
- timely state registration of occurrence, transfer and termination of real estate titles;
- ownership and/or use and/or disposal of land plots and other real estate as per the requirements of applicable laws, local rules of the Company and rules of business conduct.

7.8. Compliance in the sphere of contractor relations

The Company is committed to establish business relationships only with contractors whose lawful operation can be verified. While entering into transactions, the Company will be guided by reasonable diligence and will conduct comprehensive reviews of its contractors. Contractor review compliance shall be administered by dedicated units of the Company within the framework of existing local regulations of the Company setting forth the processes of procurement and expert reviews of draft agreements before they are signed with contractors.

The Company makes efforts to prevent situations where employees might be involved in a conflict of interest, i.e. where the interests of Company employees (their close relatives) conflict with the interests of the Company, which may cause Company employees or their close relatives to take actions that may result in losses for the Company.

The policy of informing Company employees about corporate rules of dealing with conflict of interest sets forth the principles and procedures for informing employees of the Company about corporate rules to guide employees in the event of such conflict. Specific procedures aimed at prevention of situations where conflict of interest may arise shall be set out in local regulations of the Company.

The Company ensures that the existing draft contracts review procedures are followed to identify and minimize the risks for the Company related to entering into such contracts. No contractual document shall be signed by a Company officer, even if such officer is duly authorized for signing, unless the approvals procedure has been carried out.

7.9. Compliance in corporate governance

Corporate governance is an efficient tool allowing improved management of the Company, ensuring long-term and sustainable development of the business. The Corporate Governance Code defines the corporate governance standards of the Company, including best shareholder rights protection standards, and determines the principles and approaches to be followed by the Company in order to improve its investment appeal to longer term investors.

7.10. Compliance in fraud prevention

In order to minimize the risks of losses from fraud with respect to Company property committed by Company employees, the Company has implemented the Fraud Prevention Program encompassing the following three areas: ensuring physical security of assets, raising the level of corporate culture, and operationalization of the hotline as one of the key tools under the Program. Specific procedures

under the Program are set out in local bylaws of the Company.

7.11. Compliance in the sphere of health and safety

The Company considers the Health and Safety Management System as the inherent element of efficient management in production and declares that it is ready to ensure successful management of professional risks related to the impacts they have on life and health of employees, equipment, property, and environment.

In its planning activities, the Company maintains a priority focus on prevention of accidents, incidents, injuries, damage to health of personnel and on reducing unfavorable impact on the environment. The main objective of the Company is to prevent incidents and emergencies in production. The health and safety principles are mandatory for all employees of the Company and are set out in the corporate Health, Safety, and Environment Policy.

7.12. Compliance in the sphere of foreign exchange controls

The Company declares and stipulates the key principles of its operation aimed at strong and scrupulous compliance with the requirements of the law on foreign exchange regulation and controls.

8. Liability

8.1. The Company guarantees that all employees shall be duly informed about the Compliance Procedures existing in the Company.

Adherence to this Policy is an essential duty of any Company employee regardless of his or her position.

Company managers at all levels shall set examples of law-obedient and ethical behavior and provide strong support to enforcement of this Policy.

8.2. The Company regularly conducts reviews of compliance risks and audits adherence to existing corporate compliance procedures to ensure timely tracking of business processes that are potentially exposed to compliance risks.

8.3. Breach of the requirements of this Policy may be considered as disciplinary offense and may provide basis for taking disciplinary and material action in cases described in the laws of the Russian Federation in force.

8.4. In the event that an employee of the Company may have doubts as to whether his or her actions are compliant, the employee should consult head of his or her business unit and where required – the Legal Department of the Company. Where instructions of supervisors come into conflict with applicable laws and this Policy, the employee may refuse to carry out the instruction having notified the Legal Department and General Matters Directorate.

8.5. The Company has established that no employee shall be held liable in material or disciplinary terms for refusal to carry out an instruction of his or her supervisor where such instruction is conflicting with applicable laws and this Policy provided that he or she has duly notified the Company pursuant to provision 8.4 of this Policy.

9. Controls

9.1. The Company guarantees that adherence to the requirements of this Policy or a notification of

potential or actually occurring breach of this Policy shall not entail any unfavorable consequences for employees from the side of the Company.

9.2. The Company shall not tolerate actions of its employees that constitute breach of this Policy.

9.3. The Company may from time to time test its employees for their awareness of compliance-related matters.

9.4. The Company exercises controls over enforcement of this Policy and from time to time reviews conformity, adequacy and efficiency of the Policy introducing improvement changes as required.

10. Procedure for approval and introduction of changes to this Policy

Any changes and amendments to this Policy may be made upon resolution of authorized bodies of the Company pursuant to the Charter of the Company.