ENSURING
A SUSTAINABLE
FUTURE
ENSURING A SUSTAINABLE FUTURE

At Polymetal, we are committed to delivering sustainable value for all our stakeholders. For us, this means generating returns for our shareholders while fulfilling our responsibilities to society and the environment. By balancing our commercial interests with those of local communities and natural habitats, we are working to ensure a sustainable future.

At the heart of our business ethos and operations we have developed long-term commitments to safety, efficiency, community engagement and environmental protection. We also help to deliver economic development and prosperity in the regions where we operate. In this way, we aim to ensure that our actions today do not compromise our ability to operate tomorrow, paving the way for the long-term success and sustainability of our business.

About this report

With this, our fifth Group-wide sustainability report, we are shifting to an annual reporting model and using Global Reporting Initiative (GRI) G4 guidelines for a second time. These developments are a clear sign of our ambition to enhance our reporting performance.

As in 2013/14, this report covers all of our wholly-owned operating mines and sites as well as our headquarters in St. Petersburg and other projects in Russia, Kazakhstan and Armenia.

This year we are following the GRI G4 Sustainability Reporting Guidelines. Ensuring we focus on those issues that are most ‘material’, or relevant, to our stakeholders, these guidelines are designed to provide a clear view of our Group-wide sustainability performance.

We first adopted GRI G4 guidelines in 2014, and following the publication of our 2013/14 report we received confirmation that our materiality disclosures were aligned with G4 requirements. This year, in addition to using the GRI Materiality Disclosures Service, our report is externally assured by PwC, with a view to further enhancing the credibility of our reporting processes and outputs (see page 66).

While G4 alignment enables us to communicate our disclosures in a globally-accepted form, PwC’s assurance confirms the accuracy of our data relating to the Company’s most critical economic, social and environmental impacts.

In combination, these two developments are intended to help us increase levels of stakeholder trust and understanding. They also reflect the improvements we have made internally, with the creation of a new Safety and Sustainability Committee, the strengthening of the role of Chief Sustainability Officer, and the development of new sustainability initiatives and targets.
Embedding sustainability
throughout our business

Across our operations, we are dedicated to creating and maintaining a safe working environment for our people. However 2015 was a challenging year for Polymetal in this area. I would like to offer my heartfelt condolences to the families, friends and colleagues of our six fellow workers who were fatally injured during the year. This is a heavy loss for the whole Group, and we will forever honour the memory of these workers and their contribution to Polymetal.

Clearly we have work to do to improve safety, and the main role of the Committee is to scrutinise the Group’s safety record, as well as its environmental and social performance and ethical conduct. It also oversees all issues relating to sustainable development on behalf of the Polymetal Board, while ensuring that our efforts to create economic, social and environmental value are balanced.

Pursuing our commercial and operational goals responsibly, we look to make a positive impact on society and on the environment – and to deliver shared and sustainable value to all our stakeholders.

By its very nature, mining is widely perceived to be a high-impact industry which has the potential to affect local communities and the environment. Widely dispersed across Russia and the CIS, we operate highly complex processes in remote areas where climatic conditions are often extreme and infrastructure is virtually non-existent. As a result, we work hard to maintain high standards of employee safety, community partnership and environmental stewardship through the development of robust management systems and initiatives. We also contribute to local and regional development through substantial tax payments, infrastructure investment and social projects, helping to stimulate local economies, regenerate urban and rural areas and improve social resilience.

The launch of the Safety and Sustainability Committee is a clear sign of our commitment to systems and processes that will enhance our overall sustainability performance. During 2015, we continued our strong focus on safety, health and the environment, reinforcing efforts to achieve zero harm while maintaining operational excellence. We also renewed our focus on economic sustainability, working to ensure that, through in-house exploration and acquisition of new assets, we can continue to do business for many years by replenishing our reserves.

One of our key priorities is to continuously redefine what sustainability means to Polymetal as a company and to each of our stakeholders. In 2015, we continued to engage with our stakeholders in order to better understand their needs and opinions; we reviewed the channels and platforms we use to communicate about sustainability, and assessed the targets, measures and messages that are most relevant to each group. We worked hard to identify areas where we can make improvements, and will continue to do so by committing resources and investment going forward.

Leonard Homeniuk
Chair of the Polymetal Safety and Sustainability Committee

During 2015, we received numerous awards and citations. These include:

Awards
Best social partner award from the Magadan government.
Our ‘Healthy Environment’ programme was ranked in the Top 5 Best Projects by People Investor.

Achievements
Polymetal was included in international sustainability indices: FTSE4Good and Euronext Vigeo 70 Emerging Markets.
Our senior managers were ranked top in the Best Managers lists compiled by different agencies.
We were included in the Top 10 for the best corporate communications and relations in Russia by TOP-COMM 2015.

Honours
19 of our employees received honorary diplomas, certificates and Miner’s Glory Awards from various Government Ministries in Russia and Kazakhstan, including the Ministry of Industry and Trade, the Ministry of Natural Resources and Environment and the Ministry of Energy.

Letters of gratitude
We received 55 letters of gratitude from local community groups, NGOs, IMN groups and local authorities in the regions where we operate.

Awards for Excellence
The Group CEO’s statement

Firmly focused on ensuring a sustainable future

Health and Safety
It is with great sadness and regret that we have to report the tragic death of six of our colleagues in 2015. We care deeply about all our employees, and this loss of life has caused acute distress to everyone at Polymetal. Of these fatalities, five occurred at underground operations and one was the result of a road accident. We have conducted investigations to determine the specific causes of these tragic events and have taken steps to ensure they do not occur again in the future.

We will not spare any effort, and will continue to commit management resources and investment, to make sure that Polymetal creates a safe operating environment for workers throughout the Group.

During the year we also conducted our own internal investigations. This process involved evaluating all possible health and safety risks, from technological and technical issues through to employees’ psychological and emotional influences.

As part of this process, we began a three stage external audit of our Health and Safety Management System. Four of our production facilities were audited in 2015.

Carbon management
In December 2015 in Paris, the 21st Session of the Conference of the Parties to the United Nations, known as COP21, reached a landmark agreement on action and commitment on global warming. The Conference reaffirmed the goal of limiting global temperature increase well below 2 degrees Celsius, and encouraged efforts to limit the increase to 1.5 degrees.

In Russia, Polymetal participated in a range of discussions on carbon management throughout 2015. Following these discussions, we adopted a new policy aimed at managing our carbon emissions in order to improve our overall impact on the global environment, society and economy, and reasserted our commitment to reducing the carbon emissions arising from company activities.

We also took part in CDP’s global reporting and disclosure programme, submitting information on our energy use and greenhouse gas emissions. Our engagement with CDP reflects our continuing commitment to transparent reporting processes, and our efforts were recognised when we placed second among all Russian participants for reporting and performance in 2015. Additionally, we enhanced data collection processes across the Group, with safety and environmental figures now included in our corporate ERP system.

Community engagement
We carried out a wide range of community engagement initiatives and consultations during the year, continuing to invest in and support local education, health, culture and infrastructure.

In Kazakhstan, for example, we achieved encouraging and tangible results, with all information and correspondence documented in compliance with global best practice.

At our flagship Kyzyl project in East Kazakhstan, we completed a full-scale environmental and social impact assessment (ESIA). The purpose of the ESIA is to outline priorities and benchmark the project so that we can address environmental and social impacts in line with international best practice, such as the World Bank Environmental Health and Safety Guidelines. In 2015, we identified key project stakeholders as part of our local social engagement plan. This plan outlines how we will communicate with project stakeholders in Kyzyl who are impacted at different project stages, from construction and operation through to post-mining rehabilitation. In parallel with this assessment, we provided community support, educational opportunities and financial aid to the people of Kyzyl. We are rolling out similar activities in Varvara, our other asset in Kazakhstan, and are also planning to do so in all other regions where we operate.

Accolades and achievements
We are pleased that the strong progress we have made in recent years in sustainability has been reflected in growing external recognition. Our key achievements in 2015 were our inclusion in international sustainability indices, including FTSE4Good and the Vigeo 70 emerging markets index, and the success of our eco-project Healthy Environment, which ranked among the top five social projects at the annual Russian People Investor Contest (see pages 60-61).

New locations
In 2015 Polymetal acquired a 100% stake in the company which currently owns the Lichkovaz licence in Armenia, extending the geographical reach of our operations. This move provides a stepping stone into a new jurisdiction for Polymetal, and in 2016 we aim to expand this high-grade project through exploration and site development in Armenia, while adhering strictly to our sustainability principles.

Looking ahead
Looking ahead, we have set ourselves some ambitious targets and goals to help keep our sustainability initiatives on track. In 2016, we plan to:

• further promote safe behaviour, reduce the level of the most significant risks and continue the external audit of our Health and Safety Management System;
• develop and implement a community policy to consolidate all standalone regional programmes and initiatives;
• launch biodiversity offset programmes and reporting;
• heighten our focus on the prevention of environmental accidents and review and improve our efforts in this area;
• formalise our approach to carbon management in a dedicated carbon management policy document;
• develop our new human rights policy;
• implement supply chain management policy; and
• develop new in-house training centres and courses to support talent pool promotions.

Building on the good work we have undertaken across the Group, these plans are intended to ensure we maintain momentum as we continue to embed sustainability across our operations and engage with the highest levels of international best practice.

Vitaly Nesis
Group CEO

04 Polymetal International plc Sustainability Report 2015
A dynamic business based on quality and performance

Polymetal International plc is a leading precious metals mining group operating in Russia, Kazakhstan and Armenia. Listed on the London Stock Exchange, Polymetal has a portfolio of seven productive gold and silver mines, an impressive pipeline of future growth projects, and is a major employer in the regions where it operates.

Sustainability is a vital component of our business strategy. For us, it represents an investment in society and the environment, as well as in the long-term future of our Company.

At a glance

Key facts
- Operating assets: 7
- Employees: 9,238
- Community investment (US$): 3.6m
- Environmental incidents: 0
- GE production: 1.27 Moz
- Sales revenue (US$): 1,441m

Our values
- Dialogue: We promote stakeholder dialogue based on openness, honesty and transparency.
- Compliance: We meet all legal obligations at local, national and international levels.
- Ethical conduct: We expect employees, contractors and business partners to display the highest standards of ethical conduct, with zero tolerance for corruption, bribery and fraud.
- Fairness: We show fairness, equality and respect to our employees and local communities.
- Stewardship: We work to protect the environment, maximise the health, safety and well-being of employees, and respect the rights of all constituents affected by our operations.
- Effectiveness: We aim to be effective in everything that we do.

Our strategy
- Key goals – combining growth and dividend
  - Pay significant and sustainable dividends through the cycle
  - Continue to grow our business without diluting its quality
- Strategic objectives to achieve key goals
  - Ensure robust operating performance and financial performance at existing mines
  - Deliver medium-term growth through building and ramping up Kyzyl
  - Opportunistically pursue high-optionality M&A targets, combined with own exploration
  - Maintain high standards of corporate governance and sustainable development

2015 sustainability highlights

- The Safety and Sustainability Committee was established
- ESIA completed at Kyzyl
- Safety system certification was launched
- Staff turnover rate declined by 28%
- Eco-project ‘Healthy Environment’ was ranked in the 5 top social projects by People Investor
- FTSE4Good index inclusion and Vigeo 70 Emerging Markets index inclusion

Performance

<table>
<thead>
<tr>
<th>Goals</th>
<th>2015 outcomes</th>
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<tbody>
<tr>
<td>Economic</td>
<td></td>
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<tr>
<td>Ensure financial stability and shareholder returns</td>
<td>• Generated a healthy free cash flow of US$263 million; coupled with a strong balance sheet this translated into cash returns for our investors</td>
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<tr>
<td>Pursue further growth opportunities</td>
<td>• Acquired Primorskoye, a silver/gold site 215 km from our Omsukchan concentrator</td>
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<td>Maintain excellent working relationships with suppliers</td>
<td>• Increased our interest in Lichkov and began initial exploration drilling</td>
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<td></td>
<td>• Entered a new joint venture with Polyus Gold at Nezhlaninskoye, the fourth largest gold deposit in Russia based on GKZ resources</td>
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<td>Environment</td>
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<tr>
<td>Reduce our environmental footprint</td>
<td>• Invested US$31 million in environmental protection – 36% on protection of water resources, 54% on land reclamation and 9% on the reduction and purification of air emissions</td>
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<tr>
<td>Social</td>
<td></td>
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<tr>
<td>Embed robust safety procedures and safeguard employee well-being</td>
<td>• Strengthened safety procedures, especially those aiming to prevent the risk of rock mass fall in underground mines</td>
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<td></td>
<td>• Established a dedicated Safety and Sustainability Committee</td>
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<td></td>
<td>• Began an in-depth review of the safety and environmental management systems</td>
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<td>• Developed measures and incentives for better safety performance</td>
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<td></td>
<td>• Implemented safety monitoring and control software</td>
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<td></td>
<td>• Involved contractors in risk management and health and safety control procedures</td>
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<tr>
<td>Build a motivated, loyal and capable workforce</td>
<td>• Reduced turnover by 28%, from 11.4% to 8.3%</td>
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<td>• Promoted internal employee mobility and achieved high job satisfaction levels across the business – on average over 65% in all areas</td>
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<td>• Invested US$678,000 in professional training, and as a result 88% of our employees received development training</td>
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<tr>
<td>Maintain strong links and relationships in the regions where we operate</td>
<td>• Developed community cooperation agreements – 21 agreements in 2015</td>
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<td>• Invested US$3.6 million in social and support projects for indigenous people</td>
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<td>• Invested US$200,000 on infrastructure programmes, US$1.3 million on sports and healthy well-being initiatives, US$735,000 on cultural activities and US$108,000 on support projects for indigenous people</td>
</tr>
</tbody>
</table>
Bringing significant investment to remote locations

Where we operate

Operating assets

Dukat hub
- Operating mines: Dukat, Lunnoye, Goltsovoye, Arylakh
- Key exploration project: Perevalnoye
- Processing: 1.6 Mtpa Dukat concentrator and 450Ktpa Lunnoye Merrill-Crowe plant

Omolon hub
- Operating mines: Birmuchan, Sopka, Toster, Dalneye, Umch
- Key exploration projects: Burgalik, Oka
- Processing: 850 Ktpa Khabana CIP and Merrill-Crowe plant

Amursk POX hub
- Operating mines: Albakino, Maykoye
- Processing: 1.6 Mtpa concentrator

Okhotsk hub
- Operating mines: Albasino, Mayskoye
- Processing: 500 tpd Amursk POX plant

Voro
- Operating mine: Voro
- Key exploration project: North Kaluga
- Processing: 350 Ktpa CIP and 900 Ktpa HL

Varvara
- Operating mine: Varvara
- Key exploration project: Tarulin
- Processing: 4.2 Mtpa Float + Leach

Development projects

Kyzyl
- Large high-grade gold project in North Eastern Kazakhstan
- Reserves: 7.3 Moz at 7.7 g/t Au (JOrC)
- Resources: 3.1 Moz at 6.8 g/t Au (JOrC)
- Mining: Open pit followed by underground
- Processing: Flotation + concentrate offtake
- First production: H2 2018
- Life of mine of 22 years

Svetloye
- Part of Okhotsk hub
- Reserves: 1.0 Moz at 3.2 g/t Au (JOrC)
- 1,000 Ktpa open pit heap leach operation
- First production: 2016
- Life of mine of 8 years

Exploration projects

Viksha
- Potential of 4.2 Moz of PGM in Pd equivalent (internal estimate)

Nezhdaninskoye
- Joint venture with Polyus Gold
Business model

Robust business model delivering value to all stakeholders

Our capital

Financial
Strong balance sheet and a large portfolio of available undrawn credit facilities; access to international equity markets and use of shares as acquisition currency.

Intellectual
Investment in skills and expertise; mastering leading technologies in refractory gold processing (POX); selective mining, development of know-how.

Business
Key competencies in refractory gold concentrate trading, sustainable relationships with suppliers and contractors.

Human
Attracting and retaining high-potential employees across Russia and Kazakhstan; nurturing young leaders to manage further growth.

Social
Mitigating the impact of our licence to operate; fostering and maintaining good relations with local governments and communities.

Natural
Unparalleled portfolio of high-grade reserves ensuring robust cost and operating performance throughout the cycle; water, energy and fuel to run our operations.

Mining cycle

Exploration
We replenish reserves through active brownfield and greenfield exploration and have a robust evaluation system to select high-quality assets for further development.

Development
We have a track record of delivery on time and within budget, including growth projects in challenging locations without access to infrastructure.

Mining ore
We have a strong skill set in selective open-pit and underground mining, incorporating global best practices and robust grade and dilution control.

Logistics/transporting ore
In the remote regions of our operation, we have acquired vital skills for inbound logistics of consumables, and outbound transportation of ores and concentrates to make the best use of our hub strategy.

Processing
We employ both conventional (such as flotation or heap leaching) and leading (such as POX) processing technologies that maximise recoveries at our plants.

Selling concentrate
We were the first company in Russia to start selling refractory gold concentrates to off-takers in Asia and have transformed this into a competitive advantage.

Selling bars
We sell gold and silver bars, mainly to Russian commercial banks.

Mining closure and rehabilitation
We manage the end-of-life responsible, maintaining high standards of environmental compliance during the closure/rehabilitation process.

What makes us different

Investing in exploration
Investment in both greenfield and near-mine exploration provides us with a cost-effective increase in our reserve base and, along with successful acquisitions, is the key source of our long-term growth.

Hub-based system
Our centralised hub-based system handles ores from different sources, achieving economies of scale by minimising processing and logistics costs, as well as capital spending per ounce. This facilitates production at otherwise uneconomical medium- and small-sized near-plant deposits.

Focus on high-grade assets
Return on investment in the precious metals industry is reliant on grades and mining conditions. We achieve better returns and lower risks from our project portfolio by setting appropriate thresholds on head grades and largely focusing on open-pit mines.

Strong capital discipline
We engender a strong focus on capital discipline throughout the business, maximising risk-adjusted return on capital is our priority in all investment decisions. We do not retain excess cash and return free cash flow to shareholders through substantial dividend payments while retaining a safe leverage level.

Exemplary governance
We believe that good corporate governance is key to the ongoing success of the business and value creation for our shareholders. We are compliant with all regulatory requirements and adopt best practice in nurturing sustainable relationships with all our stakeholders in government, industry and the communities in which we operate.

Operational excellence
We pride ourselves on our operational excellence and delivering on our promises to shareholders. Despite difficult trading conditions, we beat our production guidance for the fourth consecutive year. Our gold equivalent production for 2015 was 1.27 Moz, exceeding the original production guidance for the year by 4%.

Value creation for stakeholders

Shareholders
We deliver on our promises while providing a sustainable dividend stream and future growth through quality assets.

Other capital providers
We have an excellent credit history and strong partnerships within financial markets.

Employees
We provide remuneration that is above the regional average and comfortable working conditions, along with career development opportunities.

Communities
We invest in our local communities, providing employment opportunities and improving infrastructure, and engage with them to achieve their support for the projects that we undertake.

Government
We contribute to the national wealth and are a significant tax payer in the region of operation, supporting local governments’ social projects.

Suppliers
We provide fair terms and are developing long-term partnerships, while ensuring suppliers’ integrity and ESG compliance.
Our approach to sustainability

Developing business over the long term

Sustainability forms a core part of our overall business strategy. Shaping our interactions with society and the environment, it is essential to our licence to operate and long-term future as an organisation.

Our approach to sustainability is built upon regular consultation with stakeholders, the identification of material issues, rigorous risk management and the observance of international standards and best practice.

Identifying focus areas

- Governance framework
- Materiality
- Stakeholder engagement
- Risk assessment

Sustainability focus areas

- Improving our health and safety system through more sophisticated visualisation, risk management systems and more rigorous monitoring within the Company and with our supplier network (see Safety section).
- Maintaining positive working relationships with local government, NGOs and communities by enhancing our partnership agreements and increasing the effectiveness of our investments (see Economic and Communities sections).
- Attracting and retaining more high-quality people and improving the quality and terms of their employment (see Employees section).
- Enhancing the rigour and transparency of our communications with suppliers, subcontractors and partners (see Overview).
- Further developing our certified environmental management system and embedding the system into production operations (see Environment section).
- Water and energy efficiency programmes.

Standards, codes and compacts

Our sustainability strategy is designed to meet the principles of the UN Global Compact, a voluntary international standard which Polymetal first signed up to in 2009. For the past six years we have complied with the Compact’s ten principles in relation to human rights, labour, environment and anti-corruption. We also participate in the UN Global Compact Network-Russia. These standards, along with our corporate values of dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness, help to inform our sustainability policies and management systems. We define these policies at Group level and implement them via our head office and subsidiaries. We also ensure that, through regular monitoring and auditing, we benchmark our performance against the most up-to-date regulatory requirements.

Stakeholder engagement and materiality

It is essential that our sustainability programmes and initiatives address those issues that are most relevant, or ‘material’, to our stakeholders. For this reason, we adhere closely to the principles of stakeholder inclusiveness and materiality that form a core part of the Global Reporting Initiative’s (GRI) prioritisation guidelines. In order to identify the stakeholders on which we have the greatest impact, we regularly conduct stakeholder mapping exercises (see pages 20-21 for more information).

Once we have identified these core groups, we engage with them and record all issues and concerns they raise. This process gives us insight into the issues that matter most to our stakeholders and ensures that we incorporate their ideas and opinions into our decision making. To reinforce these efforts, each year we conduct an in-depth materiality analysis to identify the key ‘Aspects’ we need to tackle in our sustainability initiatives and reports (see page 22 for more information).

Sustainability risk management

Risk management is another key component of our approach to sustainability. Drawing on our engagement and dialogue with stakeholders, we work hard to identify, manage and mitigate the sustainability risks Polymetal faces. Responsibility for this process lies with the Board’s Audit and Risk Committee and Safety and Sustainability Committee (see pages 14-17 for more information).

Focus areas

As part of our approach to sustainability, we have used our materiality analysis and stakeholder engagement processes to define six core focus areas. These focus areas, within which we organise our sustainability activities and initiatives, are set out on the previous page.

Internal and external standards and policies

<table>
<thead>
<tr>
<th>Internal standards and policies</th>
<th>LSE and MOEX listing requirements</th>
<th>Management system standards</th>
<th>Sustainability standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Conduct</td>
<td>UK Corporate Governance Code</td>
<td>ISO 14001:2001</td>
<td>UN Global Compact</td>
</tr>
<tr>
<td>Environmental Management Policy</td>
<td>OHSAS 18001</td>
<td>National Labour Codes</td>
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<tr>
<td>Human Resources policies</td>
<td>ILO-OSH 2001</td>
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<tr>
<td>Safety and Sustainability Committee terms of reference</td>
<td>Community Relationship Management System</td>
<td>GRI G4 Sustainability Reporting Guidelines ‘In accordance’ option Code</td>
<td></td>
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<tr>
<td>Sustainability values</td>
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<tr>
<td>Health and Safety Policy</td>
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<tr>
<td>Policy on Social Investment</td>
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<tr>
<td>Employee development and training standard</td>
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</table>
How we manage sustainability

Driving sustainability from the top

Sustainability leadership
At Polymetal, our Board of Directors has ultimate responsibility for sustainability leadership. The Group CEO, Vitaly Nesis, oversees all management processes and ensures we have the necessary structures and systems in place. Mr Nesis and the Board are responsible for making any changes required to ensure we retain our sustainability focus and achieve our objectives in this area.

As a whole, the Board plays an active role in shaping all strategies and targets around our social, economic and environmental impacts. At each Board meeting, health, safety and environmental performance reviews take priority over all quarterly operational data. The Board also reviews and signs off our sustainability reports before they are published.

In 2015, to support the Group CEO and Board’s sustainability leadership, we established the Polymetal Safety and Sustainability Committee. With a remit to monitor the Group’s safety record, social performance and ethical conduct, the Committee oversees all sustainable development issues on behalf of the Board. It also works to ensure that our efforts to create economic, social and environmental value are balanced and impactful, and helps the Audit and Risk Committee to identify, manage and mitigate the sustainability risks we face. The formation of the Safety and Sustainability Committee is a clear sign of our commitment to improve our overall sustainability performance. See page 16 for more information about the Safety and Sustainability Committee.

We also have a Technical Council which meets each month to assess Polymetal’s progress against its sustainability targets and priorities. Across the Group, all heads of department report to the Technical Council, which provides a platform for senior management dialogue on issues such as health and safety, employees, environmental management and community outreach.

Board composition
Polymetal acts in full compliance with the UK Code of Corporate Governance, including the composition of the Board and the election of its members. Under the stipulations of the Code, all our Board members must be re-elected annually, while shareholders can appoint or remove individual Board Directors.

The Polymetal Board is made up of the non-executive Chairman, Group CEO and seven non-executive directors. Four of the seven non-executive directors are independent. The Chairman and non-executive directors assess the Company’s management and performance, review financial information and monitor internal risk management procedures and controls. The interests of Directors are disclosed on an annual basis and any changes to those interests are made known to the Company Secretary.

All current Board Directors were appointed in September 2011 except for Ms Coignard, who joined in July 2014. At the time of this report’s publication, 22% of our Board members are women; three Directors represent significant Company shareholders.

Additional information on our Board is included in the Governance section of our Annual Report.

For Polymetal, responsibility for sustainability lies with our senior management and Board-level committees, reflecting its centrality and importance within the Company.
Implementing robust systems and processes

How we manage sustainability

Ensuring a balance of skills

Our Nomination Committee is responsible for making recommendations regarding the composition of the Board and its committees. In advance of any appointment, the Nomination Committee considers the balance of the Board in terms of knowledge, skills, independence, experience and diversity. Based on this assessment, it then makes recommendations regarding specific roles and capabilities required, also taking into account the challenges and opportunities facing the Company.

Regularly reviewing leadership needs and priorities, the Nomination Committee works to ensure the continued ability of the Group to compete effectively in the marketplace. It also evaluates the Board’s performance and considers whether or not non-executive Directors are spending enough time discharging their duties.

Full terms of reference relating to the nomination Committee are available on the Company’s website: www.polymetalinternational.com.

In 2015, there were two meetings of the Nomination Committee. During these meetings, the Committee continued to discuss the issue of succession planning within the Company and the development of the Young Leaders Programme. This programme aims to evaluate the Group’s talent pool and pipeline and devise training to meet Polymetal’s future management needs. During the year, young leaders met with Board members to discuss opportunities for training and progression.

Aligning remuneration to performance

The Polymetal remuneration policy helps to incentivise, motivate and retain our staff at senior management level. The Remuneration Committee is responsible for Group remuneration policy, and for setting pay levels and bonuses for senior management in line with individual performance. With sustainable shareholder value creation as its guiding principle, the Remuneration Committee works to ensure that Directors are fairly rewarded for responsibilities they successfully undertake, and benchmarks salary levels annually against industry peers listed on the London Stock Exchange. It also sets the executive remuneration strategy, which is designed to enable the Company to attract and retain the talent it needs to deliver long-term value to our shareholders and other stakeholders.

In addition, the Remuneration Committee sets pay levels and bonuses in line with our overall health and safety performance. Following the fatalities in 2015, we have significantly increased the focus on safety KPIs within senior management remuneration. This includes remuneration for the Group CEO and the Managing Director of Operations.

We have been fully compliant with new remuneration disclosure requirements since they were introduced in 2013. Shareholders are given the opportunity to discuss and vote on remuneration policy every three years. The current remuneration policy was approved by shareholders at the 2014 AGM. It is expected to cover a period of three years from that date.

Polymetal continues to comply fully with remuneration disclosure requirements and the Company’s remuneration report was approved, with 99.32% of votes cast in favour, at the AGM held in May 2015.

We ensure that salary increases are consistent across all levels of the Company. Additional information on management remuneration is included in our Annual Report.

Managing our risks

Risk management is another vital part of our sustainability programme. We are committed to minimising risks and threats to our people, communities and the environment, and to the long-term success and sustainability of Polymetal as an organisation.

Our risk management system supports our strategic goals while identifying, assessing and mitigating our business and sustainability risks as shown in the diagram. As described in the table on the next page, our Board of Directors takes responsibility for the monitoring and control of risk management efficiency, while the identification of business risks is overseen by our Group CEO and the Technical Council.

The Board’s Audit and Risk Committee sets the agenda for the Group’s risk management policies and procedures and is responsible for reviewing their effectiveness. It helps the Board to identify, quantify and classify the risks we face, while also developing and implementing risk management strategies.

These processes are also aided and informed by our interaction with government agencies, employees, local communities, NGOs, the financial community, our suppliers and our customers.

Overview
Employees
Communities
Economic
Appendices

16 Polymetal International plc

Sustainability Report 2015

Polymetal International plc

17
How we manage sustainability

Ongoing management of sustainability risks

Risk management responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors, Audit</td>
<td>Monitor and control risk management efficiency, approve risk management policies</td>
</tr>
<tr>
<td>and Risk Committee of the</td>
<td>and guidelines, review risk management strategy and risk reports, take</td>
</tr>
<tr>
<td>Board</td>
<td>responsibility for key risk identification</td>
</tr>
<tr>
<td>Group CEO and Technical</td>
<td>Identify risks to the business and associated management operations</td>
</tr>
<tr>
<td>Council</td>
<td></td>
</tr>
<tr>
<td>Internal Audit Department</td>
<td>Define and monitor the risk management process and mitigation tools and actions</td>
</tr>
<tr>
<td>Operational Managers</td>
<td>Identify and evaluate everyday risks and report them, implement risk mitigation</td>
</tr>
<tr>
<td></td>
<td>programmes</td>
</tr>
</tbody>
</table>

Key sustainability risks

Across our operations we have identified a number of sustainability risks. These include:

<table>
<thead>
<tr>
<th>Employees</th>
<th>Community</th>
<th>Environment</th>
<th>Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company may fail to recruit and retain enough talented people to maintain operational integrity.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our operations may cause potential harm to local communities.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company’s management systems may not negate or reduce harmful spillsages or releases into the environment, which may also harm employees and others living in the vicinity.</td>
<td>The Company may fail to comply with environmental laws and regulations.</td>
<td>Severe weather and climate conditions may disrupt ongoing operations.</td>
<td>The title to mineral rights may be challenged and the purchase of land may be opposed locally, thereby preventing or curtailing their use by the Company. Failure to secure such additional reserves will lead to a long-term reduction in output.</td>
</tr>
<tr>
<td>The Company’s health and safety systems may not protect employees from harm.</td>
<td>Community members may oppose new mining construction projects or mine expansions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company may fail to demonstrate shared value and deliver on commitments.</td>
<td>Issues may arise relating to management, biodiversity and planning for mine closure.</td>
<td>Access to and security of affordable energy may become restricted.</td>
<td></td>
</tr>
<tr>
<td>Unforeseen emergencies may impact the health and safety of employees.</td>
<td>Company emissions may contribute to severe weather conditions and global warming.</td>
<td>Ineffective use of materials and energy may lead to unwanted financial cost/inefficiency.</td>
<td>The Company may fail to adequately manage third party suppliers, leading to financial inefficiency in the supply chain, delays and disruption.</td>
</tr>
<tr>
<td>Labour relations may become strained over wages and benefits.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Code of conduct

Board members approved Polymetal’s Code of Conduct, which was formally adopted in December 2011. The Code serves as a statement of principles and expectations that guide ethical behaviour across the Company. As such, it is communicated to all employees, who must comply with its strictures and associated policies.

The Code covers employees’ conduct towards colleagues and customers, business partners, state authorities and society, with a focus on equality, health and safety, government and community relations, environmental protection, transparency, competition and data protection. It also sets out our zero tolerance approach to drug use, conflicts of interest, bribery and bullying. Employees can access all documents and policies associated with the Code through the Company’s central information system.

Managing and monitoring behaviour

We are committed to systematically monitoring all commercial actions and decisions taken across the Company. Responsibility for this process lies with our Internal Audit Department (IAD). The head of IAD reports to our Group CEO and to the Board of Directors (through the Audit and Risk Committee).

Each year, the IAD operates under the auspices of an annual work plan approved by the Audit and Risk Committee. Conducting random audits of stocks and assets such as fuel and equipment, the IAD assesses building and assembly contracts and reviews decisions that relate to major construction projects.

Additionally, since 2011 we have been holding regular training sessions on bribery and corruption. In 2015, we conducted these sessions at each of our operating sites. More information on our anti-corruption policy and practices can be found on pages 38-39.
Stakeholder engagement

Enabling in-depth stakeholder dialogue and consultation

We are committed to regular, meaningful and transparent stakeholder engagement. Using a range of communications channels, we encourage open and honest dialogue with our stakeholders, building a clear understanding of the issues that matter to them and how we can address them.

Investors and shareholders

As a company, Polymetal exists to create sustainable value for shareholders. In turn, our shareholders and investors provide us with the capital we need to develop and expand our operations.

Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skill.

We hire the most talented staff and invest significantly in their training and development.

Investors and shareholders

Why they are important to us

As a company, Polymetal exists to create sustainable value for shareholders. In turn, our shareholders and investors provide us with the capital we need to develop and expand our operations.

Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skill.

We hire the most talented staff and invest significantly in their training and development.

Employees

Suppliers and contractors

Our suppliers and contractors make a significant contribution to our business. We build stable, long-term relationships with them, enabling us to achieve mutually beneficial terms of contract and uninterrupted supply.

In collaboration with our contract partners, we work to ensure compliance with environmental and safety standards across the Polymetal supply chain.

Government and industry authorities

We maintain good relations with the national and local governments under whose jurisdictions we operate.

We abide by all laws and regulations that apply to our business, and we enter into open and transparent dialogue with industry authorities. In particular, we engage with authorities on issues relating to improvements in mining legislation.

Communities and NGOs

Polymetal depends upon communities and NGOs for its licence to operate in specific localities and regions.

We work with these stakeholders to create mutually beneficial conditions. We also respect the rights of local and indigenous communities and invest in those areas that are important to them.

Who is responsible within Polymetal

The following shows who is responsible for dialogue and consultation with stakeholders:

- Board
- Group CEO
- Chief Sustainability Officer
- HR team
- Group CEO
- Chief Financial Officer
- Human Resources team
- Health and safety team
- Communications team
- Operations directors and chief engineers
- All operational departments
- Legal team
- Polymer Trading and procurement teams within operations
- Group CEO
- Managing directors at our operations
- GI team
- Communications team
- Legal team
- Group CEO
- Opinion polls and questionnaires
- Public and face-to-face meetings
- Communication with Company managers
- Press conferences
- Working groups (for NGOs)
- Grievance mechanisms
- Email and telephone helplines

Channels of engagement

We use a range of communications channels to encourage open and honest dialogue with our stakeholders, building a clear understanding of the issues that matter to them.

AGM/GM
- Annual and Sustainability Reports
- Investor conferences and one-to-one meetings
- Presentations/conference calls
- Site visits
- Direct correspondence
- Employee opinion polls and questionnaires
- Workers’ councils
- Internal hotlines, websites, suggestion boxes and grievance mechanisms
- Meetings and face-to-face communication with management
- Performance reviews
- Annual direct line with the Group CEO
- Direct correspondence
- Contractual relationships
- Meetings
- Compliance with Polymetal’s requirements (for example, health and safety)
- Working groups
- Meetings
- Direct correspondence
- Industry conferences
- Public and face-to-face meetings
- Communication with Company managers
- Press conferences
- Working groups (for NGOs)
- Grievance mechanisms
- Email and telephone helplines

Material issues

We address the following material issues which are important to stakeholders:

- Financial, operational and sustainability performance
- Dividends
- Regulation, economics and politics
- Mergers and acquisitions
- Labour
- Health and safety
- Compliance with international environmental standards
- Wages, benefits and social packages
- Working and living conditions
- Health and safety
- Career progression and opportunities
- Social needs
- Training, development and education
- Contract specifications
- Tenders
- Account management relationships
- Health and safety
- Regulation
- Regulatory compliance
- Taxes
- Labour issues
- Health and safety
- Environmental protection
- Infrastructure and local development

Read more in our Annual Report 2015
Read more in the Employee section of this report
Read more in the Economic section of this report
Read more on pages 26-27, 41, 46, 54-59 of this report
Read more in the Communities section of this report
As part of our efforts to address sustainability issues that matter most to our business and our stakeholders, and as part of our commitment to the GRI G4 reporting process, in 2014 we conducted a full-scale materiality assessment.

The assessment was conducted by a working group of Polymetal’s managers who are responsible for those areas of activity that correlate with relevant GRI reporting Categories and Aspects.1 Firstly, the working group devised a questionnaire to elicit stakeholders’ opinions on these Aspects and their degree of importance (low, medium or high). From the results of the questionnaire, the working group then created a list of Aspects for inclusion in the 2013/14 Sustainability Report.

The working group also analysed our interaction with various stakeholders on certain issues, while the Company’s management reviewed the selected Aspects. From these assessments, we were able to state final materiality scores for all Aspects and issues, which were then approved by the Group CEO. The results of this process are presented in the table opposite. For the purposes of this report, we cover all Aspects listed in the dark grey zone.

All Aspects covered in the report are material for all entities within the organisation. There is no specific limitation regarding Aspect Boundary within the organisation.

The materiality matrix identifies five material issues for management and reporting which are applied to our partners, contractors and suppliers. We do not deem issues that fall outside of the material zone to be unimportant – some of these aspects are not relevant as Polymetal operates in countries where issues covered by GRI G4 are already regulated by national legislation and we address these issues by complying fully with all regulations in our countries of operation.

### Identifying material issues

#### Economic

01. Economic performance
02. Market presence
03. Indirect economic impact
04. Procurement practices

#### Environmental

05. Materials
06. Energy
07. Water
08. Biodiversity
09. Emissions
10. Effluents and waste
11. Products and services
12. Environmental compliance
13. Transport
14. Overall (environment protection investments)
15. Supplier environmental
16. Environmental grievance mechanisms

#### Society

17. Local communities
18. Anti-corruption
19. Public policy
20. Anti-competitive behaviour
21. Compliance
22. Supplier assessment for impact on society
23. Grievance mechanisms for impacts on society

#### Mining and metals

24. Emergency preparedness
25. Artisanal and small-scale mining*
26. Resettlement
27. Closure planning
28. Material stewardship

#### Human rights

37. Investment*
38. Non-discrimination
39. Freedom of association and collective bargaining
40. Child labour*
41. Forced or compulsory labour
42. Security practices*
43. Indigenous rights
44. Assessment
45. Supplier human rights assessment
46. Human rights grievance mechanisms

#### Product responsibility

47. Customer health and safety*
48. Product and service labelling*
49. Marketing communications*
50. Customer privacy*

#### Labour practices and decent work

29. Employment
30. Labour-management relations
31. Occupational health and safety
32. Training and education
33. Diversity and equal opportunity
34. Equal remuneration for women and men
35. Supplier assessment for labour practices
36. Labour practices grievance mechanisms

#### Overview

**Economic performance**

**Environmental**

**Human rights**

**Product responsibility**

**Labour practices and decent work**

**Mining and metals**

**Society**

**Appendices**

* The GRI defines relevant Aspects as those that “may reasonably be considered important for reflecting an organisation’s economic, environmental and social impacts, or influencing the decisions of stakeholders.” Materiality is the threshold at which Aspects become sufficiently important that they should be identified as relevant in the GRI report. This means that you should report against principles for defining report content materiality (pages 72 and 73).

### How we identify our priorities

**Focusing on material issues**

*The Gri defines relevant Aspects as those that “may reasonably be considered important for reflecting an organisation’s economic, environmental and social impacts, or influencing the decisions of stakeholders.” Materiality is the threshold at which Aspects become sufficiently important that they should be identified as relevant in the GRI report. This means that you should report against principles for defining report content materiality (pages 72 and 73).*
Minimising our environmental footprint

Through innovation and continuous improvement, we aim to achieve greater efficiencies across our business and minimise the impact of our operations, putting environmental sustainability at the heart of everything we do.

Who is responsible? What guidelines do we follow?

- Group CEO, Chief Operating Officer, HSE Director, Head of Environment, regional environmental managers, managing directors, chief engineers and heads of environmental departments at our operations
- Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs

Stakeholders

- Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs
- Stakeholders Priorities Material Aspects
  - Group CEO, Chief Operating Officer, HSE Director, Head of Environment, regional environmental managers, managing directors, chief engineers and heads of environmental departments at our operations
  - Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs

Priorities

- Maintain ISO 14001 at all production sites and head office; engage with government programmes and environmental legislation initiatives; adopt most recent waste utilisation technologies; develop detailed management standards, including a carbon management policy

Material Aspects

- Materials
- Energy
- Water
- Biodiversity
- GHG and other emissions assessment

Breakdown of our environmental investments in 2015 (%): Protection of water resources 36, Land reclamation 54, Reduction of atmospheric emissions 9, Other 1
As our business grows, we are committed to balancing our commercial and operational goals with the need to protect the natural environment. To this end, we manage and mitigate our risks and conduct our business in an environmentally responsible way.

Our approach

Our approach to environmental sustainability is shaped by our firm belief that we have a responsibility to make the world a better place. Therefore, we aim to treat lightly in our operations and deliver environmental progress through rigorous control and process management.

Of course, as with all mining companies, our work involves a number of environmental risks. For example, we carry out highly complex processes which generate large volumes of emissions and waste materials. We also use certain toxic substances, such as cyanide, and oversee operations in remote rural locations which can impact the natural environment.

To ensure we are able to manage and mitigate these risks, we have developed a Group-wide environmental management system (EMS) which adheres to national and international standards. The EMS is planned and coordinated by our Chief Operating Officer (COO) from our Russian headquarters in St. Petersburg. It is overseen by dedicated environmental teams who now report directly to our Environment Department, which is responsible for collating and managing all Group-wide sustainability data. In turn, the Head of the Environment Department reports directly to the COO, our Group CEO and Chief Sustainability Officer. The system is based on international best practice and complies with relevant legislation, with a core focus on driving resource and energy efficiency across the business, preventing pollution, engaging employees with environmental issues and using modern equipment and technologies.

As a result of our work in this area, and following a certification audit by an independent environmental assurance agency, in 2015 we initiated a three-year transition programme designed to achieve compliance with the revised ISO 14001:2015 standard. This programme will enable us to ensure our EMS is compatible with key trends, such as increased focus on leadership and strategic planning processes.

ISO 14001 is the principal international standard specifying requirements for the formulation and maintenance of an EMS. First achieved by Polymetal in 2013, our renewal of ISO 14001 certification demonstrates our ongoing commitment to robust environmental management. In 2015, we plan to extend the ISO 14001 certification audit to all our production sites and head office, covering governance and production processes. We will also continue to conduct internal reviews of our EMS systems and processes.

The Polymetal EMS is underpinned by our environmental management system (EMS) which adheres to national and international standards. The EMS is planned and coordinated by our Chief Operating Officer (COO) from our Russian headquarters in St. Petersburg. It is overseen by dedicated environmental teams who now report directly to our Environment Department, which is responsible for collating and managing all Group-wide sustainability data. In turn, the Head of the Environment Department reports directly to the COO, our Group CEO and Chief Sustainability Officer. The system is based on international best practice and complies with relevant legislation, with a core focus on driving resource and energy efficiency across the business, preventing pollution, engaging employees with environmental issues and using modern equipment and technologies.

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As a Company we recognise the increasing importance of stakeholder engagement in ESIA projects. We are committed to improving the quality of our ESIA assessments and building community support by involving local individuals and communities in associated decision making and consultation. To achieve this, during 2015 we:

- analysed baseline data on environmental and social impacts;
- assessed and reviewed the baseline data on environmental and social impacts;
- assessed and reviewed the data on environmental and social impacts for new projects;
- assessed and reviewed the environmental and social impact assessment reports for new projects;
- engaged with communities to discuss and agree the ESIA findings.

Environmental grievance mechanisms

We enable our stakeholders to articulate their concerns and share their grievances by providing an open and transparent environmental impact assessment procedures, including public hearings and other mechanisms. At each of our sites we document comments from the public in a log book, and deliver a range of engagement activities to elicit stakeholders’ opinions and feedback. In 2015, we received no new complaints or grievances about our environmental impacts.
Environment

Progressing our environmental programmes

Performance

During 2015, we made excellent progress in our environmental management programmes and initiatives.

Our major achievements in this period include the authorisation of all environmental control and accounting processes, and their transfer to Group-wide software; the completion of the ESA in Kyzyyl, with recommissionings being rolled out across the project and other production sites; the training of our executive environmental personnel in environmental audit; and the complex auditing of our Omolon site by state environment and technology agencies, with no violations recorded.

1 Any restatements and variances are due to changes in methodology and ensure consistent estimation across current and previous year values.

GRI G4-22

<table>
<thead>
<tr>
<th>GHG emissions intensity (CO2 equivalent tonnes per 10 Kt of ore processed)</th>
<th>We strive to reduce our carbon footprint and help fight global warming. In 2015 we managed to slightly decrease our GHG emissions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>6.9</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Total air emissions (tonnes per 10 Kt of ore mined)

Many of our core activities, including stripping, mined waste storage, ore processing and energy use, all generate air emissions. These emissions include carbon dioxide and nitrogen, sulphur oxides and non-organic dust. In 2015, the 25% growth in emissions can be explained by the increased consumption of fuels.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.4</td>
<td>7.4</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Major waste components (tonnes per tonne of ore mined)

The main waste materials generated by our operational activities include overburden and tailings.

In order to mitigate the risks associated with these materials, our operational procedures are designed to maximise volumes of waste recycling and minimise potential impacts on people and the environment.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.4</td>
<td>6.9</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Discharges to surface water (thousand cubic metres per 10 Kt of ore processed)

Across all of our sites and facilities, our aim is to reduce discharge intensity, improve the quality of discharged water, enhance the efficiency of water use and increase recycling.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>6.4</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Energy intensity (GJ per Kt of ore processed)

Currently, our remote subsidiary sites have to generate their own electricity and heat, leading to significant diesel consumption. In response, we are constantly reviewing associated costs, impacts and alternatives. In 2015, we managed to decrease the intensity by applying our energy efficiency strategy.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Water

Across our operations we withdraw and use significant volumes of water. All water is re-used, treated and discharged as effluent to surface water. Alternatively it can be treated and stored in tailings dams. We use water meters, flow meters and indirect measuring to capture all water consumption and discharge data.

Each year, local and state authorities consent to our withdrawal of water from a wide range of sources near to our operating sites. As our operations are dispersed across a wide geographical area, we are able to use water without over-exploiting any one single source. Our usage always remains within acceptable limits, and we take very little (less than 10%) from surface water bodies such as rivers or springs, with approximately 80% of our water sources located underground. Furthermore, we avoid withdrawing from surface sources in environmentally sensitive areas, and those found in areas where water is of great importance to local or indigenous communities.

In each of our sites, we are committed to reducing the amount of water we use per unit of output. We also aim to minimise the volume and impact of the liquids we discharge into watercourses, while ensuring the safety and sustainability of our tailings dams.

In 2015 Polymetal started operating new facilities, which resulted in the increase of the total amount of water used across our operations by 23%.

Over 2015, the volume of water re-used by all Group companies has averaged 65% of the total withdrawn. In accordance with Russian and Kazakh environmental legislation, we treat and discharge the remaining volumes in accordance with Russian and Kazakh environmental legislation. We use water meters, flow meters and indirect measuring to capture all water consumption and discharge data.

1 Any restatements and variances are due to changes in methodology and ensure consistent estimation across current and previous year values.

Total water discharged by the Company’s operations1 (thousand cubic metres per annum)

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,488</td>
<td>7,203</td>
<td>4,616</td>
</tr>
</tbody>
</table>

Materials, waste and tailings

In our production processes, we use large quantities of ore and energy. During 2015, we mined 12,679 Kt of ore and processed 10,821 Kt. We also generate specific waste materials. In 2015, our total operations generated 69,980 Kt of production and consumption waste, compared to 87,141 Kt in 2013 and 79,435 Kt in 2014.

At our processing facilities we consume a range of materials, with associated economic and environmental impacts. In order to minimise such impacts, we strive efficiency in material use and closely monitor costs across all our production processes. Once the ore is processed, our final products include Doré bars, zinc precipitate, and flotation products include Doré bars, zinc precipitate, and flotation concentrates. The table on page 30 sets out the quantities of basic consumable materials used Group-wide across our production sites. Materials used for maintenance or the construction of processing facilities have not been included.

All the materials listed in the table are purchased from our contractors – see page 64 for more on our procurement policies and practices. Gold concentrate is one of our final products and we use big bags with a working load of 1.5-16 tonnes to pack and ship concentrate.

Overburden and tailings

Overburden and tailings are the most significant waste streams associated with our operations, accounting for more than 95% of the total volume. Overburden is the material that is extracted to uncover ore deposits, while tailings is a by-product of ore processing.

In 2015, we produced a total of 59.3 million tonnes of overburden and 10.5 tonnes of tailings.

Recycled materials

Our aim, wherever we can, is to recycle the waste we generate. The proportion of recycled materials used across our operations as a percentage of total waste produced slightly decreased from 19.6% in 2014 to 18.6% in 2015.

Waste management

Across the Polymetal Group, we are firmly committed to the responsible management of waste materials. To this end, we have developed systems and procedures that enable us to maximise the amounts we recycle and minimise our negative environmental impacts.
Environment

Managing water use and energy consumption responsibly

Regarding the treatment of overburden, tailings and other waste materials, our audit teams carry out regular internal checks and assess our levels of compliance with national and regional standards. In addition, government agencies conduct regular environmental performance spot checks at our facilities.

As part of our approach to waste management, we reuse the production and consumption waste we generate within our own production processes, outsource them to external companies, and dispose of them in our own waste facilities. In the tables on this page, we show the amount of production and consumption waste.

Russian and Kazakh environmental legislation sets out strict requirements for the prevention of soil and water contamination. Our tailings storage facilities have been built to meet these requirements, and also take into account detailed engineering and geological studies. For example, the underlying geology for each storage facility must demonstrate minimal surface or ground water filtration rates. In addition, we use waterproof polythene screens linked to highly advanced drainage systems, which prevents contamination of the surrounding area by holding waste material in place.

Cyanide and hazardous waste management

Our production methods involve several harmful consumables. Among these the largest is cyanide, which generates hazardous waste components during the recovery of gold from the ore we process. In 2015, we used 8.5 thousand tonnes of cyanide, compared to 7.5 thousand tonnes in 2014. Within our process, cyanide can also exist as a chemical compound found in gas, water and solids, which we later purify.

We are rigorous in our handling, management and monitoring of cyanide due to its hazardous potential. Our approach to this material involves:

- identifying all associated hazards;
- strictly controlling all cyanide levels in our tailings;
- monitoring air, soil, surface and ground waters;
- providing environmental monitoring results to public authorities; and
- delivering environmental protection measures, including the design, construction and monitoring of tailings dams, and the monitoring of water sources and quality, reverted changes and associated drainage.

Furthermore, to ensure there is no waste element, we always use 100% of the volumes of cyanide we purchase. We also take a rigorous approach to the transportation of hazardous materials, and in 2015 we did not transport, import or export any waste deemed hazardous under the terms of the Basel Convention 2, Annex I, II, III and VII.

### Materials

<table>
<thead>
<tr>
<th>Material</th>
<th>2015 (Kt)</th>
<th>2014 (Kt)</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyanide</td>
<td>21,718</td>
<td>18,553</td>
<td>17%</td>
</tr>
<tr>
<td>Grinding balls</td>
<td>15,263</td>
<td>16,033</td>
<td>-5%</td>
</tr>
<tr>
<td>Sodium cyanide</td>
<td>8,495</td>
<td>7,497</td>
<td>13%</td>
</tr>
<tr>
<td>Coke</td>
<td>1,479</td>
<td>1,250</td>
<td>19%</td>
</tr>
<tr>
<td>Potash</td>
<td>6,870</td>
<td>5,590</td>
<td>23%</td>
</tr>
<tr>
<td>Collectors</td>
<td>1,295</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Soda</td>
<td>1,093</td>
<td>1,388</td>
<td>21%</td>
</tr>
<tr>
<td>Alumina</td>
<td>756</td>
<td>36</td>
<td>2059%</td>
</tr>
<tr>
<td>Calcium oxide</td>
<td>592</td>
<td>815</td>
<td>-24%</td>
</tr>
<tr>
<td>Flocculants</td>
<td>513</td>
<td>462</td>
<td>11%</td>
</tr>
<tr>
<td>Butyl xanthate</td>
<td>535</td>
<td>721</td>
<td>-25%</td>
</tr>
<tr>
<td>Sulphide of copper</td>
<td>462</td>
<td>797</td>
<td>-42%</td>
</tr>
<tr>
<td>Zinc powder</td>
<td>395</td>
<td>303</td>
<td>30%</td>
</tr>
<tr>
<td>Asbestos or lead nitrate</td>
<td>275</td>
<td>255</td>
<td>8%</td>
</tr>
<tr>
<td>Magnesium sulfate</td>
<td>269</td>
<td>40</td>
<td>972%</td>
</tr>
<tr>
<td>Paraffin, diatomaceous earth</td>
<td>233</td>
<td>228</td>
<td>2%</td>
</tr>
<tr>
<td>Activated carbon</td>
<td>154</td>
<td>285</td>
<td>-46%</td>
</tr>
<tr>
<td>Hydrochloric acid</td>
<td>98</td>
<td>97</td>
<td>-2%</td>
</tr>
<tr>
<td>Hex</td>
<td>33</td>
<td>16</td>
<td>117%</td>
</tr>
<tr>
<td>Butyllic acid</td>
<td>18</td>
<td>56</td>
<td>-67%</td>
</tr>
<tr>
<td>Chlorinated lime</td>
<td>21</td>
<td>47</td>
<td>-56%</td>
</tr>
</tbody>
</table>

### Total waste generated 2013-2015 (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generated</td>
<td>69,878</td>
<td>79,411</td>
<td>81,118</td>
</tr>
<tr>
<td>Transferred and neutralised</td>
<td>16</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Disposed</td>
<td>56,836</td>
<td>60,624</td>
<td>60,288</td>
</tr>
<tr>
<td>Reused</td>
<td>15,064</td>
<td>15,779</td>
<td>20,931</td>
</tr>
<tr>
<td>Reused total waste (%)</td>
<td>20</td>
<td>26</td>
<td>30</td>
</tr>
</tbody>
</table>

### Overburden and tailings (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overburden</td>
<td>59,338</td>
<td>67,944</td>
<td>71,404</td>
</tr>
<tr>
<td>Tailings</td>
<td>10,565</td>
<td>12,098</td>
<td>9,725</td>
</tr>
</tbody>
</table>

### Energy

The very nature of our work means that our operations involve significant energy use. Due to the wide geographical spread of our business, our facilities are also often situated in remote locations, where extreme weather and limited grid power combine to make us dependent upon diesel as a fuel source. Along with the gas we procure from third-party suppliers, this diesel accounts for the bulk of our total direct energy consumption – primarily for heating, powering equipment and vehicles.

#### In-house electricity generation

To ensure energy security for our operations, we also use coal mined at our production sites as an internal energy source, as well as company-owned diesel generators. In 2015, in-house power generation accounted for 34% MWh of our total electric power consumption. Our existing power generation capacity includes:

- stationary diesel power plants – increase of 2.8% in 2015 compared to 2014;
- mobile diesel power units – increase of 9% in 2015 compared to 2014.

In 2016, we plan to increase power generation capacity by 29% by:

- commissioning two new stationary diesel power plants and increase aggregated capacity by 19%;
- commissioning six new mobile diesel power units and increase aggregated capacity by 6%;
- revamping a diesel generator unit within the in-house stationary power plant.

### Energy consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>1,375</td>
<td>1,388</td>
<td>2,657</td>
</tr>
<tr>
<td>Diesel power plants</td>
<td>2,177</td>
<td>2,093</td>
<td>2,106</td>
</tr>
<tr>
<td>Electricity generated</td>
<td>822</td>
<td>774</td>
<td>751</td>
</tr>
<tr>
<td>Heat generated</td>
<td>556</td>
<td>455</td>
<td>569</td>
</tr>
<tr>
<td>Coal</td>
<td>613</td>
<td>414</td>
<td>371</td>
</tr>
<tr>
<td>Natural gas</td>
<td>180</td>
<td>227</td>
<td>243</td>
</tr>
<tr>
<td>Total</td>
<td>6,264</td>
<td>5,267</td>
<td>6,734</td>
</tr>
<tr>
<td>Indirect</td>
<td>1,499</td>
<td>1,680</td>
<td>1,680</td>
</tr>
<tr>
<td>Purchased electricity</td>
<td>1,678</td>
<td>1,589</td>
<td>1,489</td>
</tr>
</tbody>
</table>

### Energy intensity

#### Energy intensity

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GJ per Kt of ore processed</td>
<td>728</td>
<td>791</td>
<td>765</td>
</tr>
<tr>
<td>Ore processed (Kt)</td>
<td>10,821</td>
<td>11,500</td>
<td>10,749</td>
</tr>
</tbody>
</table>
Environment

Driving efficiency and improving environmental performance

Alternative energy sources
We are committed to assessing options for deriving energy from alternative sources. During 2015, we conducted a feasibility assessment into the use of a heat pump station for the generation of heat and the production of fuel and lubricants. We also assessed the potential for using an organic Rankine cycle to generate power from low-grade heat sources at the Amursk PDK plant.

Energy savings
In support of our sustainability commitments, across our sites we have implemented a range of energy saving initiatives. These include:
- conducting feasibility studies for a range of new energy products and technologies;
- introducing fuel and energy resource metering;
- using heat from compressors to warm production buildings;
- transitioning to electric underground equipment at Mayskoye;
- installing frequency control drives and soft starters;
- installing LED lighting;
- conducting annual competitions for best ideas for energy saving; and
- introducing Group-wide energy audits on a five-year basis.

Greenhouse gas emissions
Heat and electricity from our diesel generators, as well as our mining fleet operations, produce greenhouse gas (GHG) emissions. The burning of natural gas and coal and the use of landfill also contribute to our GHG output.

We measure and monitor our CO₂ emissions using established international methodology. In 2015, direct CO₂ emissions linked to our operations amounted to 344 Kt compared to 304 Kt in 2014 and 327 Kt in 2013. We set out the indirect emissions and other pollutants released during production in the table opposite.

Between 2012 and 2014 we saw an increase in pollutant emissions in the table opposite. However, during 2015 Polymetal emitted no ozone depleting substances and our organisational efficiency improved overall. In order to minimise future emissions, we will continue to ensure that our vehicles and mining equipment are modern and compliant with European quality standards, and feature the most up-to-date technology.

GHG emissions intensity (CO₂, eq. t/10 Kt of ore processed)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>672</td>
<td>725</td>
<td>725</td>
</tr>
<tr>
<td>Indirect</td>
<td>621</td>
<td>642</td>
<td>675</td>
</tr>
</tbody>
</table>

Greenhouse gas emissions (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG emissions</td>
<td>672</td>
<td>725</td>
<td>725</td>
</tr>
<tr>
<td>Direct GHG emissions</td>
<td>244</td>
<td>304</td>
<td>327</td>
</tr>
<tr>
<td>Indirect GHG emissions</td>
<td>428</td>
<td>340</td>
<td>398</td>
</tr>
</tbody>
</table>

Other pollutants (t)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulphur dioxide (SO₂)</td>
<td>1,361</td>
<td>1,493</td>
<td>1,358</td>
</tr>
<tr>
<td>NOₓ (Nitrogen oxide + dioxide)</td>
<td>4,819</td>
<td>4,125</td>
<td>3,752</td>
</tr>
<tr>
<td>Carbon monoxide (CO)</td>
<td>1,823</td>
<td>1,852</td>
<td>1,684</td>
</tr>
</tbody>
</table>

GHG emissions intensity (CO₂ eq. t/10 Kt of ore processed)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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<td>304</td>
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</tr>
<tr>
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<td>340</td>
<td>398</td>
</tr>
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</table>

Greenhouse gas emissions (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<td>304</td>
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<td>428</td>
<td>340</td>
<td>398</td>
</tr>
</tbody>
</table>

Greenhouse gas emissions (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
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<td>725</td>
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<tr>
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<td>244</td>
<td>304</td>
<td>327</td>
</tr>
<tr>
<td>Indirect GHG emissions</td>
<td>428</td>
<td>340</td>
<td>398</td>
</tr>
</tbody>
</table>

Greenhouse gas emissions (Kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG emissions</td>
<td>672</td>
<td>725</td>
<td>725</td>
</tr>
<tr>
<td>Direct GHG emissions</td>
<td>244</td>
<td>304</td>
<td>327</td>
</tr>
<tr>
<td>Indirect GHG emissions</td>
<td>428</td>
<td>340</td>
<td>398</td>
</tr>
</tbody>
</table>

Planning for mine closures

Mine closure planning forms an integral part of the development of all our mines and projects. As all sites will eventually exploit their mineral resource and ore reserves, it is essential that we plan responsibly for the end of each mine’s operational life. For this reason, as soon as we begin developing a project we undertake an in-depth assessment of potential closure liabilities.

Our long-term remediation obligations include:
- meeting decommissioning and restoration liabilities in compliance with the regulatory requirements of the countries where we operate;
- meeting suspension or abandonment costs; these are covered by the Company or, in the case of joint ventures, by Polymetal and its partners, with legal and rehabilitation costs proportional to the share of ownership and determined by relevant national laws; and
- carrying out geological, surveying and repair works to ensure that, once a mine is suspended or abandoned, underground operations, drilling sites and buildings are not hazardous or dangerous, and environmental rehabilitation is also undertaken.

Disturbed and rehabilitated land (Hectares)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of leased and owned land, total</td>
<td>14,543</td>
<td>12,343</td>
<td>11,762</td>
</tr>
<tr>
<td>Land disturbed as of 1 January</td>
<td>8,971</td>
<td>8,136</td>
<td>7,411</td>
</tr>
<tr>
<td>Land newly disturbed for the year</td>
<td>1,076</td>
<td>853</td>
<td>742</td>
</tr>
<tr>
<td>Land newly rehabilitated for the year</td>
<td>1,519</td>
<td>(42)</td>
<td>(18)</td>
</tr>
<tr>
<td>Remaining disturbed and not yet rehabilitated land as of 31 December</td>
<td>8,530</td>
<td>8,897</td>
<td>8,136</td>
</tr>
</tbody>
</table>

Progress against goals within our action plan 2015-2017

Our action plan for 2013-2017 is geared towards the continuous improvement of our environmental footprint. Our action plan targets, and the progress we have made against them, are set out below:

We said... We did...
- We would rehabilitate the pits in the Gorya area. Completed reclamation.
- We would reconstruct the dump facility for solid domestic and industrial waste in Lunnoye. Began reconstruction works, due to be completed in 2016.
- We would increase throughput of the emergency and storm wastewater purification station at Voro. Completed feasibility studies and estimations to define methods for throughput increases.
- We would construct a sewage collector linking the Amursk PDK plant to a mechanical sewage purification station. Developed, constructed and launched the sewage collector.
- We would receive licence for recycling, with operations due to start in 2016.

Plans for 2016 and beyond

Looking ahead, we plan to:
- Complete the reconstruction of the dump facility for solid domestic and industrial waste in Lunnoye;
- Start the recycling of industrial waste in Mayskoye;
- Carry out external audits and stability assessments of tailings dams, and deliver project updates;
- Obtain approval for our carbon management policy;
- Launch a biodiversity offset assessment programme at one of our production sites, and expand to other sites if successful.
Environment

Land reclamation at Kubaka

In 2015, the reclamation of Kubaka plant’s tailings pit and surrounding land entered its final phase.

Polymetal inherited the 90 hectare site in the Kolyma Region from a Canadian mining company, whose early efforts at environmental restoration were never completed.

With about 15 hectares in urgent need of large-scale landscaping works, in 2014 Polymetal began to prepare the land for reclamation, focusing on a return to healthy forest area and fertile soil conditions.

In 2015 the Kubaka plant team accelerated the restoration project, calling in geo-botanic specialists to assess the site and identify grass and plant varieties that might thrive there.

Our teams worked alongside staff from the Northern Institute of Biological issues, developing regeneration plans which balanced the interests of both miners and scientists. These plans were awarded a grant from the regional innovation contest, which enabled our teams to progress with the greasing of the site.

As part of these efforts, scientists tested more than 10 high-quality native plants at Kubaka, drawing on the expertise of the Yakut Research Institute to assess seed resistance under deep frost conditions. They then planted the most robust varieties, using a hydro-seeder formerly belonging to the previous owner, together with annual oats to help protect the young seedlings from direct sunlight and wind.

In June 2015, the first of the new grasses appeared, confirming the success and sustainability of the methods used at Kubaka. The new grass marks the beginning of the final phase of reclamation, which in due course will see the former tailings pit and site – a territory equivalent in size to 140 football pitches – given over to rich Kolyma flora and natural landscape. In autumn 2016, our scientific teams will analyse the health and condition of the new grasses and plants, using Kubaka as a template for future reclamation projects at other depleted Kolyma mining sites.

“After 20 years of ecological stagnation, this was the first reclamation project of its kind in the Kolyma Region. With very thin fertile soil layers up here in the North, we required a lot of expertise and innovation in order to re-establish conditions that would be good for vegetation. But we did it, and Kubaka – once a lunar landscape – is now a beacon of environmental restoration.”

Anatoly Moskalev
Environmental Engineer, Omolon Hub

Air clean-up at Voro

In 2015, we installed a new generation ‘gas wet cleaning system’ at our Voro CIP (carbon-in-pulp) plant. Designed to remove dust and harmful gases from industrial emissions, the new system delivers air cleaning efficiency of 90%, and will help to enhance the overall environmental performance of the site.

At the heart of the new system are Vorteks Multi-Cyclone Scrubbers, manufactured in Novosibirsk (Russia), which employ state-of-the-art dispersed Vorteks technology. Polymetal had planned for the installation of five units at the Voro plant, with a view to replacing old and highly inefficient ion exchange filters that have been in operation since the site first came into commission.

Following a period of intensive pilot testing and assessment, two wet cleaning units were installed in the plant’s hydrometallurgy area. Three more units will be purchased and installed in 2016, as the Voro plant commits to clean up its act on air emissions and provide healthier and more environmentally friendly working conditions.

“The main advantage of the new units, compared to the old frame ion exchange filters, is the efficiency of dust and trace gas removal from the flue gases. The Vorteks scrubbers can operate at much higher dust loads and do not require filter regeneration or replacement. The air going through the Vorteks filters is cleaned of dust and gases and then released into the atmosphere. Based on the performance so far, we may well look into rolling out these units across other sites within the Group.”

Elvira Bas
Environmental and Industrial Sanitation Manager
Committing to our people, committing to our future

The training, development and well-being of our employees is of paramount importance. Each year, we invest heavily in these areas as part of our commitment to our people and the long-term future of our company.

Who is responsible?
- Group CEO, HR Director and his team; internal communications department, managing directors and HR teams at our operations

What guidelines do we follow?
- UN Global Compact, Group Code of Conduct, National Labour Code, Standard Regulation on Social Conditions and Service Quality Control, Human Resources policies, Collective Agreements

Stakeholders
- Employees, specialised agencies, suppliers

Priorities
- Develop Human Rights policy; recruit and retain engaged and motivated employees and interns, develop career pathways, improve communications with employees, enhance training programmes

Material Aspects
- Employment
- Labour/management relations
- Training and education
- Diversity and equal opportunities
- Equal remuneration for women and men
- Labour practices and grievance mechanisms
- Occupational health and safety
- Non-discrimination
- Freedom of association and collective bargaining
- Human rights
Investing in our people

Maintaining a fair and inclusive environment

Building a motivated, loyal and capable workforce is critical to the expansion of our business. Every year we work to develop our employees’ skills and knowledge and enhance our leadership capabilities, creating the human capital we need to sustain our operations long into the future. We are also committed to making Polymetal a highly attractive place to work; to this end, we offer equal terms of recruitment and employment and pay competitive salaries that benchmark well within the industry.

Our approach

Our approach to human resources involves creating a fair and inclusive environment, which will enable us to attract and retain the best people. By rewarding good performance, developing talent and promoting health and safety, we aim to create an environment in which our people feel supported, listened to and looked after. in return, we expect all employees to sign up to our Company Code of Conduct.

Our Code of Conduct is underpinned by a range of policies, covering equality, professional development, appraisal, training, resources and skills, organisational design, productivity, and motivation and reward.

It also sets out our positioning on issues like bullying and harassment, bribery, drugs, entertainment and gifts, government relations, anti-trust and anti-competition laws, community relations, insider dealing, data protection, transparency and disclosure, and environmental protection.

By ensuring our employees comply with our policies and structures on these issues, and by listening and responding to their concerns, we are building a company culture based on mutual understanding, respect and trust.

Headcount and turnover

At 31 December 2015, we employed 9,238 people compared to 9,180 in 2014 across the Group’s research, development, design, exploration, production, logistics and management activities. This increase in headcount was a result of new project works getting underway at our Kupol and Svetloye sites. Due to the demanding nature of the work and our remote site locations, the majority of our people work on a ‘fly-in/fly-out’ basis. Each year, on average around 51% of our total headcount is made up of shift workers.

Over the last six years, we have been steadily reducing our average employee turnover rate (including fly-in/fly-out operations). In 2011 this rate was 19.6%, compared to 17.6% in 2012, 18.5% in 2013 and 11.4% in 2014. In 2015, we reduced our turnover rate further to 8.3%. This achievement is partly attributable to the complex macroeconomic environment which has impacted labour markets. However, our efforts to promote internal employee mobility have also made a key contribution, as have our employee training and development programmes and the favourable working conditions we have created.

Established in 2014, the Polymetal Human Resources Committee is responsible for planning staff rotations and filling key positions internally. The Committee plays a vital role in helping to reduce employee turnover, and in 2015, it reviewed a Group-wide employee job satisfaction survey. Measuring satisfaction levels with, inter alia, compensation, labour conditions, living conditions, organisational processes and corporate culture, the survey returned an overall a Job Descriptive Index (JDI) of 72%, up from 65% in 2013.

During the year, the instances of corruption identified within our business were limited to minor fraud relating to purchasing, equipment inventory, supplier lobbying and the quality of materials and equipment. Three managers were sanctioned for fraudulent activities and 11 managers were dismissed. None of these cases had a material impact on our operations or financial position, and no court cases relating to corruption were brought against the Company or any of our employees.

Training and education

Each year we make significant investment in our employees’ capabilities and skills. Through training and development, we enhance employees’ performance and ensure they can meet the Company’s commercial and operational objectives. At the same time, we support our people in their career development and advancement.

Employee appraisal

We conduct employee appraisals and assessments against performance targets, delivering constructive feedback to help maximise effectiveness for the benefit of the individual and the organisation as a whole.

Organisational design

Operational and organisational efficiency form a core part of our commitment to sustainability. To help achieve efficiency at all levels, we have streamlined roles across our operating companies, centralised our management functions, and where fitting implemented rotating schedules.

Headcount

Across our operations, we aim to achieve sustainable cost reduction by automating inefficient manual processes. Through the use of cutting-edge automation technology, we are able to reduce costs without necessarily reducing employee headcount as employees are typically allocated to new projects across the Group.

The results show high satisfaction levels across the business – on average over 65% in all areas, and rising to 78% against working environment criteria. Providing a comprehensive view of core aspects of our culture and operations, the survey sample comprised 9,400 employees across 10 production sites. Along with positive feedback, the survey also captured issues and concerns which we will address in 2016.

Employee turnover (%)
Investing in our people

A highly attractive place to work

Diversity

In 2015, women occupied 23% of our senior management roles, compared to 22% in 2014, and represented 44% of our qualified personnel. Women also made up 22% of our Board and 23% of our total workforce.

We have also been working with 12 universities and five technical colleges to enable internships, placements and other opportunities for young people. During 2015, people under 30 accounted for 25% of our workforce.

In addition, we provide annual bonuses for selected professional employees. These bonuses are linked to targets based on Company KPIs. We have also developed a range of social support and compensation measures, including:

- financial aid for those experiencing difficult life circumstances;
- partial sponsorship of a kindergarten, afterschool activities and a holiday camp;
- compensation of travel costs for those travelling to remote sites from other regions;
- reimbursement of holiday travel costs for all family members for those working in remote locations once every two years;
- housing support; and
- covering interest payments on employee mortgages.

Gender composition (%)∗

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>2014</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>2015</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Salaries and benefits

We are firmly committed to acknowledging and rewarding employees’ hard work and achievements. To help us attract and retain the best candidates, we offer competitive salaries and benefits which exceed regional averages in our areas of operation. Our long-term incentive programme, meanwhile, links directly to share price performance.

The Polymetal pay structure is built around a base salary. Polymetal salaries are 136% higher than the regional minimum.

Sustainability Report 2015 Polymetal International plc

Training and development

We are continuously working to enhance the skills and capabilities of our people, and each year we invest in Group-wide training and development programmes. These programmes have been structured to help build the workforce we require to meet our Company objectives over the long term, and to provide opportunities for our employees to progress and develop in their careers.

Our comprehensive training programme, which covers general operational and technical aspects of our business, is delivered as part of an employee appraisal system. This system is designed to measure each individual employee’s development and structure their career progression. Each time someone joins Polymetal, we conduct a preliminary appraisal which helps to shape and inform a detailed training plan.

For general managers and technical specialists, we provide rigorous external training via our network of corporate training centres. We have also created the Polymetal Talent Pool with a view to developing the next generation of skilled managers. In addition, in order to expand their professional horizons and developmental stimuli, we give key employees the opportunity to attend training sessions held by other international mining companies.

For the past six years, we have offered a distance learning programme for pre-certification training in industrial and occupational safety. This system complements the work of our training centres and on-site teaching facilities; it aims to enhance productivity and effectiveness, and is of particular benefit to employees in remote locations.

Training in 2015

In-house and external training

In 2015, we invested US$678 thousand in professional training across all areas of the business, which amounts to $149 per trained employee for the year. In total, more than 8,000 employees (88% of our headcount) received some form of professional development training. In 2015, the number of employees trained in-house increased by 53%. The average number of hours of training received by both male and female employees was 63, while managers and qualified employees received 35 and 54 hours respectively.

Talent pool

All employees enrolled in the Polymetal Talent Pool continued to receive targeted assessments based on their professional merits, as well as individual development plans designed to meet their training requirements. Talent Pool candidates received training on effective communications and conflict management, and seven of these candidates were promoted to key positions within the company. 16% of our internal recruitment needs were met by Talent Pool candidates, 66% by other in-house promotions, and 16% through external recruitment. In total, we filled 37 of 44 top-level posts through in-house resource allocation.

Programmes for young people

We also rolled out an activities schedule designed to prepare our younger employees for the leadership challenges of the future. In 2015, these activities focused on management skills development, including effective HR management, change management and decision making. In 2016, we will be focusing on professional skills development in relation to occupational health and safety, production control, construction, mine planning and business ethics.

In keeping with past years, in 2015 we held a scientific and industrial conference for young professionals. Taking place in three regions simultaneously – Magadan, Amarinsk and Kostanay – the conference attracted 35 participants, compared to 16 in 2014. During the conference sessions, young professionals were able to discuss their research interests and explore career development opportunities. We also held a contest for best project proposal, the winners of which will be presented at the International Forum of Young Scientists at the Mining University of St. Petersburg in April 2016.

Employee relations

As part of our commitment to progressive employment practices, we support our employees’ rights to freedom of association and collective agreements. In 2015, 100% of our employees were covered by collective bargaining agreements at our operating sites in Russia and Kazakhstan.

At each site, we have established Labour Relations Commissions (LRCs) which enable discussions on work-related issues to take place between our employees and the Company. We have also created Workers’ Councils and devised a system of formal feedback sessions. We provide employees with an opportunity to communicate queries or concerns to senior management via their line managers, meetings, suggestion boxes, email or telephone. In 2015, 814 enquiries were received, all of which were responded to.

In-house training

<table>
<thead>
<tr>
<th>Year</th>
<th>In-house training</th>
<th>Mining IT centre</th>
<th>Polymetal in-house regional centre</th>
<th>Distance learning programme</th>
<th>Outsourced training</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>41%</td>
<td>26%</td>
<td>22%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>46%</td>
<td>24%</td>
<td>23%</td>
<td>10%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Investing in our people

Enhancing employee opportunities

We have an excellent track record in regulating employee relations. Our experience in this area is framed by a system of social partnership based on the following principles:

- equality of the parties;
- consideration of mutual interests when developing, adopting and implementing decisions relating to Polymetal’s operations;
- strict compliance with local social and labour regulations;
- constructive dialogue between social partners on all social and labour issues;
- zero tolerance on any form of slavery and human trafficking.

Changes to key employment terms and notice periods

In support of these social partnership principles, changes in working conditions and other significant events are communicated to employees in a timely and appropriate way.

The amount of notice given to employees for changes to key employment terms is covered by collective agreements and complies with appropriate legislation in the country of employment.

In the Russian Federation, the notice period for changes in employment terms due to organisational changes; changes to operational working conditions; changes in, or introduction or review of workload standards; or upcoming dismissal due to Company liquidation is two months before changes come into effect. In the Republic of Kazakhstan, the notice period for these changes is one month.

Progress against goals within our action plan 2015

We said... We did...

- We would enhance the efficiency of training received by employees in the Talent Pool.
  - Provided a new management course for the Talent Pool employees; delivered an internal communications course for young leaders in the Khabarovsk Region.

- We would expand training programmes and course diversity across the Company’s training centres, and select external training providers more carefully.
  - Increased the share of in-house training for 53% of staff; achieved a ratio of internal to external training of 54% to 46%, primarily due to expansion of internal corporate courses, which allowed the Company’s training centres to compete with external providers.

- We would continue our collaboration with leading universities to attract talented young students to the Company via targeted internships.
  - Continued to cooperate with leading universities and technical colleges to attract talented students; in 2015 we employed 18% of the students who undertook internships at Polymetal. We also developed and launched our Quick Start programme, which aims to attract talented students graduating in economics and provide financial and economic managers with the necessary competencies to work in the Company; two candidates have been selected to date.

- We would develop training for specific roles where ‘skills bottlenecks’ have been identified, e.g. Processing Plant Superintendent, Chief Engineer and Maintenance Superintendent.
  - Developed and implemented training programmes for technicians and engineers working at plants, as well as for managers and key technical workers.

- We would further develop employee feedback via new channels with a view to improving our Internal Corporate Portal.
  - Increased promotion of the feedback channels and boosted awareness.

- We would maintain existing levels of employee turnover.
  - Reduced turnover by 28%, from 11.4% to 8.3%.

Plans for 2016 and beyond

Looking ahead, our key objectives for 2016 and beyond are as follows:

- promote safe behaviours and risk assessments to help decrease LITFR;
- keep our turnover rate level at less than 10%;
- develop our young leaders’ skills according to our new programmes implemented in 2015;
- conduct targeted training for engineers;
- launch new courses at our Mining IT centre;
- launch a new training centre in our regional Khabarovsk subsidiary;
- conduct targeted training for employees involved in underground mining;
- progress 30% of our interns to full-time employment.

The Polymetal Self-nomination Programme

In 2015, we introduced a new employee development called the Self-nomination Programme.

Comprising an innovative online platform, the Self-nomination Programme aims to offer all employees equal opportunities for development, and progression within the Company, while enabling us to locate potential future leaders and ambitious and resourceful young specialists.

Hosted on the Company’s corporate web-portal, the new programme encourages young members of staff to put forward their ideas, achievements and credentials and make a case for accelerating their professional development. Some of those selected are then invited to take part in a focused research and production programme.

Since March 2015, 14 people have applied through the portal to participate in the research and production programme, while 24 have applied for Self-nomination membership with 6 employees accepted. The programme will continue in 2016 and beyond, with a view to expanding the search for new talent within the Company and developing a pipeline of expertise and capabilities for the future.

In 2015, I nominated myself for the Self-nomination Programme because I wanted to achieve a broader overview of the Company and apply my knowledge and skills to enhancing Polymetal’s mining and technological mapping capabilities. I wanted to work with various disciplines, including geology and geophysics, and following my Self-nomination application I was promoted to Head of Mineralogy at Varvara. It’s a dream come true. The Self-nomination Programme is a wonderful scheme and I urge other employees to get involved.”

Nadezhda Guseva
Head of Mineralogy at Varvara, and former Deputy Head of Mayskoye Lab
Health and safety

Putting health and safety first

Keeping our employees safe and well is a key priority for Polymetal. Our people are our greatest asset, and maintaining their health and well-being is critical to our future success and sustainability. We are committed to creating safe working environments across our operations and meeting stringent health and safety standards.

Who is responsible?

- Group CEO, Chief Operating Officer, HSE Director, Head of Health and Safety, managing directors, chief engineers, and health and safety managers at our operations; HR department

What guidelines do we follow?

- UN Global Compact, Group Code of Conduct, Health and Safety Policy, OHSAS 18001, ILO-OHS 2001, and management systems relating to labour protection, adhering to national occupational safety standards
- Employees, specialised government agencies, independent auditors

Stakeholders

- Employees, specialised government agencies, independent auditors

Priorities

- To achieve zero harm, reduce and effectively manage risks, and maintain a safe working environment for all employees; promote safe conduct; prevent workplace accidents and work-related illnesses; comply with relevant regulations and standards; and embed responsible safety behaviour across every aspect of our operations

Material Aspects

- Types of injury
- Rates of injury
- Occupational diseases
- Lost days and absenteeism
- Total number of work-related accidents
- Risk assessment and management
- Emergency preparedness
Health and safety

Strengthening safe practices

Mining is, inevitably, a dangerous operation. Our employees work in remote locations and environments where rigorous safety processes can be difficult to uphold. However, it is our responsibility to embed robust procedures across our organisation and safeguard employees’ well-being. In recent years we have renewed our focus on health and safety performance, and we are improving the ways in which we engage our people with key issues and embed the right attitudes and behaviours internally. This is a journey of continual improvement and reassessment; we are committed to achieving a zero harm culture in which everyone takes responsibility both for individual and collective safety.

Approach

Our employees’ well-being is paramount and shapes our approach to health and safety. To this end, we consistently look to improve the systems we have in place to ensure our employees are protected.

Since 1998, our underground mining operations have expanded from two projects to nine, with the potential to increase further. Group-wide, we operate 120 production sites and processes, comprising open-pit and underground mines, geological exploration sites, explosives depots and ore processing facilities. There are risks associated with each site, and in Russia and Kazakhstan alone 93 of Polymetal’s ore processing facilities. There are risks associated with each mines, geological exploration sites, explosives depots and sites and processes, comprising open-pit and underground mines, geological exploration sites, explosives depots and ore processing facilities. There are risks associated with each site, and in Russia and Kazakhstan alone 93 of Polymetal’s ore processing facilities. There are risks associated with each.

Within our operations, we follow a shift-by-shift risk assessment (SRA) model, the aim of which is to enhance employee awareness of workplace dangers; identify and manage risks promptly; and control the accuracy of our risk assessments. SRA is implemented most rigorously in hazardous operational areas, for example automobile transport, mines, and plant and power supply.

Risk management focus areas

In our approach to risk management, our underground mining projects are a key area of focus. In recent years the intensity and scope of our underground work has increased. As such, we need to eliminate the risk of rock falls impacting employees. To supplement our risk assessments, we have implemented a mentoring system whereby experienced workers can observe and evaluate colleagues’ activities, and share best practice with new employees. To ensure that all safety rules and technological processes are understood, we have intensified safety training, with 8,087 people trained in 2015, we identified falling rock as the greatest potential hazard at our sites, with other potential risks including mining equipment damage, road transportation accidents, and building or equipment fires.

In 2015, we identified falling rock as the greatest potential hazard at our sites, with other potential risks including mining equipment damage, road transportation accidents, and building or equipment fires.

During 2015, our health and safety focus areas were:

- identification and management of underground mining risks;
- automation of production control and workplace conditions;
- further development of individual risk assessment; and
- a continued analysis of our health and safety programme, in order to address the recent deterioration of performance (see page 47).

Risk assessment

Risk assessment and management form the foundation of our approach to health and safety. Each year, we identify and assess risks across the Group and create risk maps for all our working processes and locations. We then devise high-level plans and programmes to help us reduce these risks.

Within all our operations, we follow a shift-by-shift risk assessment (SRA) model, the aim of which is to enhance employee awareness of workplace dangers; identify and manage risks promptly; and control the accuracy of our risk assessments. SRA is implemented most rigorously in hazardous operational areas, for example automobile transport, mines, and plant and power supply.

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We are also working to ensure that each employee works in accordance with our SRA system.

SRA forms part of an extensive feedback system which provides employees with the opportunity to contribute to risk management across Polymetal. The Company also provides employees with a ‘map of personal safety activities’ to follow at all times.

Each year, the Company enacts qualitative risk assessments linked to the likelihood and potential consequences of a hazardous event. We then inform employees of these results through a range of communications channels, such as information boards, leaflets, seminars and meetings.

Definition of health and safety terms

- Accident: an unexpected event that occurs in the course of work, on the way to or from work, or in a Company vehicle, which leads to mental or physical harm.
- Incident: an event that gives rise to an accident, or has the potential to lead to an accident (for example: an unexpected near miss and the release of dangerous substances).
- Occurrences: a failure, near miss or dangerous event.

Lost Time Injury Frequency Rate (LTiFr) = Total Time Injury Frequency Rate per 200,000 man-hours worked.

The time injury frequency rate is calculated in line with GRI G4-26. For 2015, the LTiFr was 0.22, a 10% reduction on 2014’s level of 0.25.

To ensure the events that contributed to these fatalities cannot be repeated, we developed and applied the ‘5 Whys’ principle to conduct our own internal examinations, separate to ongoing investigations by state authorities. Our process cannot be repeated, we developed and applied the ‘5 Whys’ principle to conduct our own internal examinations, separate to ongoing investigations by state authorities. Our process involved evaluating all possible health and safety risks, from technological and technical liabilities through to employees’ psychological and emotional influences.

After thorough research and analysis, we have drawn comprehensive conclusions and are implementing measures to ensure that factors that could cause such fatalities again are taken into account and addressed. We have informed all employees and contractors of our findings and incorporated these new measures into our Company safety action plan. In addition, we will execute all actions recommended by state authorities, following completion of their investigations.

Contractor statistics

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accidents</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>- fatal</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Incidents</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Occurrences</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>LTiFr</td>
<td>0.22</td>
<td>0.25</td>
</tr>
</tbody>
</table>

In 2015, we identified falling rock as the greatest potential hazard at our sites, with other potential risks including mining equipment damage, road transportation accidents, and building or equipment fires.

Performance

Workplace accidents

It is with deep regret that we report that during 2015 there were six fatalities across the Group. Five of these fatalities were at underground operations and the sixth occurred as a result of a road accident. We offer our sincere condolences to the families and friends of those colleagues who lost their lives; we are deeply distressed by their deaths and would like to pay tribute to their dedication and hard work. We are of course covering any related costs and delivering ongoing financial support to the families of the deceased.

Our employees’ health and safety is our greatest priority. Our zero harm culture reflects our belief that any fatality, accident or injury within our operations is wholly unacceptable. Over the past few years we have increased our focus on reducing workplace risks and improving the health and safety performance of our employees and contractors. We are extremely troubled to have suffered these fatalities in 2015 and we will continue to prioritise our health and safety activities to prevent further loss of life in the future. In 2016, we aim to return to our previous record of zero fatalities across all sites and operations.

During 2015 there were also 10 non-fatal accidents in total across the Polymetal Group. Of these, two were severe accidents and eight were minor. Again, these injuries contravene our commitment to health and safety and cause us considerable concern. We continue to dedicate significant resources and implement additional measures to safeguard our employees from future injury.

Health and safety performance

Company statistics

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accidents</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>- fatal</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Incidents</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Occurrences</td>
<td>38</td>
<td>29</td>
</tr>
<tr>
<td>LTiFr</td>
<td>0.22</td>
<td>0.25</td>
</tr>
</tbody>
</table>
Health and safety

Applying rigorous assessment to improve health and safety performance

To enhance personal safety and risk awareness across our operating mines, we have put in place a number of processes to help identify issues and devise corrective and preventative measures. Polymetal continuously monitors employees’ disciplinary procedures and reviews the safety performance of the technical staff at the most problematic operations.

Although our Lost Time Injury Frequency Rate (LTIFR) increased 69% during the year, the reduction of our LTIFR and attainment of a zero-Fatal Injury Frequency Rate (FIFR) remain critical KPIs. Achieving these objectives is our foremost priority, and we are working to improve our performance in these areas in the future.

New system implementation and actions

As part of a Group-wide response to these fatalities, in 2015 Polymetal took immediate action to tighten safety procedures. We launched pilot projects to test a more protective underground development system, and increased and upgraded our mining fleet. To counter persistent geotechnical problems with ore stability, we also accelerated a planned transition from drift-and-fill mining to sublevel open stoping at Mayskoye. This will ensure employees are not exposed to rock falls in the partially broken slopes, as all development and production drilling will be done from waste openings. The Company also significantly increased the number of checks by independent external auditors; improving the quality of safety checks and increasing preventative measures. Polymetal continuously monitors processes to help identify issues and devise corrective and preventative measures. Polymetal also automated data and safety reports delivered by ERP software. Information is now available in a unified, searchable database and processes can be overseen online. This improves workplace safety and reduces time spent waiting for information, performance indicators or reports. This new system serves to simplify tracking and management; eliminate manual processes; improve operational efficiencies; minimise emergency response times; ensure proper review of new materials; and reduce safety and compliance risks.

In addition, we launched a system to scan shift-by-shift risk assessment cards. This enables us to collect information and implement a system to detect data automatically, categorise risks, respond to urgent cases and analyse dynamics.

Following preliminary findings, in 2015 we implemented a number of new safety initiatives, including:

- reinforcing transport speed control and safety monitoring;
- changing the incentive system where it has led to unsafe conduct for the jobs affected by certain risks (diggers, supporters and blasters);
- reviewing training programmes with a focus on key risks;
- visualising risks, consequences and personnel conduct in specific situations;
- improving the quality of safety checks and increasing the number of checks by independent external auditors;
- ensuring the geotechnological conditions assessment and management loop function effectively; and
- expanding and upgrading our geotechnical capabilities.

We also automated data and safety reports delivered by ERP software. Information is now available in a unified, searchable database and processes can be overseen online. This improves workplace safety and reduces time spent waiting for information, performance indicators or reports. This new system serves to simplify tracking and management; eliminate manual processes; improve operational efficiencies; minimise emergency response times; ensure proper review of new materials; and reduce safety and compliance risks.

Responsive measures for the increased number of fatal occupational injuries in 2015

<table>
<thead>
<tr>
<th>Organisational</th>
<th>Technical</th>
<th>Motivational</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of safety culture training</td>
<td>Underground mining technology optimisation</td>
<td>Development of an individual risk assessment system</td>
</tr>
<tr>
<td>Review of the extreme risks list</td>
<td>The purchase of mining equipment, which reduces the use of manual labour</td>
<td>Development of a risk visualisation system</td>
</tr>
<tr>
<td>An additional external audit of OHSMS</td>
<td>Reinforcement of transport speed controls and safety monitoring</td>
<td>Shaping and promoting the Company’s ‘Golden rules for safety’</td>
</tr>
</tbody>
</table>

Emergency preparedness

An important aspect of our health and safety programme is ensuring preparedness for any emergency that may jeopardise the well-being of our employees.

Each year, we perform simulated emergency events and deliver training at least annually within each of our 93 hazardous production facilities. Within the most high-risk sites, we conduct more frequent emergency preparation sessions, sometimes on a monthly basis.

In our processes to ensure emergency preparedness, we comply with the requirements and legal obligations of the countries in which we operate. In addition, each Polymetal facility possesses Accident Prevention plans, developed collaboratively with local emergency authorities. We also train our in-house rescuers and have contracted professional companies who specialise in life-saving services and accident prevention.

To maintain our emergency preparedness we:

- continuously enhance our OHSMS implemented across all our operations;
- ensure our operations possess full licensing for relevant safety activities;
- enact safety audits across all buildings, constructions and technical facilities used in hazardous activity; and
- sign mandatory liability insurance agreements to indemnify harm caused by potential accidents in hazardous production facilities.

To identify potential accidents that could adversely impact the environment we:

- prepare the list of relevant accidents;
- ensure that our hazardous facilities are included in the official state register;
- prepare emergency response plans; and
- provide insurance for hazardous industrial facilities.

We analyse the following:

- historic accidents that have negatively impacted the environment;
- audits and inspection results and reports, environmental impact assessments, project safety examinations and hazardous production facilities inspections;
- audit reports of state controlling bodies; and
- environmental monitoring data.

How we ensure emergency preparedness

Our emergency preparedness and response procedure (part of the Environmental Management System), comprises three stages and has been in effect since 25 December 2014.

The design stage ensures:

- design standards’ compliance, pilot launches and testing;
- independent project expertise; and
- permission for operation and maintenance.

The operation stage ensures:

- the compliance of design during operation;
- personnel training and obtaining licence to operate;
- operational control;
- environmental monitoring and comprehensive inspections under the chief engineer’s supervision; and
- environmental safety compliance by suppliers and contractors; and
- training during simulated emergency events.

The emergency response and investigation stage involves:

- assigning responsibilities in case of emergency;
- ensuring financial provisions are available to compensate negative impact; and
- amending designs where applicable.
Health and safety

Ensuring safe procedures and systems throughout our operations

**Employee engagement and training**

Training and engaging employees is critical to establishing safe practices. Polymetal’s human resources system has defined procedures for recruiting and assigning employees with specific skills, and providing training to develop employees’ skills. We also clarify competence requirements for each relevant job description.

Training needs are identified by the heads of business units. At the expense of the Company, specialists are comprehensively trained in occupational health and industrial, electric and fire security. They also receive refresher training and undergo special purpose training.

In 2015 Polymetal’s employees attended the following safety courses:
- Introductory safety courses: 1,974 employees (24%)
- Specialised training in internal environmental audit and environmental safety training: 1,764 employees (22%)
- Work safety and industrial safety courses, also related to hazardous production risks: 1,741 employees (22%)
- Other training and development courses: 2,608 employees (32%)

We actively engage and motivate employees in safety matters. This can include contests to improve safety or rewards for zero occurrences and incidents in departments. We also publish the safety chart (or “safety barometer”) in our corporate newspaper, on information desks and portals.

**Occupational diseases**

Each year, all our employees undergo at least one medical check to evaluate their health and well-being. We also have a team of in-house medical professionals who monitor employee health on an ongoing basis and respond to any related issues as and when they arise. In certain cases, our medical team will advise a specific course of treatment or time away from work if necessary.

As in the previous three years, there were no cases of occupational diseases recorded in 2015.

**Progress against goals in 2015**

In our 2013/14 Sustainability Report, we set our health and safety priorities for 2015-17.

<table>
<thead>
<tr>
<th>We said</th>
<th>We did</th>
</tr>
</thead>
<tbody>
<tr>
<td>We would focus on the risk of rock mass fall in underground environments.</td>
<td>Integrated geomechanical assessment into the daily routine of miners.</td>
</tr>
<tr>
<td>We would promote safe conduct culture.</td>
<td>Developed a formal procedure to inform employees about hazards, risks, consequences and mitigation measures.</td>
</tr>
<tr>
<td>We would cooperate with contractors.</td>
<td>Utilised feedback from employees under the shift-by-shift risk assessment system to better analyse and eliminate hazardous conditions.</td>
</tr>
<tr>
<td></td>
<td>Visualised dangerous elements of work to form a physiological barrier before entering the risk zone.</td>
</tr>
</tbody>
</table>

**Health and Safety objectives 2016-2017**

**OHSMS audit**

To ensure we have a rigorous and robust OHSMS in place, certified in excellence by a three-stage external audit by Bureau Veritas.

**Rock fall risk isolation**

To isolate the risk of rock fall in underground environments, and to prevent injuries caused by this risk.

**Safety behaviour**

To create conditions for our employees that promote safe behaviour, and to ensure each employee works in accordance with our shift-by-shift risk assessment system.

**Employee locating and tracking**

Locating and tracking people and objects is crucial for underground working conditions. We are keeping on top of safety by applying the technology to locate workers in emergency situations.

**Risk assessment analysis**

To rigorously analyse monthly risks assessments (MRA) results and devise appropriate and impactful measures in response to any inefficiencies or weak points revealed.

**Risk reduction**

To reduce the level of the most significant risks that cause injuries, and to ensure that monthly injury rates are reduced by 10% against average quarterly indicators from the same period.

**Extending Occupational Health and Safety Management System**

To continue extending our OHSMS to all production processes and work performed by Polymetal employees and by contractors on our premises.
Creating a positive legacy for local people and communities

As part of our commitment to sustainability, we work closely with local people in the regions where we operate. Our aim is to ensure that our activities have a positive impact on local communities, and through a range of initiatives we build strong relationships and support local development.

Who is responsible?
• Group CEO, PR Director, Technical Council, subsidiary managing directors working with heads of Finance, Communications

What guidelines do we follow?
• UN Global Compact, Group Code of Conduct, Policy on Social Investment, Community Relationship Management System

Stakeholders
• Employees, national government, local government, specialist government agencies, local communities, indigenous peoples’ groups and other NGOs

Priorities
• Expand the range of community partnership agreements, improve the quality of life for communities, improve communication and cooperation with communities, promote sports and cultural activities

Material Aspects
• Local communities
• Public policy
• Investment
• Development and impact of infrastructure investments
• Formal agreements with indigenous people and local communities
• Grievance mechanisms for impacts on society
• Rights of indigenous people
• Resettlement
Providing meaningful investment and engagement

Our interactions with local people and communities are numerous and varied. Across all our sites and facilities, we provide employment opportunities and use local services to help generate supply and demand. In addition, we invest in local education, health, culture and infrastructure, putting community interests at the centre of our local activities.

We have also developed rigorous measures designed to mitigate the negative impacts of our operations, such as the generation of waste materials and emissions. Each year, we exceed our regulatory obligations in an effort to ensure that local communities and environments are not affected by these aspects of our business.

Our approach

As a mining company, our licence to operate depends upon the goodwill, trust and understanding of local communities and authorities. Building strong links and relationships in the regions where we operate is a core part of our corporate ethos and commitment to sustainability, and each year we oversee a range of communication and engagement initiatives.

Our operational activities cover a vast geographical area, encompassing the Chukotka Autonomous Territory, Khabarovsky Territory, Magadan Region, Yakutia, Sverdlovsk Region, Kazakhstan and Armenia. Each year, the scope of our operations expands, which means our local community interactions are becoming increasingly diverse.

Our approach to community relations in these areas is underpinned by our belief that, as our operations increase, so do our responsibilities and commitments to the people whose lives they impact. As part of our work in this area, we adhere to relevant international standards and conventions, for example the UN Declaration on the Rights of Indigenous Peoples and the UN Global Impact.

We have also developed and improved our in-house standards and policies in line with international best practice. For example, we currently have a successful Community Relationship Management System functioning at all our subsidiaries, helping to ensure regular interaction with the public and providing communities with current, relevant and comprehensive information on the Company’s activities.

A corresponding community policy is being developed for sign-off in 2016, while our Corporate Code of Conduct guides our employees’ conduct towards their colleagues and customers, business partners, state authorities and society as a whole. In addition, for the past eight years we have been developing a Group-wide communication system, which includes a range of procedures to help us assess the needs of local people and capture their ideas and opinions.

Ultimately, our aim is to balance our commercial priorities with the interests and needs of local communities. To achieve this balance, we have developed community cooperation agreements in most of the areas where we operate. In 2015, we had 21 of these agreements in place, compared to 18 in 2014.

We also make regular social investments, develop industries to help stimulate local economies, and enhance and expand local infrastructure. We also pay taxes regionally, commission local professionals to help tackle urgent social issues, and regularly use regional resources and services.

Internally, we ensure all investments are rigorously managed by following the principles set out in our Community Relationship Management System, which comprises our Corporate Code, our Social and Charitable Investments Policy, our Public Corporate Regulation and other key procedures. These policies enable us to promote transparency by offering public access to information, and cover activities such as: - Company operations, enabling dialogue as part of impact assessments, and the mandatory consultation of local people.

Regional teams

Across our operations, we have dedicated teams overseeing our community investment and engagement programmes. Working to ensure regular cooperation with community groups, these teams submit social investment proposals internally and coordinate and monitor feedback.

Each time we invest in a new mining site or project, it is the responsibility of our corporate office to assess the effect our activities may have at local and regional level. Our teams work to determine the indirect economic impacts and, based on these evaluations, develop long-term mitigation strategies. We also engage with local communities, institutions, authorities and organisations to ensure we can deliver our work and programmes in a way that delivers maximum value to local people.

Investing in communities

The effective management of social investment is critical to sustainable development. In our social investment activities, which extend to all territories in which we operate, we use industry benchmarks and standards to assess our progress and performance. We have expanded the scope of our social investments, injecting US$28 million into local projects between 2010 and 2015. In 2015, we invested US$36.6 million on social support and territorial development programmes. While this is less than the amount invested in 2014 in US dollar terms (US$55 million in 2014), it is higher year-on-year in Russian and Kazakh currencies due to devaluation.

Our social investment priorities

Each year, we determine our investment flows through open and honest dialogue with community stakeholders. Fundamental to this process is the rigorous assessment of local community issues, concerns and requirements. Once we have defined their needs, we then work closely with local people to understand how social investment could be used to change their lives for the better. Through close collaboration, we define the most urgent local issues and discuss the extent of the support required to address them.

The Polymetal Board of Directors and management teams review our annual community investments and associated targets. They base their decisions on the perceived potential of a project to deliver meaningful change to local people and communities, focusing in particular on:

- healthcare and education;
- infrastructure;
- sport and lifestyle;
- culture and creative potential;
- Indigenous Minorities of the North (IMN); and
- environmental protection.

Investments are separated into in-kind and commercial donations. In 2015, our in-kind investments included:

- humanitarian aid to reindeer herders, with donations including food, fuel, lubricants, freewood, gas stoves and medicines;
- delivery of food and medicine to remote communities and indigenous minorities in the Magadan, Khabarovsky and Chukotka territories; and
- construction and maintenance of roads in remote areas.

Community engagement

Polymetal has been consistently and systematically building its relationships with stakeholders since 2008. Our Community Relationship Management System enables regular and comprehensive analysis of community needs, requirements and suggestions; feedback mechanisms whereby stakeholders can relay queries or concerns; and regular community meetings and polls. These measures help us to identify our key corporate responsibility goals and objectives for each region, pursue the most efficient social policy and regularly assess our social performance.

We believe strongly in public access to information, and we use local media outlets and public communications boards to inform local communities about our activities and operations. We also enable people to contact us directly by phone or email to discuss local issues, and in remote areas of Russia and Kazakhstan we regularly organise field trips and face-to-face consultations. In this way, we are able to react swiftly to local community concerns and ensure our efforts continue to be targeted, relevant and impactful.

In 2015, we received over 100 enquiries from local communities, mostly relating to employment opportunities, development plans, impacts on quality of life, and requests for support for cultural, sporting and environmental initiatives. During the year, we convened 26 meetings, public gatherings and hearings for local community members and indigenous people. In addition, we undertook 13 site visits for members of the public and community representatives.

Feedback mechanisms

In keeping with our social commitments, we ensure that we are always open and responsive to stakeholders’ inquiries, questions and concerns. We believe it is important that all stakeholders, not just direct beneficiaries, have access to Company information and are regularly consulted on our activities.

Our stakeholder feedback mechanisms allow for the efficient planning of developments across all our territories, and for the inclusion of stakeholder consultation within this process. We aim to incorporate local community requests and requirements at all stages of planning and development. We are also always looking for more practical ways of engaging with communities in remote areas that take into consideration local traditions and ways of life.

The feedback mechanism enables us to:

- identify community requirements and gather information on community needs and social situations;
- monitor and respond to all inquiries received;
- deliver prompt responses to all stakeholder questions and queries; and
- inform the public about the Company’s activities on a regular basis; and
- receive assessment of our social performance, and plan and approve our social investment priorities based on local requirements and in collaboration with local communities.
Community needs assessment

To ensure the successful management of our social investments, designated departments at each of our operations regularly collect data relating to our social projects. They also evaluate the social and economic performance of implemented programmes; set social performance review meetings, and conduct community polls for social project evaluation. All of these mechanisms allow the Company to respond flexibly to changing situations, adjust investments, and eliminate any possibility of funds being inappropriately diverted. They also provide local funds, allowing the Company to respond flexibly to changing situations, adjust investments, and eliminate any possibility of funds being inappropriately diverted. They also provide local communities with the opportunity to participate directly in the formation of these programmes and control their efficacy.

In all territories, we identify the recipients of Polymetal social investment funds by monitoring current situations and cooperating with local administrations. We also assess their needs through community consultation, drawing on the opinions, ideas and aspirations of local people, including members of community organizations and associations in remote settlements and ethnic villages.

In 2015 we conducted community polls in nine districts. These polls enabled us to capture local opinion and aggregate suggestions for future socio-economic cooperation programmes. During the year, we also helped to assess local needs, including increased access to information on the Company’s long-term development plans and environmental impacts. Based on the poll results, we have developed a range of community engagement and social programmes for 2016.

Impact assessment

Each year we commit significant resources to assessing the indirect impacts of our business on local communities. We collaborate with regional administrations and organisations to monitor the progress of individual projects and assess our social and economic impacts. This collaborative approach ensures our assessments draw on local insight and understanding, and means we can respond flexibly to changes in local need and adjust investments accordingly.

During 2015, our assessments showed no negative repercussions from our operations, while the positive impacts arising from our work included:

- tax payments;
- support of infrastructure and auxiliary industries;
- environmental protection and ecological projects;
- regional population increase due to spread of industry;
- local employment opportunities; and
- social investment and community support.

Community feedback

In 2015, Polymetal and its regional subsidiaries received over 55 letters from community groups expressing gratitude for our efforts and initiatives. These letters came from a range of stakeholders, including local communities, who thanked us for providing medical care for children and assistance to vulnerable people, and for taking an active part in addressing social issues.

Key performance and investment areas

Social investments in 2015 (%)

<table>
<thead>
<tr>
<th>Field</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and education</td>
<td>36.5%</td>
</tr>
<tr>
<td>Education</td>
<td>12%</td>
</tr>
<tr>
<td>Culture and creative potential</td>
<td>5.5%</td>
</tr>
<tr>
<td>Environment</td>
<td>8.9%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1.2%</td>
</tr>
<tr>
<td>Arts support</td>
<td>1%</td>
</tr>
</tbody>
</table>

Health and education

The quality of life of local communities depends upon access to healthcare and education. Indeed, health and education are vital issues which underpin sustainable development at local, regional and national level. As such, they are major social investment priorities for Polymetal.

During 2015, we implemented over 30 projects designed to facilitate and support healthcare and education. These projects included 18 renovations of healthcare and educational institutions and the purchasing of equipment for six hospitals. In total, we invested over US $1.2 million in this area in 2015.

In health, our aim is to deliver high-quality medical aid, healthcare and disease prevention, with a core focus on remote and underdeveloped regions. During 2015, we:

- provided necessary medical equipment for the local hospitals at Dukat and Okhotisk;
- provided funding for dental equipment at hospitals in Omsukskan, Kherpuchi and Taran;
- funded repairs works at hospital buildings and purchased new medical equipment in Auezov town, Kazakhstan;
- purchased an ambulance for Taran district hospital; and
- delivered an all-terrain ambulance to help reindeer herders and residents of remote settlements access a local hospital in the Magadan Region.

In education, we commit considerable funds to the renovation and improvement of educational buildings and facilities and provide educational opportunities.

During 2015, we:

- funded building renovations in nine schools and eight kindergartens; and
- provided educational grants for four school graduates at Kazakhstani and continued to fund university programmes for 18 students.

Infrastructure

As part of our commitment to local communities, we also invest heavily in local and regional infrastructure. By carrying out repairs and improvements to bridges, roads and built environments, we create employment opportunities and contribute to the socio-economic development of villages and towns. In 2015, we invested US$200 thousand in infrastructure projects, including:

- continued investment in the Well-Lit Village Programme in Khabarovsk Territory, which aims to improve public lighting in remote villages;
- investment in the gas distribution network in Vorontsovska village, Sverdlovsk Region;
- renovation of the water supply system in Zharma district, Kazakhstan; and
- road maintenance, including the financing and construction of winter roads in remote regions, enabling the free movement of people, food and medical supplies.

Culture and creative potential

For many years Polymetal has supported cultural activities and helped local people explore and protect their identity. We work to preserve local history, traditions and ways of life, and support a range of schemes designed to promote local arts and crafts. Each year, we provide financial support for ethnographic museums, indigenous language programmes and music groups. In 2015, we invested US$375 thousand in such cultural initiatives. Specifically, we:

- funded six renovation projects at cultural centres and offices;
- purchased equipment for a children’s art school in the Amur Region;
- provided funding for more than 20 artistic, cultural and educational events and competitions for talented young people;
- organised a holiday camp project called ‘Kids of Amuric Life and Art’ in the Amur Region, designed to facilitate a cross-generational exchange of art, ideas and identity for IMN children; and
- continued to provide support to IMN folk singing and dancing ensembles.

Indigenous Minorities of the North (IMN)

As part of our commitment to local communities, we engage in a range of support programmes aimed at enhancing living standards for indigenous people in Chukotka, the Magadan Region and Khabarovsk Territory. We develop these programmes with indigenous community members, ensuring our work truly addresses IMN issues, needs and expectations. In particular, we focus on enabling IMN integration into modern life while protecting their cultural identity and heritage. For example, we promote employment opportunities and protect employment rights among indigenous people and other local communities.

We also work in consultation with the Association of Indigenous Peoples, as well as spiritual leaders, social leaders, local authorities, veterans’ groups and other organisations focused on cultural protection. Each year, we hold meetings with these stakeholders to assess local needs and devise plans for social development and investment.
Communities

Fulfilling our promises to communities

To date, Polymetal has established nine cooperation agreements and programmes with indigenous communities located in the areas where we operate. So far, our operations have not adversely affected traditional land, monuments, protected areas or cultural sites in any way, and we aim to ensure that our presence continues to enhance quality of life for IMN communities long into the future.

In 2015, we invested US$108 thousand in support projects for indigenous people. Specifically, we:
• began renovating staging posts for reindeer breeders in the Magadan Region;
• acquired two snowmobiles to support indigenous peoples’ traditional activities in the Magadan Region;
• continued to assist reindeer herding groups by purchasing and delivering fuel, medicines and food; and
• continued to assist in the organisation of annual awards for the promotion of national languages and traditional herding activities among young people in Chukotka and Khabarovsk Territory.

In 2015, our protection of indigenous peoples’ rights continued to underpin our commitment to building trust and understanding with local community groups. Similarly, our compliance with the UN Global Compact and UN Declaration of ecological issues and safeguard the natural environment. These included:
• enhancing our “Healthy Environment” programme in the Khabarovsk Region (see case study on pages 60-61);
• purchasing equipment and tools for the children’s eco-tourism association Elurs in the Khabarovsk Territory;
• acquiring laboratory equipment for schools in the Khabarovsk and Magadan regions;
• supporting voluntary works and tree planting in collaboration with employees and local people;
• organising stakeholder visits to our production facilities and environmental laboratories; and
• continuing to support the Children’s Environmental School squads.

Tax payments
The timely payment of local, regional and national taxes is another of our major contributions to social development and sustainability. Over the last five years (2010-2014), Polymetal has paid US$1.27 billion in taxes, and in 2015 our tax payments across the Group amounted to US$172 million. In the reporting year Polymetal did not incur any significant fines or non-monetary sanctions for non-compliance with laws and regulations.

Resettlement
In 2015, we negotiated a land acquisition and resettlement agreement with 26 households in a small residential area in Kyzyl. Landowners were offered the choice between a land-for-land replacement and cash compensation, and in each case opted for cash compensation. As part of this process, we took particular care to identify and provide additional assistance to vulnerable households. In 2016, we will look closely at how these resettlements were carried out, and retrospectively integrate any necessary measures or improvements. We will also build these measures and observations into an ongoing livelihood monitoring programme, which in turn will help to create direct and indirect employment opportunities for local people.

Environmental protection
Over the years, Polymetal has created a strong culture of environmental protection and responsibility. During 2015, we carried out a range of activities to help raise awareness of ecological issues and safeguard the natural environment. These included:
• continuing our “Healthy Environment” programme in the Khabarovsk Region (see case study on pages 60-61);
• purchasing equipment and tools for the children’s eco-tourism association Elurs in the Khabarovsk Territory;
• acquiring laboratory equipment for schools in the Khabarovsk and Magadan regions;
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Progress against goals in 2015
In our 2013/14 Sustainability Report, we set our community priorities for 2015-2016.

Workplan
We would identify additional stakeholders, establish stakeholder relations and assess stakeholder needs. Held public meetings and visits to our sites for local people and public associations in our new territories in the Urals and Kazakhstan. Implemented a feedback mechanism for external parties in our new territories; installed information desks and feedback mailboxes for stakeholders. Conducted surveys in our new regions and organised a poll on our social investment proposals. Developed local community engagement programmes and planned initiatives for 2016 based on poll results.

We would develop social partnership programmes, sign cooperation agreements and implement social projects in our new territories. Developed social partnership programmes for 2015-2016 in line with local requirements. Signed three cooperation agreements in the Urals and in Kazakhstan. Completed all social projects for 2016, with results reported during public meetings and via local media.

We would enhance the quality of our monitoring of social programmes. Doubled the number of people surveyed in our social project assessments from 276 in 2014 to 566 in 2015. Received quality assessments from local people relating to each of our social projects.

We would develop and regulate additional methods of needs assessment for vulnerable groups, including IMN. Conducted five additional meetings with residents in remote areas and IMN. Enhanced our methods of communication with local communities by organising regular employee visits to remote areas and launching additional phone lines. Signed an additional partnership agreement aimed to support IMN. Conducted a survey on preferred focus areas and channels of feedback across eight regions. Used the survey to determine local community and IMN needs, and included these needs in our social support and donation plans for 2016.

We would build on past success in the implementation of environmental and social projects, drawing on our people’s experience from all areas of the business. Analysed the most successful projects and applied our experience to the development of further work. Identified the needs and potential of people in the regions where we operate, and made a precise and effective plan to implement our projects in other regions in 2016. Organised 21 events as a part of our Healthy Environment project, with participation from our employees and local communities.

Plans for 2016 and beyond
Looking ahead our objectives for 2016 and beyond are as follows:
• develop, sign and implement a comprehensive community policy;
• identify any additional stakeholders, establish stakeholder relations, and assess stakeholder needs;
• implement a stakeholder feedback system and carry out regular surveys in our new business areas;
• increase the efficiency of social investments by engaging local communities in cooperative projects and social partnership programmes;
• enhance the quality of our social programme monitoring.

In 2015, we intend to hold six meetings with local residents in our new business regions and receive their feedback on implemented social programmes; extend the coverage of our social project assessment to 650 people; expand our Healthy Environment project to four new areas and involve 4,500 people; and develop the quality and scope of our stakeholder engagement by improving our corporate website.
In 2015, Polymetal’s ‘Healthy Environment’ community engagement programme was among the top five projects entered for the annual Russian People Investor Contest.

The project, rolled out in the town of Amursk in the Khabarovsk Region, encourages local people to develop, plan and implement events and activities aimed at enhancing environmental awareness and responsibility. From landscape gardening to litter collection and playground rehabilitation, local residents developed a range of project ideas designed to improve quality of life by creating a healthy local environment, with the winners receiving financial support to put their plans into action. Other initiatives included developing a map of ecological hazards to help plan municipal clean-up days, an environmental photo contest, a recycling carnival show, and planting over a thousand trees in the town.

Impressed by the scope, scale and creativity of the programme, the Russian People Investor jury cited Polymetal among the best five projects submitted for the 2015 contest. Building on the success of ‘Healthy Environment’ in Amursk, the programme will be rolled out in other regions in 2016.

“We are working together to make life better. People remove garbage, plant trees and come to explore the natural world around them.”

Natalia Surkova
Project Coordinator and PR professional, Polymetal
Delivering strong and sustainable economic performance

The long-term sustainability of our business depends upon economic success. Each year, we work to generate profits and deliver strong financial performance, thereby safeguarding the future of the Company.

Who is responsible? What guidelines do we follow?

- Group CEO, Technical Council, subsidiary managing directors working with heads of Finance, Communications, Operations, HR
- UN Global Compact, UK Corporate Governance Code, Group Code of Conduct
- Employees, national government, local government, specialist government agencies, local communities, indigenous peoples’ groups and other NGOs, suppliers and contractors

Stakeholders

- Increase community investments, maintain all relevant tax payments, create shareholder value
- Economic performance
- Market presence
- Procurement practices
- Indirect economic impact
- Product responsibility

Material Aspects

Priorities

- Economic performance
- Market presence
- Procurement practices
- Indirect economic impact
- Product responsibility

G4-24
Economic

Contributing to regional economic growth and development

As a progressive modern Company, our aim is to deliver sustainable value to our stakeholders. We also have a major positive impact on the economic development of the regions where we operate, helping to improve living standards through our investment in local communities, facilities and infrastructure.

Our approach

Our business model is predicated upon the delivery of long-term value for shareholders, employees, partners and other stakeholders. To deliver value, we provide social investment, create employment opportunities and stimulate economic development. We also invest in upgrades and improvements across our operations, and contribute to regional economic growth through the payment of national and local taxes.

Tax payments

Our Group makes a direct positive impact to local communities through the payment of taxes to Russian and Kazakh state and local authorities. In 2015 our tax payments across the Group amounted to US$172 million compared to US$213 million in 2014. These payments include mandatory contributions to state social funds, including Pension Funds of the Russian Federation and Kazakhstan.

Local employment

By actively recruiting from local communities, we create in-country employment opportunities at our major operational sites. In turn, these opportunities help to create local value and improve people’s lives. In 2015, 94.9% of our employees were local nationals (Russian and Kazakh, depending on the location of the site), which is higher than in 2014.

Social investments

We are committed to making meaningful social investments in the regions where we operate. Read more on pages 54-59.

Procurement

We help to stimulate regional and national supply chains through the procurement of local goods and services.

Our specialised company, Polymetal Trading, provides purchasing, supply, logistical and maintenance services to each of the Polymetal Group’s production companies. It is also responsible for our procurement policies and practices.

At each site, we separate our supply chain expenses into capital expenditure and operating costs. Our capital expenditure suppliers – for example those providing plant infrastructure material and equipment – are often large, global manufacturers, which means we can reduce risk and cost and secure beneficial terms of delivery.

Our internal policy on supplier estimations enables us to rigorously assess product quality and commercial terms and conditions. We also insist that our suppliers provide relevant legal and financial documentation. In addition, we check all references and conduct site visits for smaller suppliers when necessary.

Due to the geographical remoteness of our sites and their extreme climatic conditions, our relations with regional suppliers are vital for the Company. On average, around 48% of our supplier purchases come from within the regions in which we operate.

We have a greater choice and diversity of suppliers in more developed regions, such as Khabarovsk and the Urals. In the more remote regions, such as the Omolon, Okhotsk and Amursk hubs, all equipment is delivered by sea during the navigation season, and we are dependent on regional suppliers. In the geographically remote Magadan Region, building strong supply chain relationships is critical, due to the limited transport options available. At Mayskyoye we achieved a 34% share of local suppliers in 2015, the highest since operations began there in 2011.

In this way, each of our operations has adopted its own approach to procurement. We engage local and regional suppliers whenever possible, although specific site requirements mean goods and services are sometimes procured centrally. The complexity of our business processes and equipment needs also means that supplier options may be limited, particularly in remote areas where there may only be one supplier for the services and materials we need. In these instances, we often combine components from different suppliers to broaden our options and optimise our procurement budget. We also use Trading Platforms software to enable us to find the best supplier solutions and alternatives.

Product responsibility

Since 1998, we have not received any significant fines for non-compliance with laws and regulations relating to the use and provision of products and services.

Financial highlights (US$m)

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<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
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<td>1,690</td>
</tr>
<tr>
<td>Cash operating costs (excluding depreciation, labour costs and mining tax)</td>
<td>405</td>
<td>587</td>
</tr>
<tr>
<td>Wages and salaries; other payments and benefits for employees</td>
<td>203</td>
<td>248</td>
</tr>
<tr>
<td>Payments to capital providers</td>
<td>56</td>
<td>39</td>
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<tr>
<td>Payments to shareholders</td>
<td>216</td>
<td>173</td>
</tr>
<tr>
<td>Taxes (excluding payroll taxes included in labour costs)</td>
<td>56</td>
<td>72</td>
</tr>
<tr>
<td>Income tax and excess profit tax</td>
<td>12</td>
<td>22</td>
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<tr>
<td>Taxes, other than income tax</td>
<td>97</td>
<td>110</td>
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<tr>
<td>Social payments</td>
<td>8</td>
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<tr>
<td>Undistributed economic value retained</td>
<td>350</td>
<td>430</td>
</tr>
</tbody>
</table>

*Any restatements and variances are due to changes in methodology and ensure consistent estimation across current and previous year values.

The transformation of Okhotsk seaport

In 2013, Polymetal leased five shipping terminals at Okhotsk seaport on the Pacific coast in the Russian Far East. At the time, the terminals were out of commission and in urgent need of renovation, repair and investment. With a project budget of US$4.7 million, Polymetal set about a major overhaul of the port’s infrastructure.

Three years on, and the Okhotsk seaport has been transformed. Fully equipped with complex and modern port facilities, Okhotsk is now capable of receiving more than 200,000 tonnes of cargo per year. Installing cutting-edge crane runways, cranes, slopes, and berthing hardware, Polymetal was also able to load and transport cargo and heavy mining equipment to the Svetloyar deposit. Ships loaded can be processed quickly and efficiently, and food products and consumable goods can be regularly received by the local people of the North.

Meeting the production needs of the Company, and significantly enhancing the surrounding area, the rehabilitation of the Okhotsk seaport will be delivering sustainable value for many years to come.

“...This port is a wonderful legacy. When Polymetal first came here, the port was in a very sad condition. Now the site is ready and we can load and unload ships quickly, with around 3,000 tonnes handled per day. We’re happy and proud because it is such a visible, tangible achievement.”

Aleksandr Goroditsky
Deputy managing director for capital construction of the Okhotsk hub.
Introduction
We have been engaged by management of Polymetal International plc (hereinafter – the Company) to provide limited assurance on the Selected Information described below and included in the Sustainability Report for the year ended 31 December 2015 (hereinafter – the Sustainability Report).

Selected Information
We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and included in the Tables of the Global Reporting Initiative for material disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope of the Sustainability Report (hereinafter – the Selected Information). The scope of our assurance procedures was limited to Selected Information for year ended 31 December 2015.

Reporting Criteria
We assessed the Selected Information using the Global Reporting Initiative Sustainability Reporting Framework, including version G4 of the Sustainability Reporting Guidelines (hereinafter – GRI G4). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of Polymetal International plc
Management of the Company is responsible for:

- designing, implementing and maintaining internal systems, processes and controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective reporting criteria for preparing the Selected Information;
- measuring the Company’s performance based on the reporting criteria; and
- accuracy, completeness and fair presentation of the Selected Information.

Our Responsibilities
Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information is not stated, in all material respects, in accordance with the requirements of GRI G4.

Reporting and Measurement Methodologies
There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of the Company’s sustainability reporting should therefore be read in conjunction with the Selected Information and associated statements reported on the Company’s website.

Limited Assurance Conclusion
As a result of our procedures, we have come to our conclusion that the Selected Information for the year ended 31 December 2015 and included in the Sustainability Report is free from material misstatement, whether due to fraud or error.

Report
We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than audits or reviews of historical financial information. This standard requires that we comply with ethical requirements to plan and perform the assurance engagement to obtain limited assurance on the Selected Information.

This report, including our conclusions, has been prepared solely for our work or this report except where terms are expressly reportable.

AO PricewaterhouseCoopers Audit
AO PricewaterhouseCoopers Audit
Moscow, Russia
13 April 2016

GRI G4 Content Index

GRI G4 General standard disclosures

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<td>Cover</td>
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<td>G4-4 Report the primary brands, products, and services</td>
<td>p. 6-7</td>
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<tr>
<td>G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report</td>
<td>inside front cover, p. 8-9, 22</td>
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<td>G4-9 Report the scale of the organisation</td>
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<td>p. 6, 38-40</td>
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<td>G4-11 Report the percentage of total employees covered by collective bargaining agreements</td>
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<td>G4-12 Describe the organisation’s supply chain</td>
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<tr>
<td>G4-13 Report any significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain</td>
<td>p. 4, 16</td>
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<tr>
<td>G4-14 Report whether and how the precautionary approach or principle is addressed by the organisation</td>
<td>p. 49</td>
<td></td>
</tr>
<tr>
<td>G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or with which it endorses</td>
<td>inside front cover, p. 13, 25, 37, 45, 53, 63</td>
<td></td>
</tr>
<tr>
<td>G4-16 List memberships of associations (such as industry associations) and national or international advocacy organisations</td>
<td>p. 57-58</td>
<td></td>
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Identified Material Aspects and Boundaries

<table>
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<td>G4-17 list all entities included in the organisation’s consolidated financial statements or equivalent documents</td>
<td>p. 8-9, 72</td>
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<tr>
<td>G4-17a List all entities included in the organisation’s consolidated financial statements or equivalent documents</td>
<td>p. 8-9, 72</td>
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<tr>
<td>G4-17b Report whether any entity included in the organisation’s consolidated financial statements or equivalent documents is not covered by the report</td>
<td>p. 8-9, 72</td>
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<tr>
<td>G4-18 Explain the processes for defining the report context and the Aspect Boundaries</td>
<td>inside front cover, p. 12-13, 22-23</td>
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<tr>
<td>G4-18a Explain the process for defining the report context</td>
<td>inside front cover</td>
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<td>G4-18b Explain the processes for defining the Aspect Boundaries</td>
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</tr>
<tr>
<td>G4-19 Explain how the organisation has implemented the Reporting Principles for Defining Report Content</td>
<td>p. 22</td>
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<tr>
<td>G4-19a Explain how the organisation has implemented the Reporting Principles for Defining Report Content</td>
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<td>G4-19b Explain how the organisation has implemented the Reporting Principles for Defining Report Content</td>
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<tr>
<td>G4-19c Explain how the organisation has implemented the Reporting Principles for Defining Report Content</td>
<td>p. 22</td>
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<tr>
<td>G4-20 List all the material Aspects identified in the process for defining report content</td>
<td>p. 22-23</td>
</tr>
<tr>
<td>G4-20a List all the material Aspects identified in the process for defining report content</td>
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<tr>
<td>G4-20b List all the material Aspects identified in the process for defining report content</td>
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* See Reportable segments on page 72.
GRI G4 General standard disclosures continued

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<td>G4-20 Report the material Aspect Boundary within the organisation</td>
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<td>p. 22-23, 72</td>
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<td>G4-20a For each material Aspect, report whether the Aspect is material within the organisation</td>
<td>5</td>
<td>p. 23</td>
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<tr>
<td>G4-20a If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches (if applicable):</td>
<td>5</td>
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<td>- The list of entities or groups of entities included in G4-17 for which the Aspect is not material or</td>
<td>5</td>
<td>p. 23</td>
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<tr>
<td>- The list of entities or groups of entities included in G4-17 for which the Aspect is material</td>
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<td>G4-20a Report any specific limitation regarding the Aspect Boundary within the organisation</td>
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<tr>
<td>G4-21 Report the material Aspect Boundary outside the organisation</td>
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<tr>
<td>G4-21a For each material Aspect, report whether the Aspect is material outside of the organisation</td>
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<tr>
<td>G4-21a If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material (optional)</td>
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<td>G4-21a If the Aspect is material outside of the organisation describe the geographical location where the Aspect is material for the entities identified (if applicable)</td>
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<td>G4-21a Report any specific limitation regarding the Aspect Boundary outside the organisation</td>
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<td>G4-22 Report the effect of any restatements of information provided in previous reports and the reasons for such restatements</td>
<td>5</td>
<td>In the footnote(s) on p. 28, 29, 30, 31, 33, 47, 64</td>
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<td>G4-22a Report the effect of any restatements of information provided in previous reports</td>
<td>5</td>
<td>In the footnote(s) on p. 28, 29, 30, 31, 33, 47, 64</td>
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<tr>
<td>G4-22a Report the reasons for such restatements</td>
<td>5</td>
<td>In the footnote(s) on p. 28, 29, 30, 31, 33, 47, 64</td>
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<td>G4-23 Report significant changes from previous reporting periods in the scope and Aspect Boundaries</td>
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<tr>
<td>G4-23a Report significant changes from previous reporting periods in thescope</td>
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<td>G4-23a Report significant changes from previous reporting periods in the Aspect Boundaries</td>
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<td>G4-24 Provide a list of stakeholders groups engaged by the organisation</td>
<td>1</td>
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<tr>
<td>G4-24a Provide a list of stakeholder groups engaged by the organisation</td>
<td>1</td>
<td>p. 20-21, 24, 36, 44, 50, 52, 62</td>
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<td>G4-25 Report the basis for identification and selection of stakeholders with whom to engage</td>
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<td>G4-25a Report the basis for identification of stakeholders with whom to engage</td>
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<td>G4-26 Report the organisation’s approach to stakeholder engagement</td>
<td>1</td>
<td>p. 12-13, 20-21, 26, 27, 28, 38, 46, 50, 54, 55, 64</td>
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<td>G4-26a Report the organisation’s approach to stakeholder engagement</td>
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<td>G4-26a Report the frequency of stakeholder engagement by stakeholder group</td>
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<td>G4-26a Indicate whether any of the engagement was undertaken specifically as part of the report preparation process</td>
<td>1</td>
<td>No specific engagement was undertaken</td>
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<td>G4-27 Report key topics and concerns that have been raised through stakeholder engagement</td>
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<td>p. 20-21, 26-27, 41, 50, 54-55, 56, 58, 64</td>
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<td>G4-27a Report key topics and concerns that have been raised through stakeholder engagement</td>
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<td>G4-27a Report how the organisation has responded to those key topics and concerns</td>
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<td>G4-27a Report how the organisation has responded to those key topics and concerns through reporting</td>
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<td>G4-27a Report the stakeholder groups that raised each of the key topics and concerns</td>
<td>1</td>
<td>p. 20-21, 26-27, 41, 50, 54-55, 56, 58, 64</td>
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* See Reportable segments on page 72.
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<td>Percentage and total volume of water recycled and reused</td>
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<td>Operations in protected areas or areas of high biodiversity</td>
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<td>G4-MM1</td>
<td>Amount of land disturbed or rehabilitated</td>
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<td>33, 34</td>
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<td>Emissions</td>
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<td>Energy indirect greenhouse gas (GHG) emissions</td>
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<td>Other indirect greenhouse gas (GHG) emissions</td>
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<td>G4-EN18</td>
<td>Greenhouse gas (GHG) emissions intensity</td>
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<td>G4-EN19</td>
<td>Reduction of greenhouse gas (GHG) emissions</td>
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<td>NOx, SOx, and other significant air emissions</td>
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<td>Effluents and waste productivity</td>
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<td>Total water discharge</td>
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<td>G4-EN23</td>
<td>Total weight of waste by type and disposal method</td>
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<td>G4-EN24</td>
<td>Total number and volume of significant spills</td>
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<td>G4-EN25</td>
<td>Weight of transported, imported, exported, or treated waste deemed hazardous</td>
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<td>G4-MM3</td>
<td>Total amounts of overburden, rock, fillings, and sludges</td>
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<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance</td>
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<td>G4-EN31</td>
<td>Environmental protection expenditures and investments</td>
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<td>New suppliers that were screened using environmental criteria</td>
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<td>G4-EN34</td>
<td>Number of grievances about environmental impacts</td>
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| Social                        | G4-DM1      | Disclosures on Management Approach  |        |             |
|                               |             |                                     |        |             |
|                               | G4-DA1      | Minimum notice periods regarding operational changes | 1  | 42         |
|                               |             |                                     |        |             |
| Occupational health and safety | G4-DM1    | Disclosures on Management Approach  |        |             |
|                               |             |                                     |        |             |
|                               | G4-DA1      | Minimum notice periods regarding operational changes | 1  | 42         |

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<td>Okhotskaya Mining and Exploration Company LLC</td>
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<td>Kuzul Mining and Geological Company LLC</td>
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### Abbreviations

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<tr>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<tr>
<td>eq</td>
<td>equivalent</td>
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<td>GE</td>
<td>gold equivalent</td>
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<td>IMN</td>
<td>Indigenous Minorities of the North</td>
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<td>JORC</td>
<td>Australasian Joint Ore Reserves Committee</td>
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<tr>
<td>NGO</td>
<td>non-governmental organisation</td>
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<td>PGM</td>
<td>platinum group metal</td>
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<td>POX</td>
<td>pressure oxidation</td>
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<tr>
<td>SE</td>
<td>silver equivalent</td>
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<tr>
<td>OZ or oz</td>
<td>troy ounce (31.1035 g)</td>
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<tr>
<td>t</td>
<td>tonne (1,000 kg)</td>
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<tr>
<td>tpd</td>
<td>tonnes per day</td>
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<td>million tonnes per annum</td>
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