

**APPROVED**

**by the Board of Directors of OJSC Kuzbasskaya Toplivnaya Company**

**on September 28<sup>th</sup>, 2010**

**(Minute # 10/03 dated September 30<sup>th</sup>, 2010)**

Chairman of the Board of Directors

---

V.V. Danilov

# **CODE OF BUSINESS CONDUCT**

**Kuzbasskaya Toplivnaya Company,  
an open joint stock company**

# Kemerovo 2010

## Table of Contents

1. Introduction.....	4
A. General Principles	
2. Confidential Information.....	4
3. Safeguarding Corporate Assets.....	4
4. Accuracy of Company Records .....	5
5. Record Retention .....	5
B. Relationships with Shareholders	
6. Securities Laws and Insider Trading.....	6
7. Responding to Inquiries from the Press and Others.....	7
8. Shareholders' Rights.....	7
C. Relationships with Other Enterprises	
9. Fair Dealing .....	8
10. Gifts and Entertainment .....	8
D. Relationships with Government and Regulatory Bodies	
11. Compliance with Laws.....	9
12. Political Activity .....	10
13. Care of the Environment.....	10
E. Relationships with Employees	

<b>14. Employees' Rights.....</b>	<b>10</b>
<b>15. Conflicts of Interest.....</b>	<b>10</b>
<b>16. Work Environment.....</b>	<b>11</b>
<b>Administration of the Code.....</b>	<b>11</b>

# Code of Business Conduct

---

## 1. Introduction

Kuzbasskaya Toplivnaya Company (hereinafter also referred to as “KTK” or the "Company") is one of the fastest-growing thermal coal producers in Russia, and a major supplier of thermal coal in Western Siberia. The Company is based in Kemerovo and employs approximately 3,600 employees. The Company’s shares are traded on the MICEX and RTS stock exchanges under the symbol KBTK.

This Code of Business Conduct (hereinafter referred to as the “Code”) represents voluntarily assumed ethical guidelines and standards that guide the Company’s actions in its dealings employees, subsidiaries and affiliates, customers, suppliers, lenders, state authorities, society as a whole and communities of the Kemerovo region where the Company exercises its activity.

The Code is based upon Russian legislation, best practice, and recommendations on the Code of Corporate Conduct made by the Federal Commission for the Securities Market of the Russian Federation (the “FCSM”). The Code is not a checklist to cover every possibility, but is a guide for protecting the good corporate reputation of KTK.

The Code applies to all our directors, officers and employees. For simplicity, all persons covered by this Code are referred to as employees.

### A. General principles of business conduct

## 2. Confidential Information

Confidential information includes all information that is not generally known to the public and is helpful to the Company, or would be helpful to competitors. Such information should be marked accordingly, kept secure and access limited to those who have a need to know in order to do their jobs. An employee may be held liable for any benefit gained from improper use of such information or any damages sustained by the Company as a result of improper disclosure of such information.

Employees may not use or disclose the information on customers, suppliers, other business partners, shareholders, advisors or competitors except when disclosure is required by the Chief Executive Officer or by applicable laws and regulations. In addition, employees should prevent any unauthorized access to such information.

An employee’s obligation to protect confidential information continues after they have left the Company.

## 3. Safeguarding Corporate Assets

All employees have a responsibility to protect Company assets entrusted to them from loss, theft, misuse and waste. The Company assets include not only physical and tangible items, but also include intangibles (such as ideas, concepts or inventions which employees develop in the course of their work for the Company). Company assets may be used only for business purposes and may never be used for illegal purposes.

Employees should be aware that Company property includes all data and communications transmitted or received to or by, or contained in, the Company’s electronic or telephonic systems. Company

# Code of Business Conduct

---

property also includes all written communications. Employees should have no expectations of privacy with respect to these communications.

Incidental personal use of telephones, fax machines, copy machines, personal computers, e-mail and similar equipment is generally allowed if it is occasional, there is no significant added cost, it does not interfere with work responsibilities and is not related to an illegal activity or outside business. If an employee becomes aware of theft, waste or misuse of assets or funds or have any questions about their proper use, they should speak immediately with their immediate supervisor or Chief Executive Officer.

## **4. Accuracy of Company Records**

All information recorded or reported must be done accurately. All records must be maintained in appropriate detail, must be kept in a timely fashion, and must reflect the underlying transactions. Falsifying records or keeping unrecorded funds and assets is a severe offense and may result in prosecution or loss of employment. When a payment is made, it can only be used for the purpose spelled out in the supporting document.

Information derived from Company records is provided to shareholders and investors as well as government agencies. Thus, accounting records must conform to recognized accounting principles and other laws and regulations, such as those of the FCSM. Public communications and the reports filed with any Russian government agencies regulating the securities market and any other government agencies should contain information that is full, fair, accurate, timely and understandable.

The internal and external auditing functions help ensure that financial books are accurate. Therefore, employees should provide the accounting department, internal auditing staff, Audit Committee and external auditors with all pertinent information that they may request. The Company encourages open lines of communication with the Audit Committee, accountants and auditors. It is unlawful for employees to fraudulently influence, induce, coerce, manipulate or mislead the external auditors.

If an employee believes that a transaction has been improperly recorded, they should confer with their immediate supervisor, or the Head of Internal Audit Department or chief financial officer, or may submit their concern, on an anonymous basis, to the Audit Committee by sending correspondence to the Chairman of the Audit Committee.

## **5. Record Retention**

Company records should be retained or discarded in accordance with record retention policies and all applicable laws and regulations. From time to time the Company may be involved in legal proceedings that require it to make some records available to third parties. Legal counsel will assist us in releasing appropriate information to third parties and provide employees with specific instructions.

It is a violation of the law, and may be a crime to alter, destroy, modify or conceal documentation or other objects that are relevant to a government investigation or otherwise obstruct, influence or impede an official proceeding. The law applies equally to all records, including formal reports as well as informal data such as e-mail, expense reports and internal memos. If the existence of a pending government investigation of any kind is known or reported to an employee, that employee should

# Code of Business Conduct

---

immediately contact the Legal Department and must retain all records that may pertain to the investigation and be responsive to the subpoena.

## **B. Relationships with Shareholders**

### **6. Securities Laws and Insider Trading**

As a public company, the Company is subject to a number of laws concerning the purchase and sale of publicly traded securities. If an employee becomes aware of “Material Nonpublic Information” regarding the Company, business, affairs or prospects, that employee may not disclose that information to anyone outside the Company, and is not allowed to buy or sell Company publicly-traded securities until the Material Nonpublic Information is known not only by individuals within the Company, but also by the general public. The improper use of Material Nonpublic Information is known as insider trading. Insider trading is a criminal offense and is strictly prohibited.

For purposes of complying with this section, it is important to understand the definition of two terms. “Material Information” means:

- information that would be expected to affect the investment or voting decision of a reasonable shareholder; or
- information whose public disclosure would be expected to significantly alter the total mix of information in the marketplace about KTK.

“Material Nonpublic Information” means:

- any of the above-described Material Information that has not been publicly disclosed; and
- confidential analyses, financial information, business data and plans, as well as information received from a supplier, customer or third party with the expectation that it will be kept confidential and used solely for business purposes.

In addition to being prohibited from buying or selling KTK publicly-traded securities when in possession of Material Nonpublic Information, the employee is also prohibited from disclosing such information to anyone else (including friends and family members) in order to enable them to trade on the information. In addition, if the employee acquires Material Nonpublic Information about another company due to their relationship with KTK, the employee may not buy or sell that other company’s stock or other securities until such information is publicly disclosed and sufficiently disseminated into the marketplace.

The following are general guidelines to comply with the insider trading policy:

- Do not share Material Nonpublic Information with people within the Company whose jobs do not require them to have the information.
- Do not disclose any nonpublic information, material or otherwise, concerning the Company to anyone outside the Company unless required as part of an employee’s duties and the person receiving the information has a reason to know the information for Company business purposes.

# Code of Business Conduct

---

- If an employee has Material Nonpublic Information regarding KTK, or regarding any other publicly traded company that was obtained from employment or relationship with KTK, the employee must not buy or sell, or advise anyone else to buy or sell, KTK securities or the other company's securities, until such information is publicly disclosed and sufficiently disseminated into the marketplace.

Penalties for trading on or communicating Material Nonpublic Information are severe. If an employee is found guilty of an insider trading violation, they can be subject to civil and even criminal liability. In addition to being illegal, the Company believes that insider trading is unethical and will be dealt with firmly, which may include terminating employment and reporting violations to appropriate authorities.

The employee should contact their immediate supervisor or the Chief Legal Officer if they have any doubts as to whether any information qualifies as Material Nonpublic Information.

## **7. Responding to Inquiries from the Press and Others**

The Company is subject to laws that govern the timing of disclosures of material information to the public and others. Only certain designated employees may discuss the Company with the news media, securities analysts and investors. All inquiries from outsiders regarding financial or other information about the Company should be referred to the Chief Executive Officer or the Head of Investor Relations.

## **8. Shareholders' Rights**

The rights of shareholders shall be protected by the Board of Directors.

Shareholders are entitled for reliable methods of registration of ownership rights for shares. Maintenance and storage of the shareholder register shall be carried out by an independent registrar having proper technical means and control systems.

The shareholders are entitled at their own discretion to do any actions with shares belonging to them not conflicting with law and not violating the rights and interests of other persons protected by law.

The shareholders are entitled to receive regular and timely information about activity of the Company. The Company strives to continuously improve the information disclosure process using Russian and international experience in accordance with requirements of regulatory authorities.

The shareholders are entitled to vote on important matters associated with activity of the Company at the General Shareholders Meeting.

KTK undertakes to provide the shareholders with information on matters included in the agenda of the General Shareholders Meeting within the terms prescribed by the Federal Law "On Joint Stock Companies" and the Charter of the Company. KTK will arrange the General Shareholders Meeting so that the shareholders have the possibility to take part therein without any significant constraints.

The shareholders are entitled to obtain a part of net profits of KTK in form of dividends following the results of the financial year. KTK obliges to pay the declared dividends within the terms established by the General Shareholders Meeting and the Charter of the Company.

## **C. Relationships with Other Enterprises**

# Code of Business Conduct

---

## **9. Fair Dealing**

The Company is committed to maintaining the highest levels of integrity and fairness. If employees fail to perform in good faith, it may seriously damage the Company's reputation and lose the loyalty of customers. Employees must conduct business honestly and fairly and not take unfair advantage of anyone through any misrepresentation of material facts, manipulation, concealment, and abuse of privileged information, fraud or other unfair business practice.

## **10. Gifts and Entertainment**

The Company will treat fairly and impartially all persons and firms with whom it does business. Therefore, employees must not give or receive gifts, entertainment or gratuities that could influence or be perceived to influence business decisions. Misunderstandings can usually be avoided by conduct that makes clear that the Company conducts business on an ethical basis and will not seek or grant special considerations.

### **Accepting Gifts and Entertainment**

Employees should never solicit a gift or favor from those with whom the Company does business. Employees may not accept gifts of cash or cash equivalents however they may accept promotional items or modest gifts related to commonly recognized occasions, such as a promotion, holiday, wedding or retirement, if this happens only occasionally, the gift was not solicited, disclosure of the gift would not embarrass the Company or the people involved, and the value of the gift is under \$100 or its rubles equivalent.

Employees may accept an occasional invitation to a sporting activity, entertainment or meal if there is a valid business purpose involved, this happens only occasionally, and the activity is of reasonable value and not lavish.

Presentations of a ceremonial nature, in keeping with national custom, may be permitted as long as what is accepted is not in violation of any applicable law, cannot be construed as a bribe or a payoff and would not embarrass the Company if disclosed publicly.

### **Giving Gifts and Entertaining**

Gifts of nominal value and reasonable entertainment for customers, potential customers and other third parties are permitted as well as gifts and entertainment related to promotional and marketing events, holidays and national customs. However, any gift or entertainment must support the Company's legitimate business interests, be reasonable and customary, and not embarrass the Company or the recipient if publicly disclosed.

Special rules apply when dealing with government employees. These are discussed in this code under "Compliance with Laws – Anticorruption Laws." If an employee is not sure whether a specific gift or entertainment is permissible, they should contact their immediate supervisor or the Chief Executive Officer.

## **E. Relationships with Government and Regulatory Bodies**

# Code of Business Conduct

---

## 11. Compliance with Laws

The Company aspires to maintain cooperation with governmental authorities in accordance with laws and other norms. The Company makes no attempt to illegally influence the resolutions of the governmental authorities or their representatives, and pays taxes in full and on time

Company policy is to behave in an ethical manner and comply with all laws, rules and government regulations that apply to the business. It is the responsibility of every employee to know and follow the law and conduct themselves in an ethical manner. It is also their responsibility to report any violations of the law or this code.

### Money Laundering

KTK is committed to complying fully with all applicable money laundering laws. These laws prohibit transactions with respect to monetary funds or other property that have a purpose of laundering money or earnings (i.e., making such funds or earnings appear legitimate) received in an illegal manner. Violating money laundering laws is a criminal offence. If an employee has any questions regarding the money laundering laws or if they are solicited by someone to engage in such activities, they should immediately contact the Legal Department and Chief Executive Officer.

### Antimonopoly Laws

Antimonopoly or competition laws are designed to ensure a fair and competitive free market system. While KTK will compete vigorously in the marketplace, it will comply with the applicable antimonopoly and competition laws wherever it does business. This means that it will compete on the merits of Company product, the prices charged and the customer loyalty earned. Whenever any question arises as to application of the antimonopoly laws, an employee should consult with the Legal Department, and any agreements with possible antimonopoly implications should be made only with the prior approval of the Legal Department.

### Anticorruption Laws

Conducting business with governments is not the same as conducting business with private parties. What may be considered an acceptable practice in the private business sector may be improper or illegal when dealing with government officials. Improper or illegal payments to government officials are prohibited. "Government officials" include employees of any government anywhere in the world, even low-ranking employees or employees of government-controlled entities, as well as political parties and candidates for political office. If an employee deals with such persons or entities, they should consult with the Legal Department to be sure that they understand these laws before providing anything of value to a government official.

### Copyright Laws

KTK respects all copyright laws and uses only those items have been created internally or have been obtained commercially from vendors that authorize their use. Violating copyrights can expose both the employee and the Company to legal and financial liabilities. If an employee has any questions regarding copyrights, they should consult with the Legal Department.

# Code of Business Conduct

---

## **12. Political Activity**

The Company will fully comply with all political contribution laws. Funds may not be used for contributions of any kind to any political party or committee or to any candidate or holder of any government position (national, state or local) unless such contribution is permitted by law.

It is against Company policy for employees to lobby other employees on behalf of a political candidate during the work day. It is also against policy to reimburse an employee for any political contributions or expenditures. Outside normal office hours, employees are free to participate in political campaigns on behalf of candidates or issues of their choosing, as well as make personal political contributions.

## **13. Care for the Environment**

KTK obliges to carry out active work for environmental protection in accordance with environmental legislation of the Russian Federation and international requirements. Where possible the Company invests in the latest technologies to ensure sustainable environmental activities and conservation of energy.

The Company seeks to comply with all officially approved environmental protection standards and requirements including:

- The efficient usage of natural resources;
- The design and implementation of waste-free technologies;
- The implementation of ecology management systems

## **F. Relationships with Directors and Employees**

### **14. Employees' Rights**

Relations between KTK and its employees shall be regulated by legislation of the Russian Federation on labor, internal documents and labor agreements effective at the Company. The Company shall promote professional development of employees and seeks to eliminate industrial accidents and occupational injuries.

The CEO of KTK will implement a fair system for labor remuneration for employees (including a motivation system) as well as provide for material and social support upon dismissal and retirement.

### **15. Conflicts of Interest**

Employees and Directors must be able to perform their duties and exercise judgment on behalf of the Company without influence or impairment, or the appearance of influence or impairment, due to any activity, or relationship that arises outside of work. When loyalty to the Company is affected by actual or potential benefit or influence from an outside source, a conflict of interest exists. In general, situations where personal interests conflict, or appear to conflict, with those of the Company should be avoided.

# Code of Business Conduct

---

Directors of the Company, particularly, cannot efficiently discharge their duties if there is a conflict of interest between the Company and the director. If such a conflict exists or arises, the director must disclose it to the Board of Directors and comply with the Company's procedures applicable to transactions in which a director is interested. In addition, directors should refrain from voting in a situation where they have an indirect or direct personal interest.

Any time an employee believes a conflict of interest may exist, they must disclose the potential conflict of interest to their immediate supervisor. Any activity that is approved, despite the actual or apparent conflict, must be documented. A potential conflict of interest that involves Company executive officers or directors must be approved by the Board of Directors. A potential conflict of interest involving any other officer or employee must be approved by the Chief Executive Officer. Any officer or employee, who knowingly fails to disclose a conflict of interests or obtain the necessary approval, is subject to discipline, including dismissal from the Company.

Some situations that could cause a conflict of interest include doing business with family members, having a financial interest in a counterparty with whom the Company does business, taking a second job, serving as a director of another business, and being a leader in some organizations.

## **16. Work Environment**

The Company is committed to providing equal employment opportunities for all employees and will not tolerate any speech or conduct that has the effect of discriminating against or harassing any employee. If any employee observes conduct that they believe is discriminatory or harassing, they should notify the head of Human Resources or Chief Executive Officer immediately.

The Company will not retaliate against any employee for filing a good faith complaint of discrimination or harassment and will not tolerate or permit retaliation by management, employees or co-workers. To the extent possible, the Company will keep complaints and the terms of their resolution confidential. If an investigation confirms harassment or discrimination has occurred, the Company will take corrective action against the offending individual, as appropriate.

## **Administration of the Code**

This Code shall come into force from the date of approval thereof by the KTK Board. Amendments may be introduced into the Code on the basis of the resolution of the Board of Directors of the Company.

If norms of this Code conflict with requirements of effective legislation of the Russian Federation norms of effective legislation of the Russian Federation shall prevail. Invalidation of some clauses of this Code shall not lead to invalidity of any other clauses of this Code.

## **Distribution**

All of directors, officers and employees will receive a copy of this code and new directors, officers and employees will receive a copy of the code when they join the Company. Updates of the code will be distributed to all directors, officers and employees.

This code and all updates of the code shall be posted on the corporate Internet site.

# Code of Business Conduct

---

## Reporting Violations

All employees are obliged to report violations of this code or the law and to cooperate in any investigations into such violations. It is preferable that an employee gives their identity when reporting violations, to allow future contact in the event further information is needed to pursue an investigation. The employee's identity will be maintained in confidence to the extent practicable under the circumstances. Violations shall be reported in person or in writing to the Chief Legal Officer, to the Chief Executive Officer or the Chairman of the Audit Committee.

## Investigations

The Company will initiate a prompt investigation following any credible indication that a breach of law or this code may have occurred. The Company will also initiate appropriate corrective action as deemed necessary, which may include notifying appropriate authorities.

## Disciplinary Action

If an employee violates any provision of this code, they may be subject to disciplinary action, up to and including discharge. The Company may seek civil remedies from the employee and if the violation results in monetary loss to the Company, the employee may be required to reimburse the Company for that loss in accordance with applicable law. If an employee is involved in a violation, the fact that the employee reported the violation, together with the degree of cooperation displayed by the employee and whether the violation is intentional or unintentional, will be given consideration in the investigation and any resulting disciplinary action.

## Approvals

Approvals required under this code should be documented.

## Waivers and Amendments

Any request for a waiver of this code must be submitted in writing to the Chief Legal Officer or to the Chief Executive Officer who has authority to decide whether to grant a waiver. However, a waiver of any provision of this code for a Company executive officer or director must be approved by the Board of Directors or its designated committee and will be appropriately disclosed to the extent required by law or regulation. In addition, the Company will appropriately disclose the nature of any amendment to a provision of this code that applies to the Chief Executive Officer and senior financial officers.