

**Compliance Policy**

**Restricted information**

**OD-FPR-5**

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**JSC SUEK**

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**Corporate Policy**

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**Compliance Policy**

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**Version 2.0**  
**Moscow**

**Document Details**

- 1 Enforced as of 11.11.2019 by Order No.100-od dated 11.11.2019
- 2 For the purposes of implementing JSC SUEK Board of Directors' decision (Meeting protocol dated 29.10.2019 No.49)
- 3 Introduced to REPLACE S0-P-09 Compliance Policy, Ver. 1.0 approved by the decision of the sole shareholder dated 25 July 2016 and enforced by Order No. 76 dated 28 July 2016.

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## Compliance Policy

### 1. Purpose and scope

1.1. This Compliance Policy (hereinafter - Policy) of 'Siberian Coal Energy Company' Joint Stock Company (hereinafter - Company) will establish the main objectives and principles of the Company with regard to Compliance defining the main application areas and priorities of the compliance management system in accordance with the development strategy (strategic plans) and the goals implemented by the Company.

In order to ensure an effective and steady Company operation present Policy is designed to ensure compliance with applicable requirements, prevention of compliance threats (risks of violation of applicable requirements) associated with the Company business as well as establishment, implementation and development of the compliance culture.

1.2. This Policy applies to all Company employees, both full-time and part-time, regardless of their position, length of service or other working conditions.

1.3. No organizational, administrative or local regulations of the Company shall run counter to the present Policy.

1.4. The present Policy is a public document to be provided without restriction to all interested parties. The policy is communicated to all Company employees and made public through the Company internal and external resources.

1.5. The Company, within the limits of its authority, will ensure introduction of corresponding compliance policies by constituting companies that will be similar to the present Policy.

1.6. The Policy update frequency will be three years.

### 2. Terms and definitions

2.1. **SUEK Group** refers to the Company and legal entities (constituting companies) with financial results consolidated in the Company IFRS statements;

2.2. **Covenant restrictions (covenants)** refer to a set of restrictions and obligations voluntarily assumed by a debtor under various financing agreements terms;

2.3. **Constituting companies** refer to legal entities established in accordance with the Law of Russian Federation with regard to which the Company, by virtue of its dominant stake in authorized capital of such companies, or under a mutual agreement, or otherwise, can determine decisions made by such legal entities;

2.4. **Compliance** refers to compliance of the Company business and actions of the Company employees with requirements of the Russian Law, international law, and, whenever the business is conducted outside the Russian Federation, applicable foreign law as well as local Company regulations, Company management body decisions;

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- 2.5. Compliance Unit** refers to the Company organizational unit that ensures compliance in accordance with its approved statute;
- 2.6. Compliance process** refers to regulated activities of all Company organizations aimed to ensure compliance with Applicable Requirements of Company business and Company employee activities;
- 2.7. Compliance System (compliance management system)** refers to a combination of corporate culture elements and values, organizational structure, rules and procedures regulated by internal Company regulations and ensuring compliance by the Company and its employees with the compliance principles;
- 2.8. Compliance threat** (risk of noncompliance, risk of violation of applicable requirements) refers to a risk of failure by the Company to comply with Applicable Requirements that may entail legal or regulatory sanctions, sanctions by regulating authorities, significant financial loss or loss of the Company business reputation;
- 2.9. IFRS reporting** refers to the Company consolidated financial statements compiled in accordance with the International Financial Reporting Standards rules;
- 2.10. Company** refers to the Joint Stock Company Siberian Coal Energy Company, JSC SUEK;
- 2.11. Applicable Sanctions** refer to economic sanctions that are mandatory for observation due to SUEK Group membership in the jurisdiction of the enforcing states, or due to Covenant restrictions in force for SUEK Group;
- 2.12. Applicable Requirements:**
- 2.12.1. Law of the Russian Federation with regard to a particular compliance area that stipulates duties of companies that are applicable to the Company business, activities of its management and employees;
  - 2.12.2. provisions of conventions, agreements, contracts, declarations, charters and other contractual exhibits establishing obligations of the Company, its managers and employees with regard to a particular area of compliance;
  - 2.12.3. permits, licenses and other types of authorizations;
  - 2.12.4. court rulings;
  - 2.12.5. local Company regulations;
  - 2.12.6. job responsibilities of the Company managers and employees etc.

The detailed list of documents that define Applicable Requirements is established and enforced by the Company Core Unit within its competence;

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- 2.13. Core Unit** refers to an organizational unit of the Company that ensures compliance of the Company and its employees with Applicable Requirements;
- 2.14. Employee** refers to an individual who is in an employment relationship with the Company, both full-time and part-time, regardless of position, length of service, or other working conditions.

### 3. General provisions

- 3.1.** This Policy is developed on the basis of the requirements of the Russian Law, International Law, the Charter and other regulatory documents of the Company and provisions of international standard ISO 19600:2014 Compliance Management Systems – Guidelines. The Policy includes relevant provisions of other standards, recommendations and Russian and international best practices.
- 3.2.** Provisions of the present Policy may change as necessary whenever the compliance management system functions and improvement processes change.

### 4. Compliance-related goals and objectives of the Company

- 4.1.** The most important Compliance-related goals of the Company are:
- 4.1.1. Honest and transparent conduct of business, compliance with Russia's and world's best practices in business ethics;
  - 4.1.2. Maintaining high business reputation and enhancing development of the corporate compliance culture;
  - 4.1.3. Minimizing the risks of non-compliance with Applicable Requirements;
- 4.2.** The main objectives ensuing from the above include:
- 4.2.1. Establishment of a system to identify, prevent and eliminate violations and to monitor and assure implementation of the Applicable Requirements;
  - 4.2.2. Establishment of a unified approach to manage the compliance management system;
  - 4.2.3. Effective execution of the established Compliance Processes.

### 5. Compliance principles

The Company adheres to the following principles in conducting its business:

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### 5.1. The principle of unconditional compliance

Any requirements of applicable law, local Company regulations and decisions of the Company's management bodies shall be unconditionally and strictly observed by all Company employees.

### 5.2. The principle of integrated and systematic implementation

The compliance management system implies participation of all the Company organizations in its implementation through clear distribution of roles and responsibilities. Compliance control is applied to all Company organizations and stages of business processes on an ongoing basis. The Company and its employees strive for creating, maintaining and developing a corporate compliance culture that would exclude any violations of the Applicable Requirements.

### 5.3. Leadership - "To set the tone from above"

The key role of managers at all levels is to establish a culture of strict observation of the Compliance requirements and to prevent any infringements of the existing compliance procedures and Applicable Requirements.

### 5.4. The principle of inevitable liability

Infringement by employees of the applicable law requirements, of existing regulations and rules, Compliance principles and standards will entail liability in accordance with the current Russian Law provisions. In order to identify infringements, the Company conducts regular reviews of Compliance.

### 5.5. The principle of quick response and infringements elimination

The Company employees, regardless of their position in the Company will ensure timely identification, assessment and elimination of Compliance requirements infringements by all means at their disposal.

## 6. Key areas and priorities of the Compliance System

In consideration of the business areas and implemented tasks and proceeding from the requirements of the applicable legislation, the Company determines the following key application (risk) areas for the compliance management system with respect to which it implements and develops appropriate Compliance Procedures.

### 6.1. Corporate Ethics Code

Corporate Ethics Code will define basic rules and common principles of behavior that all Company employees shall adhere to without exception. The Code reflects professional ethics principles and ethical standards of business communication defining common

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ethical approaches to business activities and actions by all Company employees. The Code also includes a list of the Company values that the standards of conduct are based upon.

### 6.2. Anti-corruption compliance

Anti-Corruption Policy and any local Company regulations developed on the basis of the former set goals and principles that the Company is guided by in its activities in order to prevent unfair competition and ensure effective and steady functioning of the Company. The Company manages issues of corruption prevention and anti-corruption enforcement defining procedures and measures to prevent any corruption-related infringements. The Company openly informs its counterparties and all the stakeholders of the anti-corruption business standards adopted by the Company.

### 6.3. Anti-monopoly compliance

The Company stipulates legal and organizational measures to ensure compliance by the Company and its employees with the Russian antimonopoly law requirements in application to business activities in the corresponding product markets, including sale and purchase of coal products, provision of operator services in the railway transportation market, purchase of goods, works, services for the Company needs, as well as to prevent any infringement of such requirements.

### 6.4. Sanctions compliance

Key objectives of the Company in this area are to comply with the established procedure for conducting transactions and requirements to prevent any infringement of the Applicable Sanctions.

The Company aims at enhancing its reputation as a reliable and trustworthy counterparty in the international finance market, which implies an absence of reputational risks associated with any infringement of the Applicable Sanctions. In order to identify any transactions that may lead to an infringement of the Applicable Sanctions, the Company will set up a system for preliminary verification and assessment of executed transactions.

### 6.5. Compliance of licensable activities and natural resources management

The Company aims at minimizing, up to a complete exclusion, any risks relating to natural resources use and licensable activities. For this purpose, the Company will implement and maintain a monitoring, management and control system:

- to ensure compliance of natural resources management, including subsoil use, and licensable activities with the requirements of the legislation and statutory regulations both local and applicable to an unlimited range of persons, as well as rules, policies, standards and codes of conduct;
- timely receipt, reissue, amendment and termination of a necessary special permits (licenses);
- compliance with the established standards for environmental impacts.

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### 6.6. Compliance with covenant restrictions

The Company aims to identify and prevent any potential risks that may arise as a result of infringement of obligations assumed under loan agreements, i.e. covenant restrictions. To this end, the Company will establish basic principles aimed at systematic monitoring and control of compliance with the Covenant restrictions, as well as at identification of inconsistencies in internal procedures and actions of employees that could entail adverse consequences and damage the Company business reputation in the international finance market.

### 6.7. Business partner tax compliance

Prevention of tax law infringements in dealings with business partners is one of the key principles of the Company business. The Company ensures compliance with regulatory requirements when making decisions that affect taxation and follows high standards of business conduct.

In order to achieve these objectives, the Company establishes the following basic principles:

- preventing any infringements of applicable laws in the course of Company's cooperation with business partners by identifying tax risks and circumstances that may contribute to their occurrence and to ensure that measures are taken to eliminate them (occurrence prevention);
- establishing uniform methodological approaches to application of tax laws in relations with business partners;
- running a fully-featured internal control system: from control over proper management of documents on contract performance to control over employees' actions during their work with Company's business partners.

### 6.8. Compliance in land and property relations

The Company strives to minimize, up to and including full elimination, any risks associated with ownership, use and disposal of land plots and other real estate by setting up and maintaining of the monitoring, management and control system covering such areas as:

- acquisition, use, transfer of land plots and other real estate, including restriction of rights (encumbrance) to said real estate;
- timely state registration of an origin, transfer and termination of titles to real estate;
- ownership, use, disposal of land plots and other real estate according to the applicable legal requirements, internal regulations of the Company, rules of business conduct.

### 6.9. Compliance in relations with counterparties

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The Company strives only to deal with contractors that are capable to confirm at all times they follow laws in their business operations. The Company exercises reasonable care when closing deals and thoroughly examines its contractors.

Contractors are checked by functions of the Company as a part of procurement processes specified by the Company internal regulations during due diligence of a draft contract to be signed with a contractor. No contract document shall be signed by the Company official, even if such official is duly authorized, unless the document has passed a due diligence specified for such type of document.

### 6.10. Health and safety compliance

The Company treats the Health and Safety Management System as a required element of its operations and declares its readiness to effectively manage occupational risks associated with the impacts that might be caused to the employees' life and health in the course of operation of hazardous production facilities.

In planning its operational activities and setting production targets, the Company is focused on preventing accidents, emergency situations, incidents, cases of employee health impairment, as well as minimizing risks resulting from violation of the requirements of the applicable legislation on health and safety. The Principles of adherence to the health and safety standards that must be followed by each Company employee are set forth in the Health and Safety Policy.

## 7. Liability

- 7.1. The Company guarantees that all employees are aware of the compliance management system existing within the Company.
- 7.2. This Policy must be followed unconditionally by all Company employees, both full- and part-time, regardless of their position, length of service or other working conditions. The Company shall not tolerate employees whose actions violate this Policy.
- 7.3. Managers at all levels shall set an example of law-abiding and ethical conduct and lead the way in following the requirements of this Policy.
- 7.4. Employees of the Company structural units, both full-time and part-time, regardless of their position, length of service or other working conditions, are personally liable for observing this Policy. Non-compliance with the Policy principles and requirements is considered as a disciplinary offence and can be a reason to bring the offender to a responsibility as provided for by the law.
- 7.5. When in doubt whether your actions are correct, consult your line manager or, as necessary, the Compliance Unit. If an instruction of the line manager runs counter to the Applicable Requirements and this Policy, the employee has the right not to follow it,

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having notified the Compliance Unit representing the Company and the General Affairs Department to that effect in advance.

- 7.6. The Company guarantees that such employee will not be brought to material and disciplinary liability for his/her refusal to follow a manager's instruction, if such instruction runs counter to the Applicable Requirements and this Policy, provided that the employee has notified the Company to that effect properly as provided for in Clause 7.5. hereof.

## 8. Compliance-related communication. Follow Up

- 8.1. The Company urges its employees and all interested parties to contact the "hotline" or use other means of compliance communication to report violations of this Policy that may occur or have already occurred. The reported information should not contain any knowingly false data and should not breach any third-party rights or legal rights of the Company.
- 8.2. Compliance reporting should be carried out with the use of the safe and confidential communications channels specially created within the Company:
- voice messaging to the "hotline" at 8 800 200 12 40;
  - electronic messaging at the protected email address Compliance@suek.ru;
  - use of the feedback form on the Company's corporate portal on the Intranet;
  - reporting through the Company's external website www.suek.ru;
  - direct reporting to the Compliance Unit;
  - use of a special reporting box;
  - other means of communication convenient to the reporting person.
- 8.3. The Company guarantees that reports about potential or past violations of this Policy will not expose employees to any unfavorable consequences on the part of the Company,
- 8.4. The Company guarantees that the identity of the employees contacting the "hotline" will be kept confidential and that the relevant employees will be protected against any forms of pressure, persecution and discrimination exerted by the Company.
- 8.5. The Company will follow up on conformance with this Policy, analyze the efficiency of applying the Policy and develop and introduce amendments as and when necessary.
- 8.6. The Company makes regular assessments of compliance threats (compliance risks) and assesses implementation of the Compliance Procedures established in the Company in order to promptly evaluate and revise the business processes potentially exposed to compliance threats.
- 8.7. The Company shall conduct periodic Compliance knowledge checks among employees.

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### 9. Policy approval and amendment procedure

- 9.1. According to the Articles of Incorporation, this Policy is subject to approval by the Company Board of Directors. This Policy can be amended and supplemented by resolution of the Company Board of Directors.

### 10. Regulatory references

- 10.1. This Policy contains references to the following internal regulations of the Company:

- 10.1.1. Company's Charter;
- 10.1.2. Corporate Ethics Code;
- 10.1.3. OD-FPR-2 Policy on Preventing, Identifying and Settling Conflicts of Interests;
- 10.1.4. OD-FPR-3 Anti-Corruption Policy;
- 10.1.5. Health and Safety Policy;
- 10.1.6. SK SP.1.16-S-24 Regulation on Company Employees Compliance with International Sanctions against States, Organizations, and Persons during Transactions;

Other local regulations/DocsVision catalogues.

- 10.2. This Policy refers to external regulatory documents listed below:

- 10.2.1. Civil Code of the Russian Federation;
- 10.2.2. Tax Code of the Russian Federation;
- 10.2.3. Criminal Code of the Russian Federation;
- 10.2.4. Administrative Violations Code of the Russian Federation;
- 10.2.5. Labor Code of the Russian Federation;
- 10.2.6. Federal Law No. 273-FZ "On Combating Corruption" dated 25 December 2008;
- 10.2.7. Federal Law No. 115-FZ "On Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" dated 07 August 2001;
- 10.2.8. United Nations Convention Against Corruption (UNCAC) dated 31 October 2003;
- 10.2.9. International Standard ISO 19600:2014 Compliance Management System. Guidelines;

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10.2.10. International Standard ISO 37001:2016 Anti-Bribery Management Systems – Application Requirements and Guidance.

Other external regulatory and legal documents.