



Finance, Accounting and Fraud Complaint Handling Procedures

Background

The Sarbanes Oxley Act of 2002 (the “SOA”) established many new and significant requirements of the Audit Committee of Arch Coal, Inc. (“ACI”). One of those new requirements was the creation of a formal procedure for complaint handling. This responsibility is mandated in Section 301 of the SOA and reads as follows:

Each audit committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, information systems, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

ACI’s Code of Business Conduct sets forth procedures for the submission of questions and concerns regarding accounting, internal accounting controls, information systems and auditing matters. These procedures identify the types of questions or concerns that are of interest to the Audit Committee and how, and to whom, these items should be communicated. Several means of communication are offered, including a toll-free confidential “hotline”.

What does the Audit Committee Want to Know About?

Any and all complaints regarding accounting, internal accounting controls, information systems, or auditing matters must be submitted to the Chairman of the Audit Committee and the Director of Internal Audit. The following matrix, while certainly not all inclusive, is intended to illustrate the types of issues that are of interest to the Audit Committee.

Accounting Issues.....	Indication that the financial statements or the financial position of ACI has been altered from its actual position. For example, overstating earnings, creating fictitious earnings, understating expenses, overstating assets, etc.
System Issues	Indication that an automated process or system exists that is prone to abuse either by employees or external parties with whom ACI conducts business. For example, an employee alters his or her own purchasing authority within the information system for personal benefit or gain.
Financial Issues.....	Indication that individuals or companies have fraudulently obtained money from ACI. For example, the submission of invoices for work not performed or the submission of inflated invoices for work that was performed.
Conflicts of Interest Issues...	Indication that an ACI employee is receiving a financial or other benefit from a competitor, supplier or customer of ACI. For example, a spouse of an employee of ACI is a partial owner of a supplier to ACI.
Equipment Issues ..	Indication that ACI equipment is being used for personal benefit. For example, taking mine equipment such as tractors, trucks or graders off of mine property to an individual’s personal property.
Resource Issues.....	Indication that ACI resources are being misused. For example, theft of ACI property (computers, inventory, tools, etc.)

As a general principle, any known unethical or illegal behavior is to be reported to the Audit Committee.

How will Complaints be Handled?

The Chief Compliance Officer, ACI's General Counsel, shall promptly notify the Chairman of the Audit Committee and the Director of Internal Audit when any such complaint has been received. All complaints will initially be investigated by the Director of Internal Audit.

The actions taken by the Director of Internal Audit will depend on the nature of the complaint. For each complaint received, an investigative plan will be developed. This may include interviewing appropriate personnel, reviewing appropriate documents and system information and potentially utilizing a private investigator and/or independent legal counsel. All complaints will be investigated in the least intrusive manner possible. As such, confidential methods of evaluating the complaint will be utilized first before pursuing more open investigative methods.

In addition to all complaints being investigated, the following actions may occur:

- The matter may be referred to law enforcement authorities (police, FBI, etc.)
- The matter may be referred to the external auditor

The results of every investigation will be formally documented and a summary report will be distributed to the Chairman of the Audit Committee, the President, the Chief Financial Officer and other management personnel as appropriate. Disciplinary and corrective action, up to and including termination and prosecution, will be taken for any wrongdoing.

The confidentiality of the complaint and complainant is of utmost importance!

Investigation details and results will be retained by the Director of Internal Audit pursuant to ACI's Records Retention Policy.

Conclusion

The Audit Committee takes very seriously the responsibility for handling complaints as mandated by the SOA. As such, it is of utmost importance to assure all employees that any complaint received will be handled in a diligent and professional manner as outlined in this Complaint Handling Procedure.