



Working towards a global  
responsible coal supply chain

## Bettercoal Assessment Public Report: JSC SUEK (Siberian Coal Energy Company)



**SUEK, a Bettercoal Supplier since 2017, is committed to a continuous improvement path for their operations in Russia. Their mine sites have been independently assessed against the Bettercoal Code.**

Date published: 31 January 2020

### **Disclaimer**

*This report is a summary of the Bettercoal Assessment. The full document is confidential and available only to Bettercoal Members. This is a live document and the latest version can be found on [Bettercoal.org](https://www.bettercoal.org)*



## A. Company Description

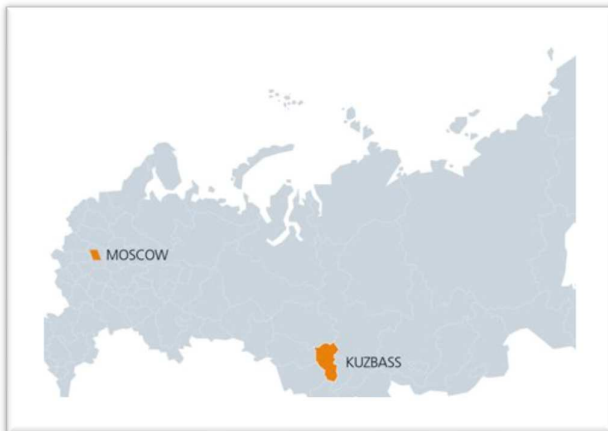
JSC SUEK (Siberian Coal Energy Company), founded in 2001, is the largest thermal coal producer and energy enterprise in Russia, and has affiliates and subsidiaries in the Republic of Buryatia, Kemerovo Region, Krasnoyarsk Region, Primorsky Territory, Khabarovsk Territory, the Republic of Khakassia, Zabaykalye Territory. SUEK's coal business is comprised of coal mining companies, coal washing plants, transportation and service companies as well as ports. The geographical location of SUEK extracting enterprises allows it to effectively serve both European and on Asian markets.

In 2017, out of 107.8 million tonnes of coal produced, SUEK sold 48% to customers in Russia, 52% went to export. Export deliveries of SUEK are carried out through a 100% affiliated company: SUEK AG.

## B. Context

### *Coal industry*

The coal mining industry has always been important for the Russian economy. In January 2019, 166 coal mining companies were active in Russia. This includes 57 underground mines and 109 open pits, with a total production capacity of 470 million tons.<sup>1</sup> The major coal basins are the Donetsk, Pechorsk, Kuznetsk, Kansk-Achinsk, Irkutsk and South Yakutsk.



The main export region is Western-Siberia. Over 79.6% of exports from the region come from the Siberian federal district, where the main coal basin Kuzbass produced over 255 million tonnes of coal in 2019.

With the collapse of the Soviet Union, the coal industry suffered a major crisis. During the 1990s most of the underground coal mines and open pits were not operating due to a significant decrease of the demand and limited supply of necessary equipment. This resulted in partial destruction of the mines, lost infrastructure of the mines-based towns, and gaps in the education of mining professionals. The coal mining industry in Russia requires investments to develop new technologies, equipment, education of personnel, as well as development of the cities that supply the workforce for the industry.

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<sup>1</sup> Ministry of Energy of Russia <https://minenergo.gov.ru/node/433>



## *Risks*

The most recent report from the Heritage Foundation's Index of Economic Freedom ranked Russia 107th and the World Bank ranked Russia 35th out of 190 countries in terms of ease of doing business. Russia is considered a high-risk country. Bettercoal rates the risk of countries following a number of publicly available [indexes](#). Russia performs poorly on both the Corruption Perception Index and Freedom in the World Index, reflecting ongoing issues including corruption and downward pressure on civil liberties, political rights and the independent media in the country.

Academic sources identify the accident rate in the Kuzbass coal mining industry as significantly higher than that in western European operations with similar production volumes<sup>2</sup>. In interviews, trade union representatives in Kuzbass identified worker health and safety as a key focal area in which improvement is needed. Although, since 1992, the industry has gone through a major restructuring and a number of government bodies play important roles in oversight of the coal mining sector:

- The Ministry of Natural Resources and Environment of the Russian Federation maintains public records and registers of mining activities.
- The Federal Agency for Subsoil Use (RosNedra) issues tenders for the right to use subsoil resources.
- The Federal Agency for Ecological, Technological and Nuclear Supervision (RosTechNadzor) supervises the safety of mining operations and environmental management aspects.
- The Federal Supervisory Service for Nature Management (RosPrirodNadzor) supervises the use of natural resources, including subsoil mineral resources.
- The Federal Service for Supervision of Consumer Rights Protection and Human Well-Being (RosPotrebNadzor) is responsible for carrying out the federal state sanitary and epidemiological surveillance.
- The Federal Service for Labour and Employment (RosTrud) performs the functions of control and supervision over labour, employment, special assessment of workplace conditions and social protection issues.

## *Law*

The main permit to start a mining business in Russia is the license to extract natural resources (Subsoil Law of Russian Federation (1992), Art. 11). In accordance with the Subsoil Law of Russian Federation (1992), natural resources in Russia are a national property and in order to extract and sell them, it is necessary to receive the License for a certain piece of land. The license does not only allow for extraction of the natural resources, but also stipulates the conditions under which it can be carried out and determines the borders of the land on which it can be conducted. The conditions

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<sup>2</sup> [https://www.e3s-conferences.org/articles/e3sconf/pdf/2017/09/e3sconf\\_2iims2017\\_04020.pdf](https://www.e3s-conferences.org/articles/e3sconf/pdf/2017/09/e3sconf_2iims2017_04020.pdf)



include re-location of villages that are located within the borders of the licensed territory to post operation re-cultivation work. To obtain a license, companies have to provide a detailed plan of the development of the work on the given piece of land including the description of the resources allocated for the closure of the mine and/or open pit.

Mining activities require:

- An environmental impact assessment;
- Permitting or licensing to allow a specific negative impact on the environment (for example, an air pollution permit);
- Limits to the acceptable negative impact on environment / emission of pollution;
- 'Pay-to-pollute' payments where the project owner pays for the 'right' to emit / discharge to the environment in accordance with its permits; and
- Liabilities if the above environmental requirements are not met.

Upon termination or expiration of a subsoil licence, the licence holder must decommission the operation and comply with environmental protection and industrial safety requirements. This means that planning for closure typically only begins late in the mining lifecycle.

Mining operations are considered by Russian law to be hazardous industrial operations and are regulated by Federal Law "On Industrial Safety at Hazardous Industrial Facilities" (21 July 1997), which establishes a number of legal requirements relating to permitting and licensing, certification of equipment, training of specialists and ongoing compliance health and industrial safety requirements.

The Labour Code of the Russian Federation (2001) is the main legal act regulating working conditions of employees. In addition, there are numerous laws and regulations on specific areas such as minimum wage, social benefits, occupational health and safety, freedom of association, etc.

Currently, Russia is undergoing an overhaul of legal and regulatory framework and is creating separate programmes and projects in the field of ecology. From 2019, comprehensive environmental permits covering all types of adverse impacts will be introduced for 'category 1 facilities' defined as having a substantial adverse effect on the environment. Coal mines are among this list of facilities and it is expected that more substantial improvements will be made to environmental protections for the future under this review.

It is worth noting that Russia is not a member of the Extractive Industries Transparency Initiative (EITI), the global standard for promoting open and accountable management of oil, gas and mineral resources.



### C. Assessment Information

<p>Assessment Scope &amp; Country</p>	<p>Russia:</p> <p>Zabaikalye region</p> <ul style="list-style-type: none"> <li>▪ Kharanorsky open pit</li> <li>▪ Apsatsky open pit</li> <li>▪ Vostochny open pit</li> </ul> <p>Kemerovo region</p> <ul style="list-style-type: none"> <li>▪ Kirova underground mine</li> <li>▪ Rubana underground mine</li> <li>▪ Komsomolets underground mine</li> <li>▪ Polysaevskaya underground mine</li> <li>▪ Taldinskaya-Zapadnaya 1 underground mine</li> <li>▪ Taldinskaya-Zapadnaya 2 underground mine</li> <li>▪ Yalvskogo underground mine</li> <li>▪ Zarechny open pit</li> <li>▪ Kamyshansky open pit</li> <li>▪ 5 coal washing plants</li> </ul> <p>Krasnoyarsk region</p> <ul style="list-style-type: none"> <li>▪ Borodinsky open pit</li> <li>▪ Nazarovsky open pit</li> <li>▪ Berezovsky open pit</li> </ul> <p>Primorye region</p> <ul style="list-style-type: none"> <li>▪ Novoshakhtinskoye, <ul style="list-style-type: none"> <li>○ Pavlovsky open pit</li> <li>○ Severnaya Depressia open pit</li> </ul> </li> <li>▪ Nekkovy open pit</li> <li>▪ Coal washing plant</li> </ul> <p>Buryatia region</p> <ul style="list-style-type: none"> <li>▪ Tugnuisky open pit</li> <li>▪ Nikolsky open pit</li> <li>▪ Coal washing plant</li> </ul> <p>Khakasia region</p> <ul style="list-style-type: none"> <li>▪ Chernogorsky open pit</li> <li>▪ Vostochno-Beisky open pit</li> <li>▪ Izykhsky open pit</li> <li>▪ Coal washing plant</li> </ul> <p>Khabarovsk region</p> <ul style="list-style-type: none"> <li>▪ Bureinsky open pit</li> <li>▪ Provoberezhny open pit</li> <li>▪ Severnaya underground mine</li> <li>▪ coal washing plants</li> </ul>
<p>Site-Assessment Scope* (following sampling methodology described in the Assessment Manual)</p>	<ul style="list-style-type: none"> <li>▪ Taldinskaya –Zapadnaya 1 underground mine</li> <li>▪ Taldinskaya –Zapadnaya 2 underground mine</li> <li>▪ Yalvskogo underground mine</li> <li>▪ Zarechny open pit</li> <li>▪ Rubana underground mine</li> </ul>



Step 1: Supplier Commitment	Completed in September 2017
Step 2: Desktop Review	Completed in September 2017
Step 3: Site-Assessment	Completed in May 2018
Step 4: Continuous Improvement Plan	Agreed in March 2019 <sup>3</sup>
Step 5: Re-Assessment	Planned for May 2023 <sup>4</sup>
Assessment Team	Paul Mitchell (Lead Assessor), Julija Menise (Lead Assessor) and Tatiana Vasenko

### ***Stakeholders***

The following organisations were interviewed as part of the Assessment:

- Russian Independent Union of Coal Industry Workers (Rosugleprof):
  - Chairman of Rosugleprof in Moscow.
  - Leninsk regional branch of Rosugleprof in Leninsk-Kuznetsky.
  - Rosugleprof representatives at each mine site included in the assessment.
- Russian Independent Union of Mining Workers – Leninsk-Kuznetsky regional branch in Leninsk-Kuznetsky.
- Leninsk-Kuznetsky city council representatives.
- Community representatives – Youth Organization and Retired Coal Mining Worker Organization in Leninsk-Kuznetsky.

In September 2017 the assessment team conducted a Bettercoal assessment of a different mining company in Kuzbass and during the stakeholder meetings for that assessment, the team also asked questions on SUEK. This engagement was with the Centre for Support of Indigenous Peoples of the North.

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<sup>3</sup> Timeline according to the previous Bettercoal Assessment Programme procedures.

<sup>4</sup> The Assessment cycle is five years. See the [Assessment Manual](#) for more details.



## D. Supplier Performance

Supplier Performance is assessed against the 10 Principles of the [Bettercoal Code](#) and associated Provisions (1.1-10.7). The ratings are explained in Annex 2.

### Overall performance

Below are SUEK’s ratings against the Bettercoal Code:

	Meets	Substantially Meets	Partially Meets	Misses
<b>General Implementation Expectations</b>				
Principle 1		1.1		
Principle 2		2.2	2.1, 2.3	
<b>Business Ethics</b>				
Principle 3			3.1	
Principle 4	4.1			
<b>Human Rights and Social Performance</b>				
Principle 5		5.2, 5.3	5.1, 5.4	
Principle 6	6.1-6.8	6.9		
Principle 7			7.1	
<b>Environment</b>				
Principle 8		8.1		
Principle 9		9.1, 9.2, 9.3		
Principle 10	10.6, 10.7	10.3, 10.4		10.1, 10.2, 10.5

### Immediate Resolutions

An ‘Immediate Resolution’ is an action taken to address such eventualities and are different from other improvements identified by the Bettercoal Assessment Process as they are prioritised for completion in the Continuous Improvement Plan.

There were no immediate resolutions found during the Assessment of SUEK.

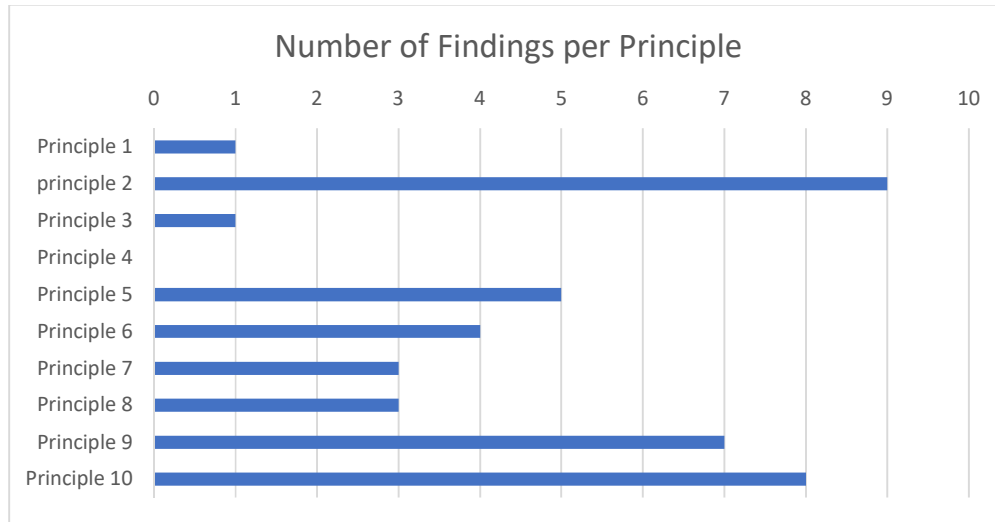
### Continuous Improvement

For each Provision that the Assessors identify a need for improvement, the Supplier will be responsible for implementing the steps recommended by the Assessors to ensure that it is continuously improving its systems, processes, procedures, and practices with the goal of full alignment with the requirements of the Code.



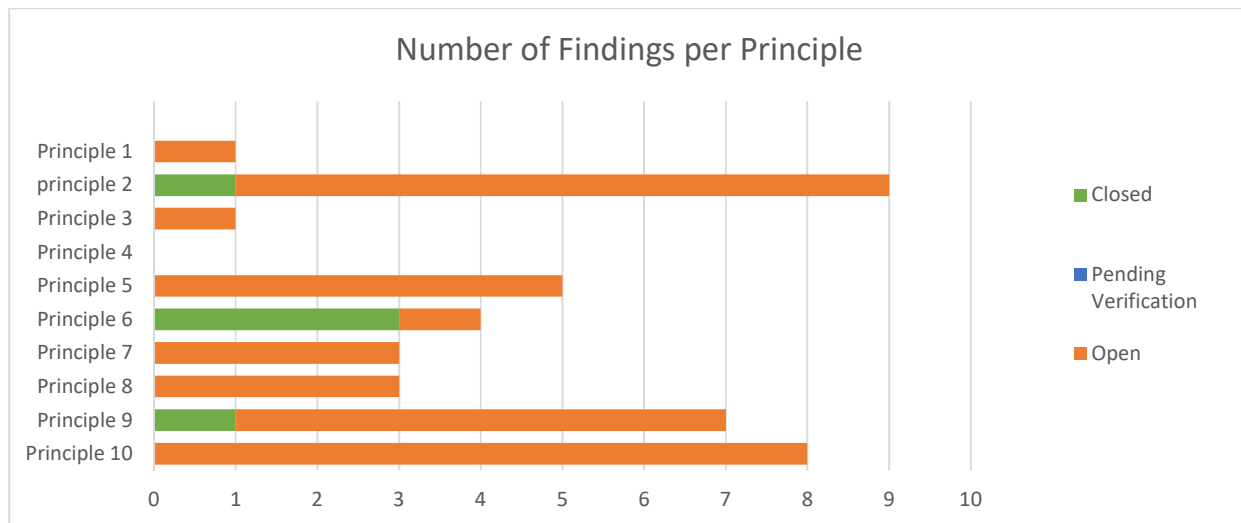
SUEK's Continuous Improvement Plan identified a number of Findings against each Principle of the Bettercoal Code.

a. Number of Findings identified per Principle



b. Supplier progress against the findings

Process is monitored at least on a bi-annual basis. This section of the document will be updated as SUEK report on their progress.







## **E. Additional Supplier Information**

### ***Example areas identified for improvement***

*Mine closure:* although SUEK's closure plans are technically sound and in some cases beyond the minimum for legal compliance, planning for closure starts late in the mining life cycle, and lacks engagement with stakeholders about post-closure land use options. Good practice requires closure planning to be integrated into the project design stage (or as early as possible).

*Business partners:* While SUEK's investment into ESG performance is positive, their management of business partners lacks regular monitoring and a full spectrum of screening. Business partners SUEK engage with may not demonstrate the same level of commitment to ESG topics as SUEK do.

*Biodiversity:* Bettercoal recognises that the cause of this area for improvement may indeed be Russian legislation, but SUEK could take positive steps to make policy commitments to avoid operations in protected areas and commit to a no-net-loss of biodiversity through analysing the losses and gains throughout the life of their projects.

### ***Examples of good practice***

*Sharing knowledge:* one of the most effective steps of good progress and mitigating negative impacts is that learnings are shared effectively. During the assessment, it was noted that practices and procedures observed and documented at the underground mines were demonstrably similar, reflecting the vertical integration and management from SUEK corporate headquarters to SUEK Kuzbass and down to the specific mines.

*Sustainability Reporting:* SUEK are using the GRI indicators in their sustainability reporting, meaning a well-recognised framework is used which helps external stakeholders understand the organisations value and ESG impacts.

*Resource Management:* Water use is managed efficiently and reduced using state-of-the art modular treatment systems which reduce abstraction requirements and generates environmental benefits, as well as a robust programme of energy efficiency initiatives to reduce consumption.

SUEK-Kuzbass is certified against: ISO14001 Environmental Management, ISO18001 Health and Safety, ISO9001 Quality.

## Annex 1: Bettercoal Assessment Process

### Step 1: Supplier Commitment

The coal mining company signs the Letter of Commitment and becomes a Bettercoal Supplier.

### Step 2: Desktop Review

An Approved Lead Assessor is allocated to the Bettercoal Supplier. The Supplier completes the Self-Assessment Questionnaire, which is reviewed by the Lead Assessor. The Assessment Scope is finalised and an Assessment Plan for the Site-Visit is developed and shared with Members.

### Step 3: Site-Assessment

A Site-Visit is planned at the Supplier's mine site(s). A detailed Assessment Report is developed and once finalised, in consultation with the Supplier, is then shared with Bettercoal Members.

### Step 4: Continuous Improvement

The Continuous Improvement Plan (CIP) is finalised and shared with Members. Monitoring the CIP takes place according to timelines identified in the CIP. Verification methods include Desktop Review and Site-Visit. A public report will be uploaded on the Bettercoal website.

### Re-Assessment

A full Re-Assessment is due within maximum five years from the coal mining company becoming a Bettercoal Supplier. The process starts from the beginning.

For more detailed information, see the [Assessment Manual](#).





## Annex 2: Assessment Rating Options

Rating	Explanation
<b>Meets</b>	<p>Supplier's operating practices are fully aligned with the Code.</p> <p>There is strong evidence of implementation of the Suppliers' policies, systems, procedures and processes that enable alignment with the Code, and of a thorough understanding of the requirements of the Code Provisions.</p>
<b>Substantially Meets</b>	<p>The Supplier's practices are aligned mostly, but not fully, with the Code.</p> <p>The Supplier has policies, systems, procedures, and processes in place to enable alignment with the Code, but there are isolated incidents of gaps in implementation.</p>
<b>Partially Meets</b>	<p>The Supplier is demonstrating efforts to put in place the policies and practices to align with the Code, but implementation is at its early stages and is incomplete.</p> <p>For example, the Supplier has published a policy that aligns with a requirement of the Code, but the Assessment concludes that the policy is not being implemented fully or that the scope of the policy falls short of the coverage required by the Code.</p>
<b>Misses</b>	<p>The Supplier has not begun to put in place practices to align with Code, or there is systemic failure of the practices resulting in total misalignment with the Code.</p>

For more detailed information, see the [Assessment Manual](#).