Siberian Business Union Coal, 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.

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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
A. Company Description

JSC HC “SDS-Ugol” is one of largest coal exporters of Russia. The underground mines and open pits of the company produce about 27 MT of coal per year. The company has approximately 10,000 employees and 10,000 contractors.

B. Context

Coal industry

The coal mining industry has always been important for the Russian economy. In January 2016, 191 coal mining companies were active in Russia. This includes 60 underground mines and 131 open pits, with a total production capacity of 424.7 million tons. The major coal basins are the Donetsk, Pechorsk, Kuznetsk, Kansk-Achinsk, Irkutsk and South Yakutsk basins.

The main export region is Western-Siberia. Over 75.5% of exports from the region come from the Kuznetsk Basin (Kuzbass) producing over 228 million tonnes of coal in 2017.

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 there was 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 the 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.

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

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

The problem of safety in Russia is one of the most acute in the coal mining industry. Years of neglect after the collapse of the Soviet Union have put Russia’s mines among the most dangerous in the world, 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 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;

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.

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

<table>
<thead>
<tr>
<th>Assessment Scope &amp; Country</th>
<th>Russia:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salek / Vostochnui Openpit Mine</td>
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<tr>
<td></td>
<td>Prokopjevskij Openpit Mine</td>
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<td></td>
<td>Kiselevskij Openpit Mine</td>
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<td>Sibenergougol Openpit Mine</td>
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<td>Chernigovets Openpit Mine</td>
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<td></td>
<td>Listvyazhnaya Underground Mine</td>
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<td></td>
<td>Yuzhnaya Underground Mine</td>
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<tr>
<td></td>
<td>Pervomayskij Openpit Mine</td>
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<td></td>
<td>SDS-Ugol corporate headquarters</td>
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</table>

| Site-Assessment Scope       | SDS-Ugol corporate headquarters |
|                            | Salek and Vostochnui Mines (Bazovaya St., 6, Kiselevsk, Kemerovo region) |
|                            | Chernigovets Mine (Berezovskiy, Kemerovo region) |
|                            | Listvyazhnaya Mine (Gramoteino, Kemerovo region) |

| Step 1: Supplier Commitment | Completed in September 2017 |
| Step 2: Desktop Review       | Completed in September 2017 |
Step 3: Site-Assessment | Completed in November 2017
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Step 4: Continuous Improvement Plan | Agreed in May 2018\(^2\)
Step 5: Re-Assessment | Planned for November 2022\(^3\)
Assessment Team | Paul Mitchell (Lead Assessor), Julija Menise and Tatiana Vasenko

**Stakeholders**

The following organisations were interviewed as part of the Assessment:

- Russian Independent Union of Coal Industry Workers (Rosugleprof) at Salek / Vostochnui, Chernigovets and Listvyazhnaya sites;
- Federal Service of Ecological, Technological and Nuclear Control of the Russian Federation (RosTechNadzor);
- Federal Service of Control of Natural Resource Use;
- State Labour Inspectorate in Kemerovo Region;
- UN Development Programme;
- Civil organization ‘Eco-defence’;
- Centre for support of indigenous peoples of the North (CSIPN);
- Civil organization ‘Revival of the village of Kazas and the Shor people’; and
- Inhabitants of Ananjino, Apanas, Kostenkovo villages.

The Assessment Team also attended a meeting between the local government representatives and inhabitants of the southern Kuzbass villages affected by coal mining operations (including SDS-Ugol mine sites) in Kostenkovo village.

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\(^2\) Timeline according to the previous Bettercoal Assessment Programme procedures.

\(^3\) 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 SDS Ugol’s ratings against the Bettercoal Code:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Meets</th>
<th>Substantially Meets</th>
<th>Partially Meets</th>
<th>Misses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1</td>
<td></td>
<td>1.1</td>
<td>2.3</td>
<td></td>
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<tr>
<td>Principle 2</td>
<td></td>
<td></td>
<td>2.1</td>
<td>2.2</td>
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<td>Principle 3</td>
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<td>3.1</td>
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<tr>
<td>Principle 4</td>
<td>4.1</td>
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<tr>
<td>Principle 5</td>
<td></td>
<td>5.2</td>
<td></td>
<td>5.1, 5.4</td>
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<tr>
<td>Principle 6</td>
<td>6.2, 6.4</td>
<td>6.1, 6.3, 6.7</td>
<td>6.5, 6.6, 6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Principle 7</td>
<td></td>
<td>7.1</td>
<td></td>
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<tr>
<td>Principle 8</td>
<td></td>
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<td>8.1</td>
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<tr>
<td>Principle 9</td>
<td></td>
<td>9.1, 9.2, 9.3</td>
<td></td>
<td></td>
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<tr>
<td>Principle 10</td>
<td>10.5, 10.6, 10.7</td>
<td>10.3, 10.4</td>
<td>10.1</td>
<td>10.2</td>
</tr>
</tbody>
</table>

**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 Siberian Business Union Coal.

**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.
SDS-Ugol’s Continuous Improvement Plan identified a number of Findings against each Principle of the Bettercoal Code.

a. **Number of Findings identified per Principle**

![Number of Findings per Principle](attachment:chart.png)

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 SDS-Ugol report on their progress.

**E. Additional Supplier Information**

**Summary of good practice**

*Mine closure*: SDS-Ugol is beginning to prepare closure plans in advance of requirements according to Russian legal requirements, which is more closely aligned with industry standards and international good practice. This early planning will improve environmental and social management and assist the company in minimising the negative impacts associated with closure activities.
Backfilling: SDS-Ugol is actively and progressively backfilling open pits at Vostochnui and Chernigovets, which limits the requirement for the development, management and monitoring of waste rock dumps.

Risk Assessment: Recognising that spontaneous combustion is a potential risk, the company blown inert nitrogen gas (extracted from ambient air) into mined out areas to reduce the risk of fire.

Blasting: An electric blasting system has been implemented at some mine sites; this is principally to reduce noise and vibration at nearby communities, but also offers benefits in terms of reducing dust generation at source. A blast was observed at Chernigovets; minimal dust generation, vibration and noise was noted from the viewing location approximately 400 m from the blast (i.e. significantly closer than the nearest community).

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

<table>
<thead>
<tr>
<th>Rating</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meets</strong></td>
<td>Supplier’s operating practices are fully aligned with the Code.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Substantially Meets</strong></td>
<td>The Supplier’s practices are aligned mostly, but not fully, with the Code.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Partially Meets</strong></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Misses</strong></td>
<td>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.</td>
</tr>
</tbody>
</table>

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