



20 YEARS OF SUSTAINABLE DEVELOPMENT

Polymetal International plc
Sustainability Report 2017



Welcome to our Sustainability Report 2017

ABOUT THIS REPORT

Polymetal International's Sustainability Report 2017 covers Group-wide policies and activities at our operations in Russia, Kazakhstan and Armenia and presents information on our performance for the reporting period 1 January 2017 to 31 December 2017, plus comparative data for prior years.

The report follows Global Reporting Initiative (GRI) Sustainability Reporting Standards. PwC has assured the performance data relating to our most material economic, social and environmental impacts.

Please read more at www.polymetalinternational.com and get in touch at sustainability@polymetalinternational.com.

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THE GROUP CEO'S STATEMENT



“
When our environment and society flourish, our business can flourish. When they falter, our business will falter. Only by working in harmony with our surroundings can we thrive together.
 ”



Action expresses priorities

Welcome to our Sustainability Report, which marks Polymetal's 20th year of conducting business responsibly: two decades in which we have achieved tremendous success. We currently employ around 12,000 people at eight operations covering three countries and seven time zones. Of our employees, 20% are under 30, and more than 500 come from families who have worked at Polymetal for years.

Altogether we have produced almost 16.6 Moz of gold, and over 350 Moz of silver. We have discovered 20 mineral deposits, performed 2,200 km of exploration drilling, and developed over 550 km underground. Our current licensed area is the size of 1,000,000 football pitches. We were the first company in the former Soviet Union to use pressure oxidation technology (POX) for extracting gold from refractory concentrates, and the first in post-Soviet states to establish an in-house engineering and design centre.

Our achievements spread beyond Polymetal to the benefit of the wider community. We have repaired and equipped 20 hospitals, 39 sports facilities, and 126 schools and kindergartens for over 18,000 children. We have planted more than 7,000 trees and 11,000 flowers, released 825,000 fish spawn and cleaned 15 water bodies.

We believe that our ethos of giving to our people and local surroundings while creating value to shareholders has been central to our business success and is the only way forward. We are deeply committed to sustainability and continuous improvement, which translates into safer working conditions for people, responsible environmental management, support for our local communities, and growing economic value for our stakeholders. And for nine years, we have been a member of the UN Global Compact, which helps us to implement universal sustainability principles and take steps to support UN Sustainable Development Goals.

As Mahatma Gandhi said, "Action expresses priorities". We don't simply talk about the importance of sustainability – in this report, we are proud to illustrate how we have turned our priorities into action over the past two decades. We also highlight our most recent action and achievements from 2017.

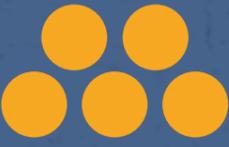
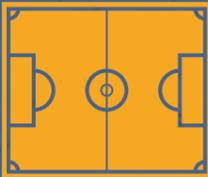
The Board and I are devoting considerable time and effort into making our business even more sustainable, and we are involved in sustainability issues across the Group. We cannot achieve our goals alone, and I would like to express our sincere thanks to our people, for their tireless commitment and dedication to making Polymetal the success that it is today. We would also like to thank our investors for their ongoing support, confidence, and invaluable feedback.

Looking forward to the next 20 years of sustainable business,

Vitaly Nesis
 Group Chief Executive Officer

20 YEARS OF CREATING VALUE

OPERATIONAL

<p>Built 12 plants and updated 3 plants</p> 	<p>Produced 16.6 Moz of gold, equal to 450,000 medals if they were made of pure gold</p> 	<p>Polymetal was the 1st company on the territory of the former USSR to use the technology of pressure oxidation for refractory gold-bearing concentrates.</p> 
<p>Produced 350 Moz of silver, equal to 73 Belaz trucks with load capacity of 136 tonnes</p> 	<p>20 fields (mineral deposits) were discovered</p> 	<p>2,200 km of boreholes were drilled</p> 
<p>Polymetal was the 1st company in CIS to establish its own engineering and design centre</p> 	<p>553,742 m of underground development, which equals almost 5 St Petersburg subways</p> 	<p>Today the company has 100 licences. Licensed area is 7,500 km² which equals more than 1,000,000 football pitches</p> 

SOCIAL

Polymetal repaired and equipped:

- 20** hospitals
- 126** schools and kindergarten (>18,000 children attend them)
- 39** sports facilities





GEOGRAPHY

We operate in **3** countries: Russia, Kazakhstan, Armenia across **7** time zones



ENVIRONMENTAL

- Polymetal planted **> 7,000** trees
- 11,000** flowers
- Released **825,000** fish spawn
- Cleaned **15** water bodies
- Every year **1,500** workers take part in cleaning events




EMPLOYEES

- > 500** mining families work in Polymetal
- Today in Polymetal **20%** of staff members are under 30
- More than **286** continuous improvement proposals were offered by workers and **186** were implemented
- In the company there are **around 12,000** people





THE SAFETY AND SUSTAINABILITY COMMITTEE CHAIR'S STATEMENT

“

For the past 20 years, Polymetal has been pioneering in the industry, prioritising safety, protecting the environment, valuing our employees, and supporting communities wherever we operate. When I look forward to the next 20 years, I am extremely optimistic.

”



OUR VALUES

Stewardship

We work to protect the environment, maximise the health, safety and well-being of employees, and respect the rights of all stakeholders affected by our operations.

Dialogue

We promote stakeholder dialogue based on openness, honesty and transparency.

Fairness

We show fairness, equality and respect to our employees and local communities.

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.

Effectiveness

We aim to be effective in everything that we do.

20 years of discovering

For the past two decades, Polymetal International has been exploring, doing and discovering. The journey hasn't always been easy, but we are fulfilling our vision, continuing to build a thriving and responsible mining business. We attribute our success to our focus on what is right – conducting business while prioritising health and safety, minimising our environmental impact, treating our employees fairly, and supporting local communities and the economy.

We were delighted to have our work in 2017 recognised externally. We were ranked first among environmentally responsible metals and mining companies in Russia by WWF and the UNDP. We were proud to be shortlisted in the British IR Magazine Awards for Best ESG Communications, and to win the award for Best Technology at the MINEX conference for our sustainable environment-friendly electrical vehicles. In addition, Sustainalytics positioned Polymetal in the 93rd percentile as an outperformer in the industry, ranking us first among our peers and fourth globally out of the 44 mining companies included in the report.

20 years prioritising safety

Nothing is more important to us than the safety, health and well-being of our employees and their families. No ounce of gold is worth risking a life or injury, and of all our company values, none is more important than this. Our commitment, above anything else, is to have no fatalities. Despite some improvements over previous years, we regrettably failed in that objective in 2017, with two fatalities, and it is clear we have more work to do in this area. Safety begins with preparation: anticipating incidents before they happen, and improving ongoing training to identify risks and respond appropriately when the unexpected happens.

Nevertheless, we have seen a visible improvement in our health and safety performance, with a 21% reduction in LTIFR compared to 2016, and a decrease in the number of fatalities from four to two. The Company believes these improvements are attributable to our efforts such as the implementation of our Critical Risks Management System,

reducing risks, and our commitment to the ultimate goal of zero fatalities at our operations.

20 years protecting the environment

We are committed to the protection of life, health and the environment for present and future generations. At every stage of the mining life cycle, we work to avoid, reduce or mitigate any negative environmental impacts. In 2017, we completed our energy study, with pilot projects on solar and wind sources to be launched in 2018. Our energy management system has been developed in accordance with ISO standards, and our climate change and carbon management system is currently under development. We have also expanded our water and waste management programmes.

20 years valuing employees

Our people are our greatest and most valued asset, working with enormous commitment to execute our strategy. In human resource management, we focus on increasing diversity and equal opportunities for women, decreasing labour turnover, and providing training and career development opportunities for employees. In 2017, collective bargaining agreements at Polymetal were extended where needed for a further three years, and we incorporated our Company's standards at newly acquired operations. Furthermore, we significantly improved our career development system and people programmes. Health initiatives, such as our HIV programmes, were also launched at the most exposed operations. 2018 is the 70th anniversary of the Declaration of Human Rights and we will mark this year with a widespread training programme for our employees on the importance of human rights.

20 years supporting local communities

Our vision is to generate wealth through responsible mining for the countries and communities where we operate. We want to increase our positive impact on society. In 2017, we organised and held inaugural annual meetings with local residents in our new regions of operation (Armenia and Yakutia). We signed four additional socio-economic community agreements in three new regions of operation. Significant progress in developing our corporate volunteering activities resulted in increased employee involvement in charity events. In addition, we implemented our Community Engagement Standards at all our operations, and updated our Social Investments and Donations Policy.

The next 20 years

Sustainability is a journey – we have made good progress, and are continuously looking at ways we can improve and grow our operations. Looking forwards, as we work towards our priority areas, we will continue to engage all our stakeholders – whether they are investors, NGOs, or local, regional or national authorities – and listen to their feedback.

In the years to come, we will continue our journey of continuous growth and improvement, building a thriving and responsible business.

Len Homeniuk

Len Homeniuk
Chair of the Safety and Sustainability Committee

RECOGNITIONS OF OUR EFFORTS

Achievements

- > 1st place in environmental responsibility rating for metals and mining companies in Russia by WWF and UNDP
- > 1st for labour productivity among biggest Russian metals and mining companies by Vedomosti
- > Polymetal became an ACCA approved employer

Awards

- > Best Technology Award at the Russian Mining Excellence Awards at the MINEX Russia 2017 Forum
- > Polymetal was shortlisted in the Best Remuneration Report category of the ICSA Awards 2017
- > Polymetal was shortlisted for Best ESG Communications at the IR Magazine Awards – Europe 2017
- > Okhotsk hub operations received the Best Industrial Safety Award in the Okhotsk Region from local government bodies
- > Omolon hub operations ranked 2nd for our measures to decrease injury and occupational diseases rate in the Magadan region
- > Polymetal awarded Best Social Partnership at 'Sponsor of the year in city of Magadan' contest
- > Varvara awarded Best Environmental Development in Annual Paryz CSR business contest
- > Kyzyl awarded best social partner in the Zharmin region and Best Socially Responsible Company of the year in East Kazakhstan

Partnerships

- > Voro supported conference on green tech for sustainable development (InnoProm exhibition 2017)
- > Polymetal supported Vacancies market conference as part of the Abilympics 2017 professional contest for people with disabilities in the Khabarovsk region
- > Polymetal supported International Donor Day by funding a blood testing station

Our people

- > 6 employees received Mine Pioneer Award for discovering Viksha deposit by Ministry of Natural Resources and Environment
- > Our Chief Sustainability Officer included in Top 50 best CSR managers by RBC
- > Our legal director included in Top 100 GC Powerlist by The Legal 500

Letters of gratitude

- > We received 105 letters of gratitude from local community groups, NGOs, IMN groups and local authorities in the regions where we operate

AT A GLANCE

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 eight producing mines, an impressive pipeline of future growth projects, and is a major employer in the regions where we operate.

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.

KEY FACTS 2017

Operating assets 8 	Employees 11,919 	Community investment (US\$) 11.7m 
Gold equivalent production 1.43 Moz 	LTIFR 0.15 	Environmental incidents 0 
Sales revenue (US\$) 1,815m 	Employee turnover 5.4% 	Environmental investments (US\$) 25m 

INTERNATIONAL STANDARDS

We comply with leading international codes and standards to ensure our operations follow sustainability best practice wherever possible.



SUSTAINABILITY HIGHLIGHTS 2017

> Over 100 social service and child-care institutions constructed, renovated or upgraded in host communities



> Stakeholder engagement improved: materiality assessment and personnel satisfaction studies conducted



> Empowering women: 50% of key future managers awarded at the Polymetal scientific conference are female



> Employee turnover rate decreased to 5.4%



> Developed climate strategy and energy management system and started to use renewable energy



> LTIFR decreased by 21% and critical risk management system implemented



> Top rating in environmental responsibility by WWF and UNDP



> Supply chain: new long-term partnerships and scoring system



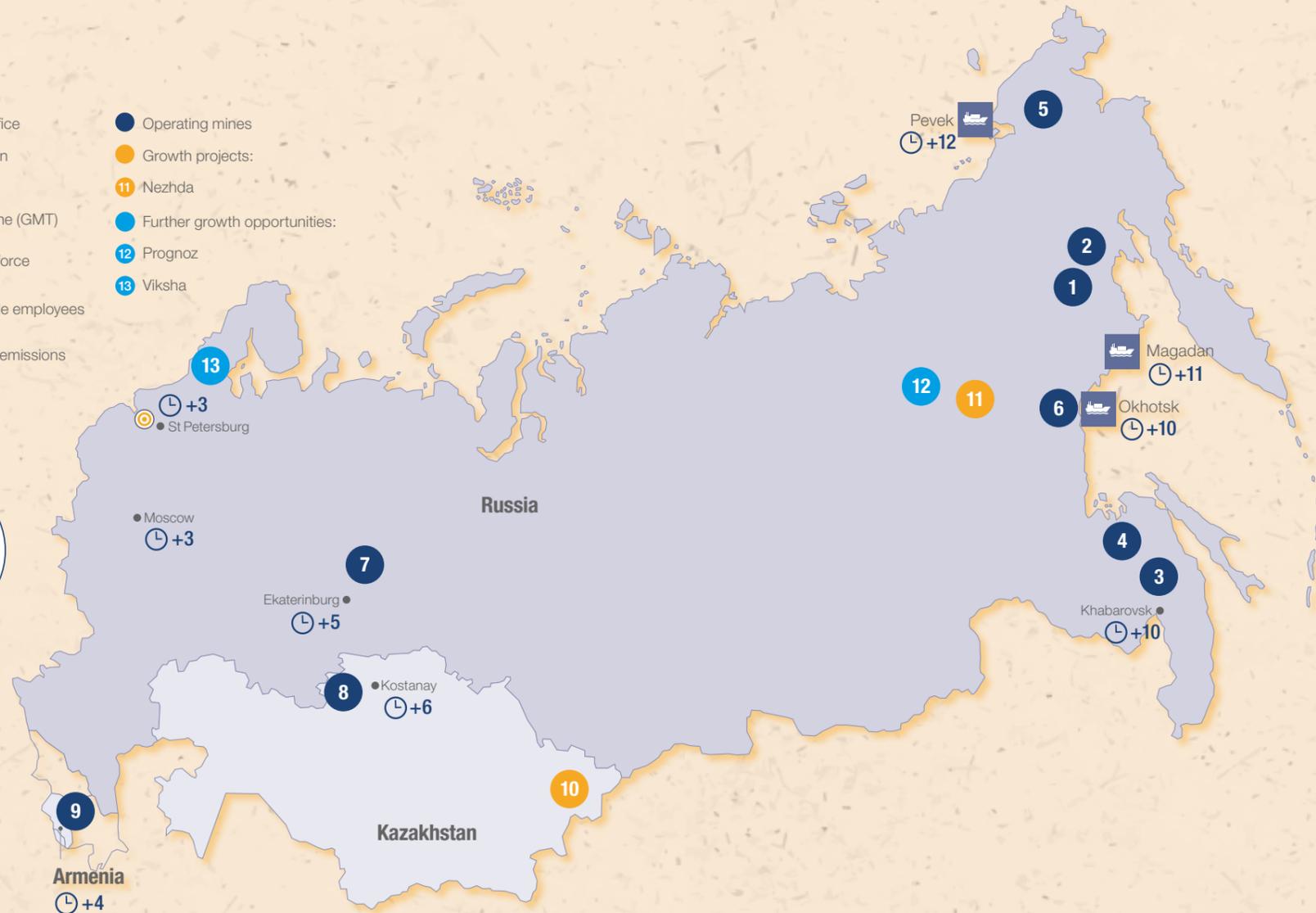
> Improved corporate charity and volunteering



WHERE WE OPERATE

Bringing significant investment and support to our regional communities and remote locations.

- Head office
- City/town
- Seaport
- Time zone (GMT)
- Workforce
- Female employees
- GHG emissions
- Operating mines
- Growth projects:
 - Nezhda
 - Further growth opportunities:
 - Prognoz
 - Viksha



Support for children's sports teams



7 VORO

Climate and economic context

- Railway connection with a Group-owned spur located 18 km from the site. The site has access to a power grid station.
- Very humid and cool summers (400–550 mm of rain) and cold winters with the average temperature -20°C (to -50°C).



Construction of sports grounds and support of a local sports contest



8 VARVARA

Climate and economic context

- 13 km railway spur to facilitate bulk transportation of ores from other deposits to the Varvara processing plant.
- Unpredictable weather with 24h changes from +10°C to -5°C, very windy and cold winters (-45°C) and very hot and dry summers (+40°C).



Cleaning of river bed



9 KAPAN

Climate and economic context

- Located 320 km from the capital city of Yerevan.
- The climate is highland continental, dry with four seasons. Temperatures can vary considerably: +25°C in summer to -5°C in winter.



Provision of equipment for medical ambulance station



10 KYZYL

Climate and economic context

- Located in a traditional mining region with good infrastructure including easy access to power and rail; 75 km west of the mining and metallurgical industry centre of Oskemen.
- ESIA completed in 2016. Our first resettlement experience was successful.



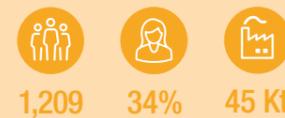
Construction of city sports arena



6 OKHOTSK HUB

Climate and economic context

- Located in a very sparsely populated area covered with taiga forest.
- The seaport of Okhotsk is 118 km to the south and can be accessed by an unpaved road.



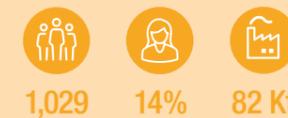
Support for reindeer herders and minorities' language conservation



5 MAYSKOYE

Climate and economic context

- Accessible all year round via 187 km of improved unpaved road from the town of Pevek (major seaport operating from July to early November).
- Harsh climate: -18°C to -42°C (-60°C) in winter, wind up to 40–80 m/sec.



Construction of sports and play grounds



3 4 AMURSK/ALBAZINO

Climate and economic context

- Albazino is located in a remote area covered with taiga forest, at times accessible only by ferry (summer period) or helicopter. Electricity is generated on-site by diesel-powered generators.
- Amursk POX is located in the city.
- Climate is very humid with -40°C in winter and +30°C in summer.



Kindergarten repairs



1 DUKAT HUB

Climate and economic context

- No railways; accessible by sea and auto transport
- Severe climate, with long, cold winters (-40°C) and short and humid summers (+25°C). The surrounding area is very sparsely populated and mostly covered with tundra forests.



Eco agriculture project Pomidorro



2 OMOLON HUB

Climate and economic context

- Located in remote, unpopulated areas mostly covered with taiga forest and with only seasonal access available.
- Land transportation between production sites is only possible during winter. In summer, access is available only by light aircraft or helicopter.



BUSINESS MODEL

Our business model achieves positive outcomes for our stakeholders: the strength of our capital, how we manage our assets and the differentiators that make us successful.

OUR STRATEGY

1. Pay significant and sustainable dividends through the cycle

2. Continue to grow our business without diluting its quality

- > Deliver robust operating and financial performance at existing mines through cost control and reserve replacement
- > Deliver medium-term growth through building and ramping up Kyzyl
- > Build and advance long-term growth pipeline through opportunistic M&A and greenfield exploration
- > Maintain high standards of corporate governance and sustainable development

OUR CAPITAL OUR BUSINESS WHAT MAKES US DIFFERENT VALUE CREATED

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.

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

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

Natural
Portfolio of high-grade reserves; water, energy and fuel to run our operations.

Human
11,919 employees; attracting and retaining high-potential employees across Russia, Kazakhstan and Armenia; nurturing young leaders to manage further growth.

Social and relationship
Constructive relationships with local governments and communities; transparent and productive dialogue with stakeholders.



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 we return free cash flow to shareholders through substantial dividend payments while retaining a safe leverage level.

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 reducing capital spending per ounce. This facilitates production at otherwise uneconomical medium- and small-sized near-plant deposits.

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 are recognised as sustainability leaders in the countries in which we operate, adopting best practice in nurturing relationships with all our stakeholders in government, industry and the communities.

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.

Shareholders We deliver a sustainable dividend stream.	Dividends (US\$) 189m proposed for 2017
Other capital providers We have an excellent credit history and strong partnerships within financial markets.	Average cost of debt in 2017 (%) 3.96
Employees We provide competitive remuneration, which is above the regional average, and comfortable working conditions, as well as stimulating career development opportunities.	11,919
Suppliers We provide fair terms and have established long-term and mutually beneficial partnerships, while ensuring suppliers' integrity and ESG compliance.	Over 4,500 potential contractors audited for ethical principles and anti-corruption policies
Local 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.	Investments in social projects (US\$) 11.7m
State authorities We contribute to the national wealth and are a significant tax payer in the regions of operation, supporting local government's social projects.	Taxes paid (US\$) 143m

OUR APPROACH

Our approach to sustainability is based on complying with international standards and best practice, rigorous risk management, regular consultation with all our stakeholders, and responding to the most material issues for our business.

We identify focus areas by consulting with our stakeholders about issues they care about, and by assessing risks. As a result, we have highlighted six areas where we focus our sustainability efforts. These include health and safety, community relations, employee relations, protecting the environment, transparency in our partnerships, and specific water and energy efficiency programmes.

In 2017, we were delighted that the FTSE4Good Index awarded Polymetal with the highest score (5/5) for Corporate Governance and Anti-Corruption, while our overall ESG Rating ICB Supersector Relative Percentile further improved to 84/100 (2016: 77/100).

HOW WE IDENTIFY FOCUS AREAS



SUSTAINABILITY FOCUS AREAS

Following our materiality analysis and stakeholder engagement processes, we have defined core focus areas. These are:

1

Improving health and safety for our employees and contractors
(see Health and Safety section)

2

Maintaining positive working relationships with local government, NGOs and the communities where we operate
(see Economic and Communities sections)

3

Attracting and retaining more high-quality people, creating an even better place to work
(see Employees section)

4

Continuously upgrading our technologies and approach to environmental protection
(see Environment section)

5

Enhancing transparency in our communications with suppliers, contractors and partners
(see Overview)

6

Further developing water and energy efficiency programmes
(see Environment section)

A WORD FROM OUR CHIEF SUSTAINABILITY OFFICER

“
It is rewarding to see all of our efforts and commitment being recognised, among others by the FTSE4Good Index and WWF. We aim for the highest standards in all that we do.
”



After two decades of doing business, I am proud that Polymetal continues to be a leading player in the industry, both in terms of business results and sustainability. We take a responsible approach to all areas of our work, frequently engaging all our stakeholder groups, minimising risks, and monitoring our policies, practices and performance to ensure we continue to follow the highest standards.

It is rewarding to see all of our efforts and commitment being recognised, most recently by the FTSE4Good Index and ICB. We aim for the highest standards in all that we do. That is why we signed up to the **UN's Global Compact** (UNGC) voluntarily back in 2009. In fact, our sustainability strategy is designed to meet the principles of the UNGC. We comply with the Ten Principles relating to the environment, labour, human rights and anti-corruption, and participate in the UN Global Compact Network Russia.

Alongside our corporate values of dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness, the Ten Principles help inform our sustainability policies.

These are agreed by central management and implemented Groupwide, and we benchmark our performance against the most up-to-date regulatory requirements through regular monitoring and auditing.

We also comply with other leading international codes and standards, and uphold our own internal policies and standards. We communicate these across the Group, so our people know what is expected of them in every area of their work.

In the following pages, you can read about how we manage sustainability, risks, materiality and stakeholder engagement, and how our work supports the UN's Sustainable Development Goals. 20 years from now, we want to be able to look back on our contribution to society and be as proud of our commitment to sustainability as we are today.

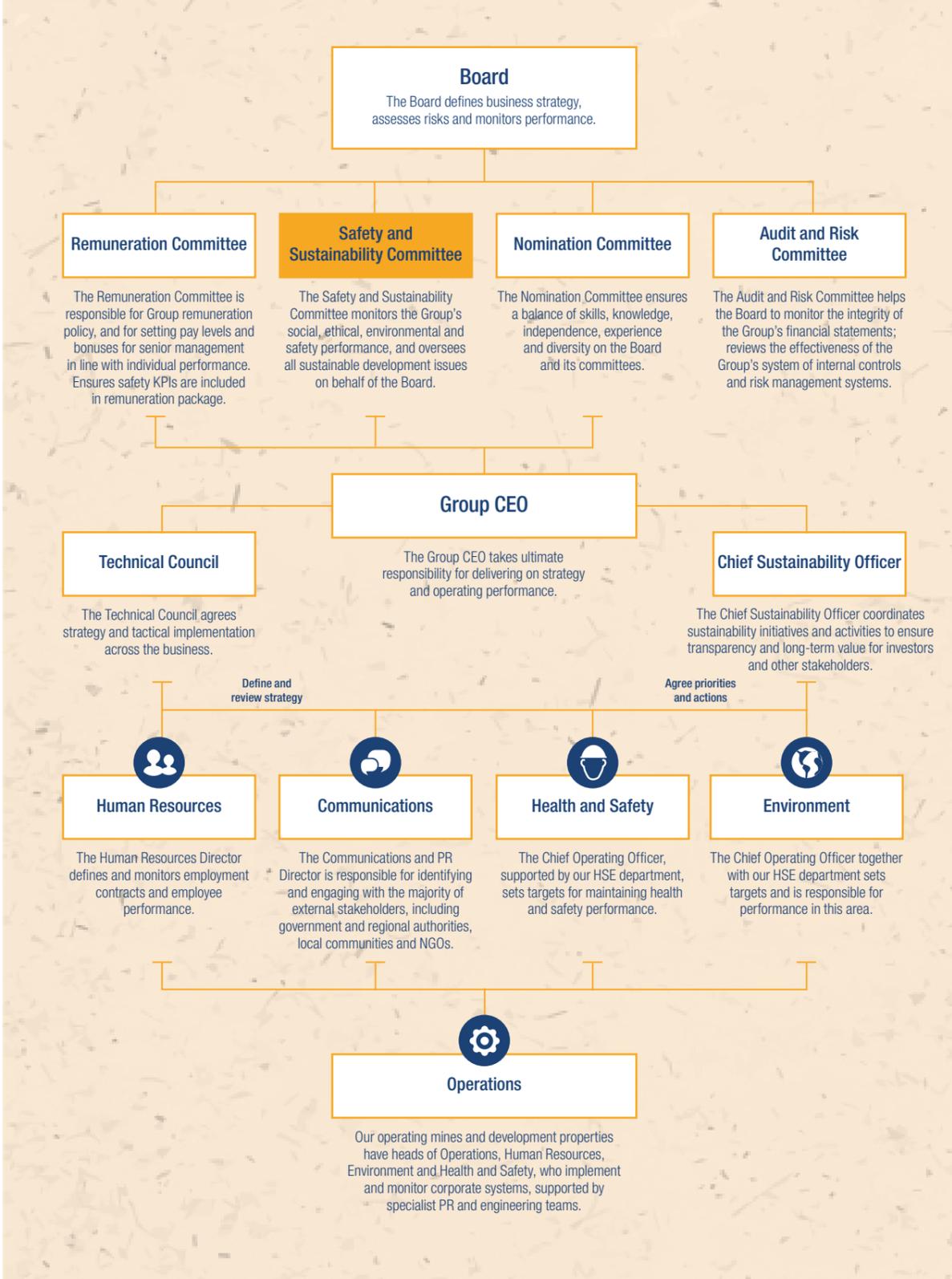
Daria Goncharova
Chief Sustainability Officer

SUSTAINABILITY STANDARDS

INTERNAL STANDARDS		EXTERNAL STANDARDS	
<ul style="list-style-type: none"> Safety and Sustainability Committee terms of reference Sustainability values Code of Conduct Political and Charitable Donations Policy Policy on Social Investment Community Engagement System 	<ul style="list-style-type: none"> Anti-Bribery and Corruption Policy Human Rights Policy Health and Safety Policy Environmental Management Policy Carbon Management Policy Human Resources policies Employee development and training standards 	<ul style="list-style-type: none"> UN Global Compact EBRD Environmental and Social Policy (ESP) GRI Sustainability Reporting Standards 	<ul style="list-style-type: none"> UK Corporate Governance Code International Cyanide Management Code ISO 14001:2001 OHSAS 18001

HOW WE MANAGE SUSTAINABILITY

GOVERNANCE FRAMEWORK



Sustainability leadership

Responsibility for sustainability lies with our senior management and Board-level committees, reflecting its centrality and importance within the Company.

Role of our Board and Group CEO

Ultimate responsibility for sustainability lies with our Board of Directors. Our Group CEO, Vitaly Nesis, oversees all local management decisions and processes, and sustainability performance reviews take place at Board meetings several times a year. The Board approves sustainability strategy initiatives and has final sign-off on our sustainability reports.

We act in full compliance with the UK Corporate Governance Code. As of the date of this report's publication, the Company's Board comprises the non-executive Chair, one executive Director and nine non-executive Directors. Excluding the Chair, six members of the Board are independent non-executive Directors. The Chair 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. Additional information on our Board is included in the Governance section of our Annual Report.

Safety and Sustainability Committee

Embed and integrate

In 2015, we established our Safety and Sustainability Committee. This provides support to the Board by monitoring the Group's safety record, sustainability performance and ethical conduct. The Committee oversees the Company's overall approach to sustainability, developing and implementing short and long-term policies and standards. It ensures that we consistently exhibit and promote ethical, transparent and responsible behaviour, and regularly engage key stakeholders and communities.

To address safety, the Committee has been working hard to implement major improvements to risk management procedures to achieve our goal of zero fatalities. The Committee measures the impact of our initiatives, and helps the Audit and Risk Committee identify, manage and mitigate sustainability risks (see page 16).

In 2017, the Safety and Sustainability Committee held six meetings and one additional joint meeting with the Audit and Risk Committee. During Committee meetings it reviewed: circumstances of all accidents that took place; H&S plan implementation and its impact on overall safety; sustainability strategy, progress and plans; use of renewable energy; various policies; and performance, including results of externally facilitated evaluation. Jointly with the Audit Committee, it discussed results of a significant risks review performed by the Company's Internal Audit Department, and received a tailings storage facility update.

The Committee is supported by the Technical Council, which meets regularly to assess progress on our sustainability targets. All superintendents report to the Technical Council, giving senior management an opportunity to input on sustainability issues.

Remuneration Committee

Align values and incentives

The Remuneration Committee determines the framework and broad policy for the remuneration of the Chair, Group Chief Executive, and any other members of the executive management team. With sustainable shareholder value creation as its guiding principle, the Remuneration Committee works to ensure that Directors and senior managers are fairly rewarded for responsibilities they successfully undertake. It ensures pay levels and bonuses are in line with our overall health and safety performance. Focus on safety KPIs within senior management remuneration continues to be high. This includes remuneration for the Group CEO, COO, and the Managing Directors of Operations and cascades down throughout the Group.

Nomination Committee

Ensure a balance of skills and diversity

The Nomination Committee is responsible for making recommendations on the composition of the Board and its committees. It ensures a balance of skills, knowledge, independence, experience and diversity and promotes healthy corporate culture. Regularly reviewing leadership needs and priorities, the Nomination Committee ensures the Group can continue to compete effectively in the marketplace. It also leads evaluation of the Board and non-executive Directors.

Audit and Risk Committee

Risk management

The Audit and Risk Committee is a fully independent body, comprising independent non-executive Directors with relevant skills and experience in financial reporting and risk management. It actively encourages a commitment to discipline right across the business, which is very much in line with Polymetal's overall approach to governance. The Committee focuses on ensuring the consistent quality of reporting, internal control and risk management processes that, in turn, warrant the objectivity and transparency of the Company's financial statements.

HOW WE MANAGE SUSTAINABILITY MANAGING OUR RISKS

Polymetal has developed a risk management system, which is an essential element in creating sustainable value for stakeholders. We are committed to minimising risks to our people, local communities and the environment through accurate and timely risk identification and effective mitigation activities.

At Polymetal, we maintain a robust and sustainability-conscious risk management framework, which ensures that risks are properly identified, assessed against tolerance levels and appropriately managed across the Group. Our risk management system is designed to minimise potential threats to achieving our strategic objectives. The process is

underpinned by a bottom-up approach and examined from a top-down perspective, ensuring adequate involvement of the Board and executive management, and alignment with the Company's strategy.

Our management collectively identifies all business risks. Our Board of Directors then takes responsibility for monitoring these risks and ensuring they are managed effectively. The Board's Audit and Risk Committee develops and oversees implementation of our risk management strategies. These are informed by our stakeholder engagement – with government agencies, employees, local communities, NGOs, and the financial community, as well as our suppliers and customers.

RISK MANAGEMENT RESPONSIBILITIES

BOARD OF DIRECTORS, AUDIT AND RISK COMMITTEE OF THE BOARD	GROUP CEO AND TECHNICAL COUNCIL	INTERNAL AUDIT DEPARTMENT	OPERATIONAL MANAGERS
Monitor and control risk management efficiency, approve risk management policies and guidelines, review risk management strategy and risk reports, take responsibility for key risk identification	Identify risks to the business and associated management operations	Define and monitor the risk management process and mitigation tools and actions, prepare risk reports	Identify and evaluate everyday risks and report them, implement risk mitigation programmes

OUR KEY RISKS

Sustainability risk

Sustainability risk management is part of our overall risk management system. The priority for our sustainability framework is identifying and managing key risks. Safety and environmental risks are considered to be some of our critical risks.

ENVIRONMENTAL RISKS	SAFETY RISK	SOCIAL RISKS	ECONOMIC RISKS
Environmental risks include technological (exceeding emissions, contamination, spillages or releases into the environment, and fails in processes); natural risks (temperature change, floods, storms); and regulatory risks (compliance and changes to regulations, complying with regulatory bodies, over limit penalties, violation of waste disposal rules, and non-compliance with other conditions). Please read more in our Environment section.	We have a zero target for fatalities and strive to reduce injuries. We use risk assessment cards to continuously record and estimate risks and the measures taken by management to mitigate them. We also have a dedicated in-house Audit Department to monitor the safety system, which is certified in compliance with international standards by external independent auditors. Please read more in our Health and Safety section.	We pay particular attention to social risks management. These include risks related to communities, employees and supply chain. Building positive relationships with local communities is essential when implementing large-scale investment projects and getting a licence to operate. There is also the risk of failing to demonstrate shared value or to deliver on commitments. Please read more in our Community section	We also depend on suppliers and contractors, who can delay deliveries of essential components and affect production terms. We have expanded measures to respond to such risks. Please read more in our Economic section.

A broader discussion of our risk factors and management approach is included in our Annual Report 2017.

MATERIALITY

Stakeholder engagement and materiality

To select key issues for inclusion in our sustainability strategy, we must understand our stakeholders' views. So we engage with all of our stakeholders, including governments, local organisations and communities, our employees, suppliers and contractors, as well as investors and financial institutions.

We conduct stakeholder mapping to identify the stakeholders on whom we have the biggest impact. We then identify issues and concerns they raise, and engage with our shareholders' CSR teams to inform our decision-making process.

We regularly carry out a 'materiality assessment' of internal and external stakeholders in accordance with GRI Standards. This helps us prioritise key sustainability risks. We use a consistent methodology, based on internal and external data sources, to score against each issue. Material topics are relevant to all parts of our Group.

In 2017, we explained the GRI process and asked stakeholders to complete a survey about their views on Polymetal's and/or our partners' activities. Results showed that internal and external stakeholders care most about economic performance.

Occupational health and safety and emissions, effluents and waste are high priorities for investors, suppliers and contractors. However, employees and local residents ranked these lower. Environmental management and engaging with local communities were ranked highly by local communities, investors, customers and employees, while suppliers consider these medium priority (their top concern is legal compliance).

In 2018, we will evaluate our assessment and ensure all priorities are being addressed effectively.

MATERIAL TOPICS



● High material topics (reported in both AR and SR) ● Material topics (reported in SR) ● Other important topics (reported through other channels).

STAKEHOLDER ENGAGEMENT

We are committed to regular, meaningful and transparent stakeholder engagement. Using a range of communication 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.

STAKEHOLDERS	WHY THEY ARE IMPORTANT TO US	WHO IS RESPONSIBLE WITHIN POLYMETAL	CHANNELS OF ENGAGEMENT	MATERIAL ISSUES
SHAREHOLDERS 	<p>As a company, Polymetal exists to create sustainable value for shareholders.</p> <p>In turn, our shareholders and investors provide us with the capital we need to develop and expand our operations.</p>	<ul style="list-style-type: none"> Board Group CEO Chief Financial Officer Chief Sustainability Officer IR team 	<ul style="list-style-type: none"> AGM/GM Annual and Sustainability Reports Investor conferences and one-to-one meetings Presentations/conference calls Site visits Direct correspondence 	<ul style="list-style-type: none"> Financial, operational and sustainability performance Dividends Regulation, economics and politics Mergers and acquisitions Labour Health and safety Compliance with international environmental standards
EMPLOYEES 	<p>Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skill.</p> <p>We hire the most talented staff and invest significantly in their training and development. We also work hard to provide a safe environment for them.</p>	<ul style="list-style-type: none"> Group CEO Chief Financial Officer Human Resources team Health and Safety team Communications team Operations directors and chief engineers 	<ul style="list-style-type: none"> Employee opinion polls and questionnaires Workers' councils Internal hotline, website, suggestion boxes and grievance mechanisms Meetings and face-to-face communication with management Performance reviews Annual direct line with the Group CEO 	<ul style="list-style-type: none"> Wages, benefits and social packages Working and living conditions Health and safety Career progression and opportunities Social needs Training, development and education
SUPPLIERS AND CONTRACTORS 	<p>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.</p> <p>In collaboration with our contract partners, we work to ensure compliance with environmental and safety standards across the Polymetal supply chain.</p>	<ul style="list-style-type: none"> All production departments Legal team Polymetal Trading and procurement teams within operations 	<ul style="list-style-type: none"> Direct correspondence Contractual relationships Meetings and trainings Compliance audits with Polymetal's requirements with focus on safety 	<ul style="list-style-type: none"> Financial performance Open and fair relations Health and safety Regulation Impact on environment, human rights and society
GOVERNMENT AND INDUSTRY AUTHORITIES 	<p>We maintain good relations with the national and local governments under whose jurisdictions we operate.</p> <p>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.</p>	<ul style="list-style-type: none"> Group CEO Managing directors at our operations GR team Communications team Legal team 	<ul style="list-style-type: none"> Working groups Meetings Direct correspondence Industry conferences 	<ul style="list-style-type: none"> Regulatory compliance Taxes Labour issues Health and safety Environmental protection Infrastructure and local development
COMMUNITIES AND NGOS 	<p>Polymetal depends upon communities and NGOs for its licence to operate in specific localities and regions.</p> <p>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.</p>	<ul style="list-style-type: none"> Communications and PR team 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Investment Employment Infrastructure development Environmental and health impacts Local culture, lifestyle, language and traditions

SUSTAINABLE DEVELOPMENT GOALS

In January 2016, the United Nations launched the 2030 Agenda for Sustainable Development. 17 Sustainable Development Goals (SDGs), consisting of 169 targets, aim to wipe out poverty, fight inequality and tackle climate change. We are playing our part, and have aligned our business strategy with the SDGs.



We provide decent work to people by full and productive employment to fight against poverty, support of local/IMN communities and charity activities.

We ensure equal employment and remuneration for local communities.



We are proud of maintaining full gender equality and empowering women in Polymetal. This year, we actively promoted female employees, and will try to progressively achieve greater equality.



We ensure healthy workplaces and promote well-being as well as creating safe working environments.

The health and safety of our people is our top priority. No ounce of gold is worth a human life. Our ambition is to create a workplace without fatalities, injuries or occupational diseases.



Water is essential to our business and host communities. We are committed to minimising the volume and impact of liquid discharged into watercourses in accordance with local legislation and target indicators. Every year we substantially increase water use efficiency through our water efficiency and water management programmes.



We provide learning opportunities for all and invest in education of communities and our employees by donating money to schools, cooperating with colleges and universities, providing internships and training our employees.



We provide economic growth by creating processing hubs and ensuring further scale-up, and we are a significant taxpayer.

Our business activities make a significant contribution to the national and local economies in which we operate. We provide economic growth by creating processing hubs, ensuring further scale-up, providing new jobs and by paying high taxes.



We support life on land by restoring land, planting forests and preventing biodiversity loss.

In 2017, we held various events devoted to environmental protection and initiatives on biodiversity conservation.



We build and support infrastructure projects.



We drive efficiency in material use and monitor all production processes.



We are aware of climate change and demonstrate our commitment by implementing our Carbon Management Policy and cooperating with the Carbon Disclosure Project.



We promote responsible business and societies by applying best practices in business ethics and corporate governance.

We take measures to reduce our impact of waste and air emissions on the environment and host communities.



We strive to revitalise global partnerships for sustainable development by supporting the UN Global Compact with its Ten Principles and other international and local organisations and initiatives.

We have effective anti-bribery and anti-corruption policies. By upholding our commitment to ethical business practices, we seek to maintain our reputation and meet our long-term objectives.

OUR PERFORMANCE

SUSTAINABILITY GOALS	2017 OUTCOMES
GOVERNANCE	
Recognition	<ul style="list-style-type: none"> Headed rankings of environmentally responsible metals and mining companies by WWF and UNDP Achieved higher scores from Sustainalytics, MSCI and Robecosam (Dow Jones Sustainability Index) Reaffirmed as a FTSE4Good and Euronext Vigeo member
Ensure high standards of corporate governance and sustainable development	<ul style="list-style-type: none"> Conducted comprehensive materiality assessment together with our stakeholders Prepared first report for ESAP progress at Kyzyl for EBRD in compliance with IFC requirements Intensified our anti-corruption training, increasing total number of people trained and number of seminars
ENVIRONMENT	
Reduce our environmental footprint	<ul style="list-style-type: none"> Updated our Environmental Management System in compliance with updated version of ISO 14001:2015 and prepared for compliance audit in 2018 Developed our Climate Strategy 2020 and carbon management programmes Implemented Energy Management System designed in compliance with ISO Developed Mine Closure Standard and Tailing Management System with implementation in 2018
EMPLOYEES	
Embed robust safety procedures and safeguard employee well-being	<ul style="list-style-type: none"> Completed implementing Critical Risks Management System, safeguarding employee well-being Continued Group recertification of safety system in compliance with OHSAS 18001 Equipped our vehicles and mining fleet with safety tools and devices Allocated responsibilities for safety performance to relevant employees and linked remuneration to it
Build a motivated, loyal and capable workforce	<ul style="list-style-type: none"> Marginally decreased staff turnover rate from 5.5% to 5.4% Developed new training programmes, procedures and courses; invested US\$ 1,474 thousand in professional training Extended collective bargaining agreement at Voro Increased budget for employee financial aid in 2017 twofold
COMMUNITIES	
Maintain strong links and relationships in the regions where we operate	<ul style="list-style-type: none"> Started dialogue with communities living close to our new operations and signed four cooperation agreements with them, in addition to the 26 active agreements currently in place Invested US\$11.7 million in social support and territorial development programmes; provided assistance to over 100 social care institutions and facilities (schools, kindergartens, health centres, sports and cultural facilities) Supported and promoted charity campaigns together with our 1,000 employees, aimed at helping vulnerable groups; provided targeted assistance to over 1,000 people Increased corporate volunteering, with 54% of personnel willing to participate in events
ECONOMIC	
Ensure financial stability and shareholder returns	<ul style="list-style-type: none"> Generated a healthy free cash flow of US\$143 million; coupled with a strong balance sheet this translated into cash returns for our investors
Maintain excellent working relationships with suppliers	<ul style="list-style-type: none"> Switched to long-term partnerships by using long-term contracts with suppliers selected in transparent and open tenders, including local suppliers Developed scorecards for supplier assessments to make selection process more targeted and efficient
Pursue further growth opportunities	<ul style="list-style-type: none"> Secured an option to consolidate 100% in Nezhda, its joint venture in Yakutia (Russia) for development of high-grade refractory gold deposit Acquired 5% share of Prognoz, the largest undeveloped primary silver deposit in Russia Acquired Primorskoye mine



20 years protecting the environment

We strive to put the environment at the heart of all our activities, minimising our environmental impact and achieving greater efficiencies across the Group. We do this through continuous improvement, innovation, and, above all, the tireless efforts of our people.



Salt licks for Mayskoye wild deer

In the Chukotka region, nearly 200 km of salt licks were prepared for the wildlife of the tundra forests surrounding the Mayskoye site. Polymetal's Environmental team designed the salt licks to boost nutrition and local employees volunteered their time to place them along the migration paths used by the region's wild deer. There are plans to expand this programme in future years.

Annual Litter Scavenger Hunt

For the past four years, we have held an annual Litter Scavenger Hunt. Every Polymetal employee who wants to make a visible improvement to his or her little corner of the world is invited to join in. Participants are challenged not only to pick up litter but also to find something of interest during their town clean up. We also hold a 'recycled crafts' contest, where our people have to create a work of art using a piece of 'litter', an 'Eco bird feeders' contest (creating homemade bird feeders), and 'Eco bird house' project.



Ekaterina Gorohova

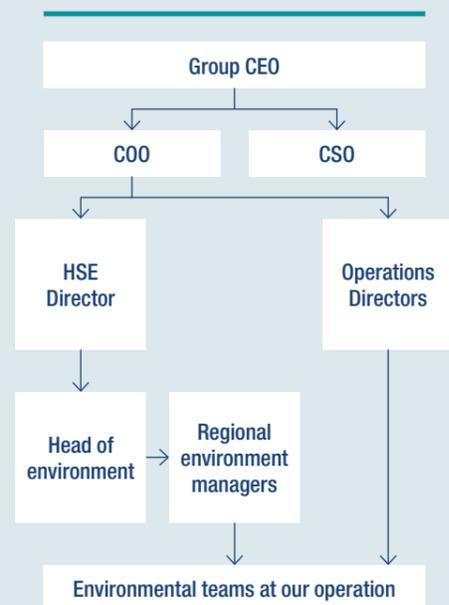
Laboratory supervisor, Dukat

Ekaterina Gorohova (pictured on left) is the supervisor of a laboratory at the Dukat hub dedicated to environmental control and industrial sanitation. The laboratory continually evaluates the quality of air and water samples taken from around the Dukat site. In addition to her work, Ekaterina has also had over two dozen scientific papers published in Russian, German and Greek academic journals.



“ We focus on improving controls to prevent potential environmental incidents, and on integrating environmental consciousness into core business processes. ”

Andrey Savchenko
HSE Director



Our approach

Central to running a sustainable business is being mindful of environmental responsibility. Over the past two decades, our systems have been designed to protect both human health and the environment, and we are continually learning and adapting. We ensure that environmental aspects are taken into consideration when designing, constructing and operating our mines and processing facilities.

As with all mining companies, our work involves a number of environmental risks. Our Environment Policy focuses on continuous improvement, risk reduction, best practice and compliance. It also covers managing key environmental issues, including incident and emergency control and the use of environmentally friendly materials.

Our Group-wide Environmental Management System (EMS) helps us manage these risks, driving resource and energy efficiency across the business. We use modern, efficient equipment and technologies to minimise pollution, and engage employees on environmental issues. In 2017, we updated our EMS to the requirements of international standard ISO 14001:2015. All our production sites are certified for compliance with ISO 14001:2006, and a certification audit of our updated system (since the 2015 version) will be held in 2018.

Training is critical to ensure our people are up-to-date on key environmental issues. We encourage our environmental managers to participate in courses on topics such as environmental management, water quality assessment, hazardous waste, environmental security and land reclamation.

Auditing and compliance

In addition to complying with relevant legislation and ISO 14001, we undergo regular audits by state authorities and hire external service providers to drive our environmental performance. In 2017, six of our mines were inspected by a government commission, and only seven minor cases of non-compliance with environmental regulations were revealed at two of our production sites (Komar and Kyzyl, both in Kazakhstan). These were related to waste, water and air treatment, which resulted in a fine amounting to \$9,000. We implemented all corrective measures right after the check and will ensure mistakes will not be repeated.

In 2017, we received no other significant fines or non-monetary sanctions for breaches or infringements. In our 20-year history, we are very proud that we have had no moderate, major or catastrophic environmental incidents. We focus on improving controls to prevent potential environmental incidents, and on integrating environmental consciousness into core business processes.

**Engaging with our stakeholders
Suppliers and contractors**

We control and minimise risks not only internally within our sites, but also externally with our suppliers, by integrating the environment into our procurement practices. In our contractual agreements, we insist on compliance with applicable laws and regulations, our EMS, and all requirements surrounding issues like packaging, noise, pollution and emergency preparedness. Equipment suppliers must provide guarantees that their hardware operates within established limits. In addition, we conduct selective formal supplier assessments and audits for environmental compliance and best practice.

We communicate our environmental procedures to our contractors, and require them to be responsible for environmental safety and avoiding significant environmental impact. Our contractors must seek to improve their environmental risk management, as well as their Environment, Health and Safety performance.

Environmental grievance mechanism

We enable our stakeholders to voice any concerns or grievances by complying with rigorous 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 listen to stakeholder feedback. In 2017, we received no new complaints or grievances about our environmental impacts.

Environmental investments 2017



Environmental protection

During 2017, our overall investment in environmental protection was US\$24.8 million, up from US\$14.3 million in 2016, and a significant increase from US\$5.1 million in 2015. These investments include expenditures on the purchase of environmental facilities at our development projects in 2017. In addition, we make quarterly payments to governments in the regions where we operate to offset any negative environmental impact caused by our business. These are governed by environmental law and defined by audits conducted at our sites by government agencies.

OUR AMBITIOUS ENVIRONMENTAL TARGETS FOR 2020:

- > 1. Reuse at least 20% of annual volumes of overburden/waste rock.
- > 2. Continuously reduce water consumption and water discharge by effectively using water resources.*
- > 3. Reduce direct impacts on biodiversity.
- > 4. Develop and implement our Climate Management System with respect to greenhouse gas (GHG), climate risk and carbon footprint management.
- > 5. Decrease GHG emissions by at least 1%.*
- > 6. Decrease sulphur dioxide emissions by at least 1%.*

* 2020 compared to 2016. 2016 – baseline year for each mine.

Who is responsible?

Group CEO, Chief Sustainability Officer, Chief Operating Officer, HSE Director, Head of Environment, regional environmental managers, managing directors, chief engineers and heads of environmental departments at our operations

What guidelines do we follow?

UN Global Compact, Group Code of Conduct, Environmental Policy, ISO 14001, Carbon Management Policy, Cyanide Code, EBRD Environmental and Social Policy

Material topics

- Carbon management and emissions
- Energy
- Water
- Materials
- Biodiversity
- Land reclamation
- Effluents and waste
- Supplier environmental assessment
- Environmental grievance mechanisms

Priorities

Maintain ISO 14001 compliance; continue tailing dams inspections; expand application of Cyanide Management Code guidelines at all operations; certify energy management system; implement detailed management standards, including tailing storage facilities management, resources efficiency, mine closure, water use and waste management

ENVIRONMENT

Water

Focus on water

As a result of demographics and climate change, people are generally concerned about the long-term availability, quality and secure supply of water. This is one of the key environmental issues that our stakeholders talk to us about. We use water for industrial use, drinking and irrigation, and recognise the importance of efficient water management. Our processing plants consume the most amount of water during ore processing.

Water consumption

Fortunately, our production sites are generally located in regions where there is no water shortage. Despite this, we use a closed water supply system, meaning we strive to use only recycled purified water from the tailing dam and our sediment ponds. As well as minimising offtake of fresh water, it also means we reduce the risk of releasing unsafe water into the surrounding area.

In 2017, at our production site in Armenia, we worked to determine how we could use recycled mine waste water in technological processes at the plant. We will implement our solutions in 2018.

Before discharge, water quality is checked for compliance with relevant requirements. Discharged water passes through sewage treatment plants and is cleaned through various mechanical, physico-chemical and biological cleaning processes. Finally, water measurement is carried out by meters, flowmeters, and through indirect estimation when using meters is not possible.

Local and state authorities grant permission for our water withdrawal each year, and as our operations are spread across a wide geographical area, we do not over-exploit any single source. Our usage always remains within acceptable limits. We do not withdraw water from surface sources in environmentally sensitive areas, or where water is of great importance to local or indigenous communities.

We actively source water for our operations, such as the water that naturally seeps down and collects in our underground mines. We use this water underground, but we also pump it to the surface to be used in our gold processing operations. When extra water is needed, we may purchase it from utility suppliers, and as a last resort, we are also allowed a certain level of take-off from rivers, dams, and groundwater aquifers.

Water quality

We take water security and quality seriously, as it's important to the health of our people and stakeholders, the environment and our operations. So we continually monitor any impacts of our work on surface and ground water, and take action to minimise negative impacts where necessary. We also work with local governments and stakeholders to protect water security in the communities where we operate, often providing water and infrastructure through our operations.

Waste (Mt)

Waste rock
117.7

Tailings
10.6

Other
0.1



Waste disposed
99.7

Waste incinerated
9.8

Waste

Mining generates significant quantities of mineral waste, as well as some non-mineral and hazardous substances. These result in impacts on land through the establishment of tailings dams and waste rock dumps, and may also result in impacts on water if not managed effectively.

Reducing our materials and waste

We are firmly committed to the responsible management of waste materials. In our production processes, we use large quantities of ore and energy to produce products such as Doré bars, zinc precipitate, and flotation and gravity concentrates. Overburden and tailings are the most significant waste streams associated with our operations, accounting for more than 99% of the total waste volume. Overburden is the material that is extracted to uncover ore deposits, while tailings is a by-product of ore processing.

In order to minimise our impact, we drive efficiency in material use. For example, we identify the most harmful materials in our operational processes – such as explosives, drilling parts and mill balls for grinding – and make efforts to reduce volumes of these materials without impacting quality. During 2017, we mined 12,589 Kt of ore and 114 Mt of waste, processed 13,037 Kt of ore and generated 128 Mt of waste. (While more than in 2016, when we generated 74 Mt of waste, the volume of mining has increased).

Our audit teams carry out regular internal checks and assess our compliance with national and regional standards, and government agencies conduct regular environmental performance spot-checks at our facilities. We now operate eight tailings dams, and in 2017 there were no significant or major environmental accidents involving tailings facilities at our operations.

Recycling our waste

Wherever we can, we reuse the waste that we generate within our operations. We have developed systems and procedures that enable us to maximise the amounts we recycle and minimise waste to landfill. In 2017, we were able to recycle 22%.

We also find uses for our waste outside of Polymetal. For example, we have contracts with waste recycling companies to provide them with waste for incineration and energy production. Where we can't recycle or reuse materials, we dispose of them at our own waste facilities or outsource waste disposal to external companies. In 2017, we disposed of 99.7 Mt of waste, compared to 56 Mt in 2016.

Strict procedures to prevent contamination

Environmental legislation in countries where we operate sets out strict requirements for the prevention of soil and water contamination. Our tailings storage facilities (TSF) have been built in full compliance with these requirements, and they also take into account detailed engineering and geological studies. In 2017, we started to develop a corporate TSF management system, which will allow us to enhance control and prevent accidents.

We also hire external consultants to conduct independent audits of our tailings dams, and we will continue this practice in the future.

Water

(thousands of cubic metres)



Share of recycled water equals to the ratio of water recycled and water withdrawal

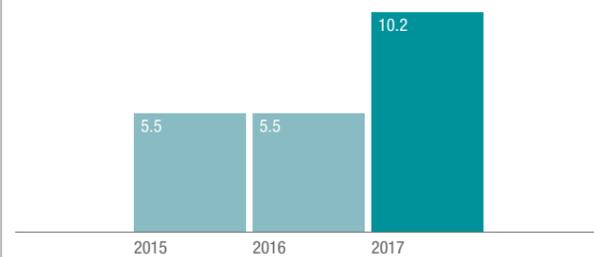
Cyanide and hazardous waste management

Our production methods involve several hazardous consumables. Among these, the largest is cyanide, which generates hazardous waste during the recovery of gold from the ore we process. 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 involves identifying all associated hazards, strictly controlling all cyanide levels in our tailings, and monitoring air, soil, surface and ground waters. We also provide environmental monitoring results to public authorities, and deliver environmental protection measures. These include the design, construction and monitoring of tailings dams, and the monitoring of water sources and quality, riverbed changes and associated drainage.

In 2016, we became signatories to the International Cyanide Management Code followed by the certification of Amursk POX. At Polymetal, we used 8.9 thousand tonnes of cyanide in 2017. To ensure there is no waste, we always use 100% of the volumes of cyanide we purchase. And we also take a cautious approach to the transportation of hazardous materials. In 2017, we did not transport, import or export any waste deemed hazardous under the terms of the Base Convention 2, Annex I, II, III and VIII. In total in 2017, we produced 13.5 Kt of hazardous waste, compared to 11 Kt in 2016.

Waste intensity
(tonnes of waste per tonne of ore mined)



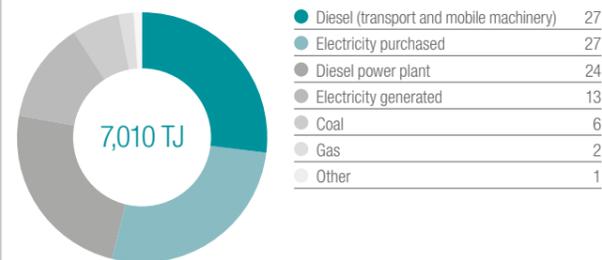
The waste intensity increase is associated with the start of operations at Kyzyl, which resulted in a growth in stripping volumes and therefore an increase in waste rock.

Energy and carbon management
Our energy supply

The main sources of energy consumed at Polymetal's sites include electricity, diesel fuel, natural gas and coal. Diesel fuel makes up a significant proportion of our total energy consumption. This is due to our sites' remoteness from industrial centres and centralised power supply systems. In 2017, we consumed a total of 7,010 TJ at all our sites, compared with 7,020 TJ in 2016.

To ensure energy security for our operations, we use company-owned diesel generators. Diesel accounts for 50% of total energy consumption. This will decrease slightly in 2018, due to the Kyzyl plant commissioning in Kazakhstan, which is connected to the grid.

Energy consumption (%)



Energy efficiency

One of our priorities is to increase energy efficiency at our production sites. We worked according to an action plan, which we developed in early 2017, to reduce energy consumption, ensure efficient use of energy resources, and implement energy-efficient equipment and technologies. Company-wide inefficient light sources have been replaced with LED lighting and frequency converters have been installed on our main technological equipment. When developing projects and modernising equipment, only energy-efficient equipment is used.

As a result of our efforts, we have reduced energy used in ore processing by 0.4%. This has been achieved through careful and effective energy resource planning, and continual monitoring of energy consumption to ensure we meet energy efficiency targets at each site.

In 2017, we conducted energy audits at some of our operations, which were carried out by an independent party. Based on the results, energy performance certificates have been granted, and a set of action plans developed for each site. In addition, our new Energy Management System has been developed and approved, meeting the requirements of the international standard ISO-50001. This system will be implemented and certified at all operations in 2018.

Lighting the way with green energy

At our Varvara plant, we needed to light a railway level crossing. Our Energy Department had to choose between laying traditional powerlines or installing a new solar power collection plant. The capital costs for both energy sources turned out to be similar, and because the use of 'green energy' is one of our environmental priorities, we took advantage of this opportunity to start generating environmentally friendly power.

In 2017, we installed two solar panels on either side of the level crossing. These will generate 374 kWh of clean, renewable energy every year, reducing our fuel costs.

We have discovered that it takes roughly 3,900 sunlight hours a year to light the level crossing. However, there are only around 2,500 hours of sun in the region annually. Sunlight levels are



particularly low between October and March. To combat this, we installed additional solar panels and a solar battery – this allows us to light the level crossing using solar power year-round, even on cloudy winter days.

Following this success, we are now investigating the installation of solar flat plate collectors to further boost the use of green energy at Varvara.

Renewable energy generation

In 2017, we conducted a feasibility study into the use of alternative energy sources at all our Company sites. As a result, two pilot projects have been approved for implementation: a solar power plant with a capacity of 1 MW at our Svetloye field; and a wind farm at the seaport of Unchi. We aim to launch both in the second half of 2018.

In addition, we have installed heat co-generation systems from our diesel power plant operations. These heat recovery systems provide the necessary amount of heat for households and production facilities at full capacity, without additional heating equipment (boiler rooms).

Greenhouse gas emissions

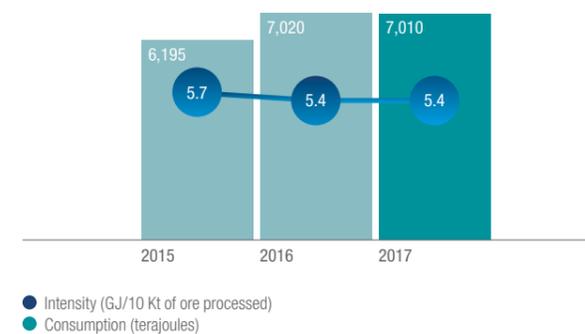
Finding renewable energy sources is a priority if we are to lower our greenhouse gas (GHG) emissions and manage carbon emissions (see our Carbon Management Policy). Heat and electricity from our diesel generators, as well as our mining fleet operations, produce GHG emissions. The burning of natural gas and coal and the use of landfill also contribute to our GHG footprint. We measure and monitor our CO₂ emissions using established international methodology.

To effectively manage our greenhouse gas emissions, we conduct an inventory assessment each year and report both direct and indirect emissions. In 2017, direct GHG emissions amounted to 281 Kt, compared to 268 Kt in 2016.

In 2017, we introduced a number of measures to reduce GHG emissions, including converting all lighting to LED, and equipping diesel-powered generators with a heat recovery system. We also began to develop our Climate Management System. This will help to:

- identify GHG emission sources of three scopes, as well as climatic risks and opportunities;
- determine the carbon footprint of producing assets, and provide a quantitative estimation;
- monitor and report on greenhouse gases;
- develop and implement strategies and plans for the management of GHGs, carbon footprint products and resistance to risks, as well as measures to reduce GHG emissions and the carbon footprint of producing assets;
- prepare scenarios and models to adapt to climate change, and monitor effectiveness.

Energy



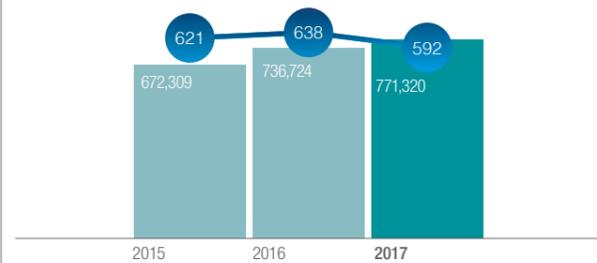


Air quality

Many of our core activities, including stripping, mined waste storage, ore processing and energy use, generate air emissions. These emissions include carbon dioxide and nitrogen, sulphur oxides and inorganic dust, the main type of pollutant emissions produced by our activities.

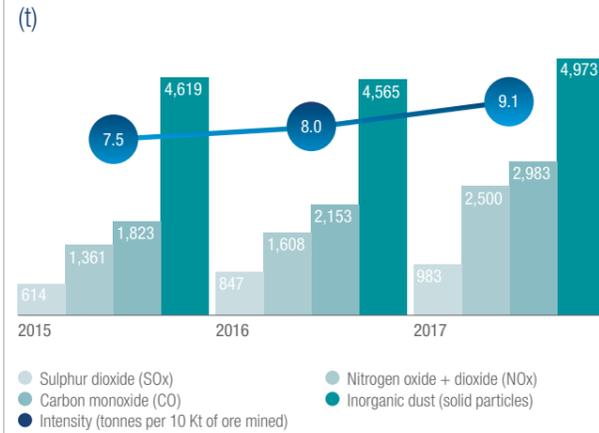
Between 2012 and 2017 we saw an increase in pollutant emissions as a result of the expansion of our mining activities and energy usage. In order to minimise future emissions, we will continue to ensure that our vehicles and mining equipment are modern and compliant with European quality standards, and feature the most up-to-date technology. To reduce dust emissions, we use irrigation systems in open areas together with dust separation equipment and shields. As a result, the release of ozone harming substances is not taking place and our organisational efficiency improved overall.

GHG emissions (total and indirect)



● GHG emissions intensity (CO₂eq. t/10 Kt or ore processed)
● GHG (t)

Pollutants in air



● Sulphur dioxide (SOx) ● Nitrogen oxide + dioxide (NOx)
● Carbon monoxide (CO) ● Inorganic dust (solid particles)
● Intensity (tonnes per 10 Kt of ore mined)

Decreasing coal usage

Our sites require a significant amount of hot water, as we work in cold, remote areas with no access to infrastructure. Traditionally, this water has been heated using coal boilers, which negatively affects air quality. However, we know that modern technology can lower our environmental impact, and we have been replacing old coal boilers with more environmentally friendly alternatives.

In 2017, we installed two modern boilers to replace an old coal boiler at our Kubaka plant in the Magadan region, where coal consumption has now decreased by 1.5 tonnes. The new boiler house has a powerful cleaning system, which minimises emissions into the atmosphere. At Kyzyl, we implemented a liquid fuel boiler system, which works on used oil that would otherwise have been wasted. The boiler can heat up buildings during the spring and autumn, and the technology also improves air quality. So we're providing hot water and heating that's better for the environment.



Reduction in GHG emissions intensity



Planning for mine closures and land rehabilitation

As all sites will eventually deplete their mineral resource and ore reserves, it is essential that we plan responsibly for the end of each mine's operational life. As a priority, we relocate workers to our other mines which is typically easy, given the fly-in-fly-out nature of our operations (see Employees section for information about changes to key employment terms). Our long-term remediation obligations include fulfilling decommissioning and restoration liabilities as stipulated by licences and covering suspension or abandonment costs in compliance with national regulations and legislation.

We also carry out geological, surveying and repair works to ensure that, once a mine is closed, underground operations, drilling sites and buildings are not hazardous or dangerous, and that we carry out any environmental rehabilitation. In 2017, we also started developing our Corporate Mine Closure Standard, which will be implemented in 2018.

As of December 31, 2017, Polymetal Group manages 20 million hectares of land, of which 1,271 hectares has been altered either for mineral extraction activities, or other industrial or commercial purposes. Of the altered land, 471 hectares has been fully rehabilitated and approved by the relevant regulatory authorities (please see more in Key sustainability numbers appendix).





Protecting biodiversity

We are committed to treading lightly in the regions where we operate and work hard to minimise our impact on local biodiversity. To this end, as a matter of policy we do not operate in or adjacent to protected or vulnerable areas. We respect, and will not encroach upon, land that has particular value – natural, historical or cultural – for Indigenous Minorities of the North (IMN). We also engage in comprehensive land rehabilitation once we have finished working in a particular area, focusing on the reparation of any environmental damage that our operations may have caused.

Polymetal pays particular attention to the issue of biodiversity. In 2017, we focused on awareness programmes and employee training on biodiversity issues. We also carry out an annual assessment of the status of biodiversity, and how it is impacted by activities at our production sites. Our re-assessment in 2017 concluded that with the exception of just one endangered species – the poiny flower listed in Armenia’s Red Data Book was identified at Kapan mine – there were no other species of animals or plants in critical and vulnerable conditions. We are proud to confirm that our production sites do not have a significant impact on biodiversity in or around the sites.

Due to the extreme northern location of most of our sites, the surrounding territory is low in conservational value. However, some sites are situated in the forest and tundra areas of Russia’s Far East. These provide natural habitats for various rare and threatened or vulnerable plant and

animal species. Some of our licence areas are located in these territories, which means we have to be mindful of temporary extraction of land for mining and construction of facilities, and temporary change in conditions necessary to support flora, fauna, and invertebrates.

Despite this, we implemented the following measures:

- Released over 86,000 juvenile fish from fish farms to water streams suitable for fishery use to reproduce aquatic biological resources;
- Established feeding places and salt licks for deer and hares;
- Installed bird deterrents at tailing dams to prevent birds coming into contact with cyanide and other chemicals;
- Planted more than 500 trees;
- Equipped roads (which we build for personnel and ore transportation) with signs bringing attention to wild animal migration routes
- Cleaned water streams close to our operations and offices;
- Installed fences along the sides of our pits.

All our employees are involved in our biodiversity conservation programme and help with biodiversity monitoring. In addition, we insist that all site staff, including contractors, take part in environmental, health and safety awareness training to ensure they understand their responsibilities to protect biodiversity.

Our progress in 2017

Our action plan for 2017 was geared towards continuously improving our environmental footprint. Our targets, and the progress we made against them, are set out below:

WE SAID...	WE DID...
We would develop a corporate system of energy management based on ISO 50001 standards	The system has been developed, approved and is currently being implemented at our production sites
We would consider the possibility of using renewable energy sources (wind and solar) at remote sites	The decision was made to construct a solar power plant at our Svetloye mine, and a wind power plant in the seaport of Unchi
We would complete the reconstruction of solid household and industrial waste landfill at our Lunnoye project	The construction is underway
We would modernise the process of heat recovery to increase the proportion of heat generated by the autoclave used in heating the overall plant	We completed the design stage of the project and purchased equipment; this maintenance work is in progress
We would implement a programme to preserve biological diversity	This programme has been fully implemented
We would reconstruct the settling tank of waste dump and quarry water at our Albazino project	This work has been completed
We would amend our Environmental Management System to comply with the requirements of ISO 14001: 2015	This has been amended and approved, with production sites moving to the new requirements. A certification audit of compliance is planned for Q1 2018

See our environmental performance in detail in our key sustainability figures table at the end of this report.

Plans for 2018 and beyond

Looking ahead, we plan to:

- > Focus on minimising volumes of withdrawn fresh water by changing and improving existing technologies, increasing use of recycled water, ensuring better purification, and using a system to collect and use open-pit water for irrigation of ore stockpiles.
- > Plant forests to offset impacts on ecosystems and communities.
- > Install biodiversity protection tools, such as anti-fish filters for water pumps, bird-friendly electricity cables, and increasing bird populations.
- > Use the backfill method in underground mines to decrease volumes of waste rock brought to the surface and stored as stockpiles.
- > New systems to be developed in 2018:
 - > Tailing storage facilities management
 - > Energy management system and energy audit
 - > Climate strategy for 3 years
 - > Recourse and materials use efficiency system
 - > Mine closure standard

EMPLOYEES



20 years investing in our employees

The training, development and well-being of our employees has been of paramount importance for the past two decades. We will continue to invest heavily in our people – the future of our company – over the next 20 years.

SUSTAINABLE DEVELOPMENT GOALS



Tatyana Arkhipova

Foreman-technologist at Albazino plant

Despite being only 25, Tatyana already manages 25 people in her team, all men. Earlier she worked as a lawyer and then she switched to metals and mining.

She advises, "If you want to achieve success, you have to learn not to put things off until the next day. You must do everything 'here and now'. I absolutely enjoy doing my work; I can hardly imagine my life without metallurgy!"

Olesya Kupolova

Chief geologist at Magadan

Geology is a male-dominated profession, and our Omolon hub in the Magadan region is no exception. To get to the top, Olesya was single minded that this is what she wanted to do from a very young age. As a trainee she had to work a lot in an office, and it was hard to get on-the-field practical experience. However, when opportunities arose she didn't hesitate:

"It was a subconscious choice, which I never regretted."



Aglona Nosovskaya

Geo technician at Voro

Aglona joined Polymetal in 2014. Before starting her career at the company she completed a degree in geo-ecology at Tomsk Polytechnic University. For Aglona it is important that the company pays considerable attention to its social obligations.

"I am confident in my future as it is a stable position and I know that I will receive my salary on time. Sport also plays a vital role here – the company makes it easy for us to have a healthy lifestyle."



“
The success of Polymetal is entirely down to its people. To keep capabilities, loyalty and motivation high and ensure our continued success, we must continue to invest in our employees.
 ”

Dmitry Razumov
 Deputy CEO, Human Resources



Our approach

We want to attract the best people and ensure they are motivated to stay and bring their commitment to work. So we strive to create a fair and inclusive environment, pay competitive salaries that benchmark well within the industry, offer equal terms of employment and reward performance. Through training, and skills and leadership development, we are creating our future business leaders.

Taking guidance from International Labour Organization Principles and the UN's Global Compact, our policies and procedures are coordinated by our Group Head of Human Resources. In addition, our Human Resources Committee and operating subsidiary managing directors ensure implementation of our policies in collaboration with relevant HR teams.

Business ethics

We expect all employees to sign up to and comply with our Company Code of Conduct. This guides ethical behaviour towards colleagues and customers, business partners, state authorities and society. It focuses on numerous issues, including 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. In 2017, there were 12 cases of unethical behaviour registered.

Our Code of Conduct is underpinned by our policies, covering a similarly broad range of issues. By ensuring our employees comply with our Code and policies, and by listening and responding to their feedback, we are building a Company culture based on mutual understanding, respect and trust.

Who is responsible?

Group CEO, HR Director and HR team, COO, Head of HSE, communications department, managing directors and HR teams at our operations

What guidelines do we follow?

UNDHR, UN Global Compact, Group Code of Conduct, national labour codes, Standard Regulation on Social Conditions and Service Quality Control, Human Resources policies, collective agreements

Anti-corruption

We work hard to raise awareness of bribery and corruption risks, and their potential impact on our business. Across the Group, we have implemented a variety of measures to help prevent corruption and fraud among our employees, contractors and suppliers. In 2017, we continued our anti-corruption training. As well as induction and refresher training for Polymetal employees and contractors, we held more than 101 seminars for high-risk groups, which were attended by over 1,760 people.

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. This led to no financial loss, and avoided damage worth USD 21,000. Seven managers were sanctioned for fraudulent activities and four 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.

Labour rights and equal opportunities

In accordance with our Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to a zero-tolerance approach to human trafficking and modern slavery. We engage with stakeholders to promote human rights, and seek to influence partners, contractors and suppliers to apply the same rigorous standards. At our operations, we have processes in place to ensure that we do not employ any under-age or forced labour. No incidents of employing under-age people or forced labour were reported in 2017.

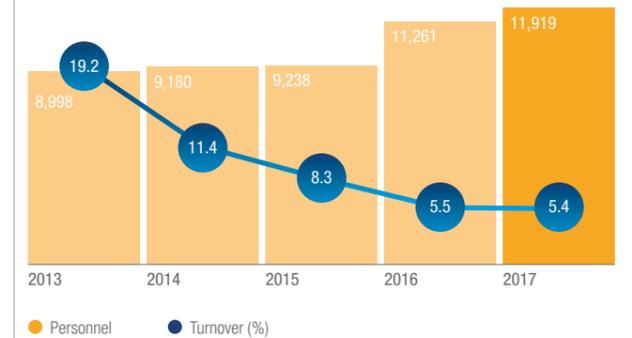
In addition, we are committed to equal opportunities and terms of employment. We recruit people on merit and do not discriminate on any grounds, including gender, race, skin colour, religion, nationality, social origin and political opinions. In 2017, we employed 12 people with disabilities or health conditions. We are fully compliant with national and international standards relating to staff and management, ensuring that our working environment is based on fairness and respect. In 2017, no reported cases of discrimination were made within the Group.

Headcount and turnover

At the end of 2017, we employed 11,919 people compared to 11,261 in 2016. The majority of our people work on a 'fly-in/fly-out' basis rather than permanent relocations, because of the demanding nature of the work and our remote site locations. Each year, on average approximately half of our employees are shift workers. All of our personnel (100%) are employed on a permanent basis.

Over the last seven years, we have been steadily reducing our average employee turnover rate (including fly-in/fly-out operations). In 2011, this rate was 19.6%, and in 2017, the rate was just 5.4%. This achievement is partly attributable to a difficult macroeconomic environment, but also to our efforts to promote internal employee mobility, training and development, and favourable working conditions.

Headcount and turnover



Material topics

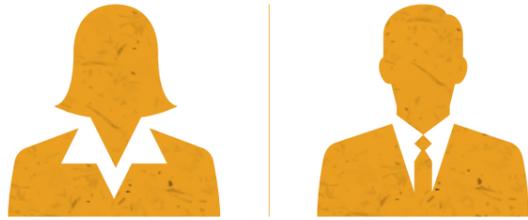
- Employment
- Labour/management relations
- Training and education
- Diversity and equal opportunities
- Equal remuneration for women and men
- Labour practices and grievance mechanisms
- Occupational health and safety
- Non-discrimination
- Freedom of association and collective bargaining
- Human rights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

Priorities

Provide safe environment and equal opportunities, ensure equal remuneration, promote diversity, ensure protection of human rights; recruit and retain engaged and motivated employees and interns, develop career pathways, improve communications with employees, enhance training programmes

EMPLOYEES

Proportion of male to female qualified personnel



22%	Total workforce	78%
24%	Mid-level management	76%
42%	Qualified personnel	58%
12%	Workers	88%

Mid-level management includes employees who hold positions as heads of companies or business units: directors, chiefs of divisions, managers, experts or supervisors etc.; chief specialists, for example, chief accountant, chief dispatcher, chief engineer, chief mechanic, chief metallurgist, chief geologist; and deputies to these positions.

Qualified personnel are employees who are engaged in engineering and technical, economic and other such positions. In particular accountants, geologists, dispatchers, engineers, inspectors, mechanics, quantity surveyors, editors, economists, energy specialists, legal advisors etc., and assistants to these positions. It also covers office workers in accounting and control and maintenance positions, who are not engaged in manual labour, including clerks, concierge staff, controllers, secretaries.

Workers include personnel who are directly engaged in the process of value creation, as well as those engaged in repair, moving goods, transporting passengers, providing material services, and so on.

Diversity

Traditionally, the mining industry has been male dominated due to the physical requirements and nature of the work. We actively promote the inclusion of women in our workforce and leadership teams. In 2017, women occupied 24% of our management roles, and represented 22% of our total workforce. Women make up 27% of our Board.

Gender discrimination is prevented by the procedures controlling candidates' selection and assessment during the search for candidates to fill an open position. To do that we:

- specify qualification requirements
- carry out interviews to assess competencies
- use a pool of assessors to ensure non-biased assessment of candidates.

In 2017, 163 female employees received corporate awards. We held professional competitions in five categories (laboratory assistants, chemists, ecologists, QC controllers, and hydrometallurgists-operators). 150 women took part in these contests, of which 30 won awards. 16 female workers participated in the scientific and industrial conference (33.3% of the participants), five of whom were winners (50% of the total number of winners).

We promote female work in social media. Throughout the year, 77 articles devoted to female workers were published at our internal corporate data centre. Our corporate newspaper, *Severnaya Shirota*, published 23 articles focused on women. In addition, 35 articles were published in regional media, highlighting Polymetal's equal opportunities.

Human capital development

Group-wide training and development are critical to improving skills, keeping employees motivated and ensuring the future success of the Company.

Above mandatory compliance and induction training, from the moment people join Polymetal, employees are appraised, and a personal training programme is agreed, including general operational and technical training. At each subsequent appraisal, we agree further training – both professional and managerial – through our network of corporate training centres and guest trainers. Key employees are also given the opportunity to attend training sessions held by other international mining companies, and we host teams of other mining and engineering companies at some of our training. In 2017, we invested US\$1.5 million in personnel training.

Our people need to become proficient with our specialised software to be truly integrated into the Company. We use a variety of computer programs and electronic documentation to make our business processes fast and effective and to help in the design of mining projects.

Rather than relying on external training to meet this need, in 2012 we developed our own digital training hub – the Mining IT Centre. This enables us to train our people more effectively in all internal IT processes, systems and software, and to explore training opportunities that can meet their individual needs.

We also provide continual learning opportunities for our people. For example, our distance-learning training complements the work of our training centres and on-site training facilities. This increases productivity and efficiency and helps us provide training to employees in remote locations. In 2017, we developed new distance-learning training courses and will continue to develop this further in 2018.

Women in mining



Name: Anna Katsebina
Position: Research engineer

Anna Katsebina joined Polymetal in 2013. She began as a laboratory assistant working at Chukotka, moved to a flotation plant operator role, and in 2016 was offered the position of research engineer at our Central Analytical Laboratory at Mayskoye. She was one of the winners at our Scientific and Industrial Conference in Magadan in 2017 and won the 'Best Research Project' award.

"I think it was the right way to first get experience in 'the field', and only afterwards to become an engineer," said Anna. "Every day I go to work feeling as if I have come home to my 'big family'. We tackle issues together, and everyone helps each other out. The company's success depends on all of us."



Name: Anna Bykova
Position: Chemical engineer

Anna Bykova is a chemical engineer at Amursk. She was one of the winners at the Scientific and Industrial Conference 2017. Her project was a zonal analysis of production risks in order to optimise corrective-preventative actions. She has always wanted to work in engineering.

"I don't work for money; I work for knowledge. I absorb new information like a sponge".



Name: Natalia Gaidarzhi
Position: Plant foreman

Award-winning plant foreman Natalia Gaidarzhi has worked in mining for 44 years, 13 at Polymetal. She does not regret a single day spent in the North.

"Every time I enter my work place, I feel energy. I like everything here – the people, the mechanisms, the working life... 'I work' means to me 'I live!'. My family motto is 'go forward and cope with any difficulties on the way'."

Polymetal best practices to avoid discrimination



Training per person



Hours of training per trained employee

Professional development programmes
Best in profession contest

In addition to remuneration, we believe it's important to invest in rewarding employees. Every year, for example, we hold 'Best in profession' competitions and award ceremonies. These are an important tool for identifying and encouraging employees with potential, contributing to skills development and the dissemination of best practices, and increasing the profile of particular trades. The competitions test theory and practical skills, as well as Health, Safety and Environment knowledge. Winners receive diplomas and money prizes.

Our employee survey shows that at least 80% of our employees believe that these awards are helpful, motivating and instilling pride in their profession. Each year, we hold around 20 professional competitions at our sites in the Russian Federation, the Republic of Kazakhstan and Armenia.

In 2017, 1,050 people took part (including 150 women). In addition to traditional competitions (for geologists and mineral surveyors, assayers, drivers, open-pit workers), we introduced competitions for welders, mineralogists and scalars. In the Urals, we also held our first trans-regional professional skills competition for young geologists, with 26 people participating. In 2018, we plan to hold professional skills competitions in accordance with Worldskills Russia's methodology.



Talent Pool

To help develop the next generation of skilled managers, we created Polymetal's 'Talent Pool'. In 2017, we extended this to include energy engineering and geologist career development programmes. We continued to provide all employees in our Talent Pool with personalised targets, assessments and development plans. As a result of comprehensive training, last year we were able to promote 20 Talent Pool employees to key positions within the Company.

Self-Nomination

Comprising an innovative online platform, our Self-Nomination Programme offers all employees equal opportunities for development and progression within the Company. At the same time, it enables us to identify 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.

Talent Pool Programme planning and development

OCTOBER – DECEMBER	JANUARY – DECEMBER		DECEMBER – JANUARY
	JANUARY – APRIL	APRIL – DECEMBER	
Planning	Training – programme development	Training – programme development	Training – programme development
<ul style="list-style-type: none"> > Making a list of key positions for including in Talent Pool > Appointing supervisors for candidates' assessments and training > Making a list of candidates for including in Talent Pool 	<ul style="list-style-type: none"> > Assessment of potential candidates > Selecting employees for the Talent Pool programmes > Planning of the training programmes for employees' promotion and skill development 	<ul style="list-style-type: none"> > Implementing the Individual Development Programme 	<ul style="list-style-type: none"> > Assessing if the Talent Pool Programme participant is ready for the targeted role/promotion

Young Leaders Programme 2017

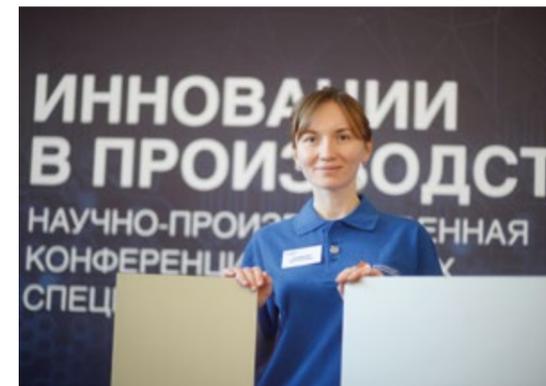
This year, Polymetal continued helping young people fulfil their potential through the Young Leaders Programme. As well as helping our young employees, this programme also helps us grow through sustainable succession planning.

The programme trained a diverse team of 12 young managers, representing our sites in Russia, Kazakhstan and Armenia, and all main production units. Comprising professionals in design and engineering, development and construction, geological surveying and mining operations, and overall project and risk management, the young leaders received guidance from Board members and top management.



Ekaterina Shlyazhiene – Foreman at Albazino processing plant.

The programme focused on issues such as corporate culture, world economic trends, changing legislation and so on. At the end of the programme, our young leaders were asked to compile a list of recommendations to tackle challenging issues for the Board and senior management.



Programmes for young people

In 2017, we provided training for those with high potential to prepare them for leadership challenges of the future. This included training on subjects such as occupational health and safety, production control, construction, mine planning and labour relations.

Annual scientific and industrial conference for young professionals

We held a conference of young geologists at Voro. As a result, ten participants were included in our Talent Pool and will follow a career development plan for the positions of 'chief site geologist' and 'chief project geologist'.

Internships

We continue our collaboration with leading universities and technical colleges to attract talented young students to the Company via targeted internships. In 2017, 118 students undertook internships at Polymetal (including 30 female students) and we employed 17% of the interns.



Strikes or lockouts

0



Labour practice

Competitive salaries and benefits

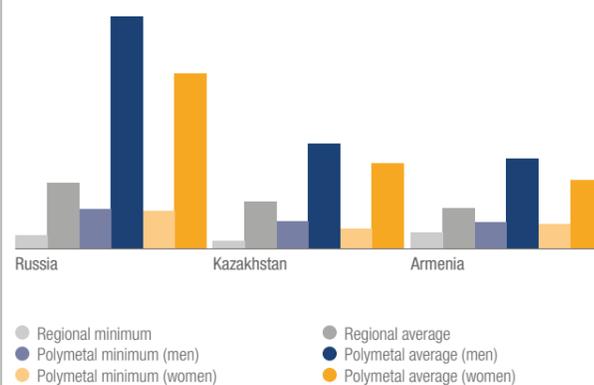
We ensure that employees are fairly compensated based on merit. Our salaries are competitive, we offer benefits that exceed regional averages in our areas of operation, and our long-term incentive programme is linked to relative share price performance (see our Remuneration Report for more details www.polymetalinternational.com). It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee in the regions in which we operate.

We implement a remuneration framework that is designed to reward our employees on the basis of their performance, giving equal emphasis to delivery and behaviour through short-term incentives. Operational workers receive a time-paid salary, which is set according to the number of hours worked and amount of work completed. We also award performance-based monthly and annual bonuses, and in 2017 we continued to sustain stable wage growth in line with inflation.

Equal pay

We ensure equality in pay and provide equal levels of remuneration at positions with the same competence requirements for both male and female employees. Under current legislation the company does not have to report on gender pay; however, we are working on getting an accurate picture of gender pay matters, and will take action depending on outcomes and conclusions. Within the Group, the difference in remuneration ratio for male and female is 1.27. At Polymetal, women are well represented in senior positions with the biggest share of female managers in administrative, social and communication professions, although the number of female seniors is much lower in production, construction and geology.

Polymetal salaries compared to regional wages



Polymetal minimum salaries are 260% (347% for men and 260% for women) and higher than the regional minimum.

Social support

In addition, we provide social support to our employees. For those in need, we offer financial aid, and in 2017 doubled our aid budget compared to 2016. We provide housing support and cover interest payments on employee mortgages. We subsidise kindergarten, after-school activities and a holiday camp for the children of our employees. We also pay holiday travel costs once every two years for employees working in remote locations and their families. For retiring employees, we provide additional severance pay, and for parents we offer parental leave with a paid period of up to three years. In 2017, 228 people took maternity (97%) and paternity (3%) leave, and 100% returned to Polymetal following their leave.

Improving working and living conditions

In 2017, we continued to improve working and living conditions for employees, particularly those engaged in shift work in remote locations. Our efforts included infrastructure improvement and development at the mines.

At Albazino, we renovated our existing dormitory and built a new one for 100 employees. At Khakanja, the canteen facilities and dormitory were renovated at a cost of around US\$300,000. At Mayskoye, we renovated facilities for women, and opened a new office and canteen building as the former ones were located on the site of our expanded open pit. At Dukat, we renovated an entire housing estate, while at Kyzyl, we built a new dormitory for our contractors. In 2017, we plan to complete construction of a portable sports complex for training and holding team competitions.

Regulated and fair employee relations

We have an excellent track record in regulating employee relations based on equality, consideration of mutual interests, strict compliance with local social and labour regulations and constructive dialogue between partners on all social and labour issues.

We support our employees' rights to freedom of association and collective agreements. In 2017, 89% of all our employees worldwide and 100% of personnel at our operating sites in Russia, Armenia and Kazakhstan were covered by collective bargaining agreements. We extended our collective agreement at Voro by three years, doubling the financial aid available.

At each site, we have established Labour Relations Commissions to facilitate discussions between our employees and the Company. We have also created Workers' Councils and set up a system of formal feedback sessions. We provide employees with opportunities to feed back any concerns – including anonymously – through our Internal Communication System. In 2017, we received 1,001 enquiries (1,269 in 2016). So far, we have responded to 100% of these, mostly at meetings and through our hotline.

Changes to key employment terms and notice periods

We communicate any changes in working conditions and other significant events in a timely and appropriate way. The amount of notice given to employees is covered by collective agreements and complies with appropriate legislation in the country of employment. In the Russian Federation, the minimum notice period for changes in employment terms due to organisational change; changes to operational working conditions; changes in, or introduction or review of worktime standards; or upcoming dismissal due to Company liquidation is two months before changes come into effect. In the Republic of Kazakhstan and Republic of Armenia, the notice period for these changes is one month.

In the case of any potential large scale layoffs the Company dismisses step-by-step, and temporarily suspends recruitment. We provide training for workers to enhance their skills or change professions as needed by the Company, continue to pay salaries throughout re-training, and wherever possible, transfer employees to other areas of the business.

Internal communications

Our internal communication systems enable employees to engage with each other, at all levels. For example, employees can contact their manager directly through managers' team meetings or one-on-one meetings, a PBX (private branch exchange), a specifically designated email address, and also through the 'contact us' form on the corporate portal.

All issues raised by employees are considered and investigated promptly, involving dedicated experts, and if necessary, site management. The most complex, or Group-wide issues, are submitted to a special committee. The employee is always notified of progress and resolution, and a dedicated manager ensures that all issues or queries are resolved.

In 2017, we received 1,001 queries via our various communication channels. According to the results of our employee survey, 76% of employees are satisfied with our feedback system, and meeting with company management is considered the most effective communication channel. 42 meetings took place in 2017, and 79% of all queries were addressed during these meetings. During the year, we also had 38 conference calls with company representatives. In 2018, we plan to increase managers' team meetings to receive prompt feedback from employees.

Employee satisfaction

Employee satisfaction is important to keep motivation high. To measure this, we conduct a survey every two years, which helps to identify any areas for improvement. In 2017, employees were asked to assess working conditions, occupational safety, labour remuneration, social conditions, team communication and the corporate environment. All our sites and offices participated, including over 6,000 people through approximately 50 focus groups. We also conducted 100 expert interviews with the management at individual sites and offices, as well as our corporate management. The survey showed that overall job satisfaction has increased to 82%, compared to 72% in 2015. Social benefits have increased overall employee satisfaction by 10%.

In 2017, we organised more than 170 events for employees. These included sports, leisure, environmental and professional events as well as celebrations of important corporate dates. In 2017, 73% of employees said they were satisfied with corporate events.

At many of our sites, employee stress has significantly decreased compared to 2015. Overall, in 2017 this was measured at 9% (a decrease of 17% compared to 2015). The results of the research showed a high degree of trust in line managers and site management compared to 2015, with trust assessed at 84%, an increase of 6%.

Employees said that working conditions have become more comfortable, compared to conditions in 2015, with the company devoting more attention to safety and making equipment improvements. In 2017, we carried out overhaul and repairs of residential premises for personnel, including dining rooms and bathing facilities. We also purchased additional sports equipment and simulators, taking into account employee needs.

The survey also revealed potential areas for improvement. As a result, we developed action plans to introduce changes. This involved over 300 corrective actions for 2018 at an investment of more than USD 3.2 million. The majority of this will go towards constructing new social facilities, and improving working and living conditions, such as indoor sports halls and gyms at 'fly-in, fly-out' camps, offices and residential buildings.

Employee feedback mechanism



Charity and volunteering

We involve our employees across our sites – including new operations – in our charity initiatives. In 2017, for example, 1,000 employees participated in charity events, helping more than 600 children in need. We have structured our corporate volunteering activities and conducted information campaigns about them. 54% of employees say they would like to participate in charity events, so we are now launching a corporate website specifically dedicated to Polymetal's charity projects. We are also seeing increasing interest of our employees towards engagement in volunteering.



Olesya Fomenkova – Analytical laboratory assistant at Amursk POX

Our progress in 2017

WE SAID...	WE DID...
We would implement more education programmes on industrial safety and risk assessment.	We developed and implemented an education plan. This included a distance-learning course to enhance employee risk management skills, complete with annual testing. We also introduced induction assessment cards for performance estimation.
We would hold a meeting of young geologists, involving training on our Company standards.	We held a conference of young geologists at Voro. As a result, 10 participants were included in our Talent Pool list and will follow a career development plan for the positions of 'chief site geologist' and 'chief project geologist'.
We would create multimedia materials for courses in our training centres.	We launched seven electronic textbooks for distance learning.
We would expand the Talent Pool.	We launched target programmes for energy engineering and geologist career development.

Plans for 2018 and beyond

Looking ahead, our key objectives for 2018 and beyond are as follows:

- > To develop direct communication between management and employees, and enhance frequency and effectiveness of communications.
- > To continue our training programme on geomechanics (rock mass stability) in mining operations, especially on identifying safety risks.
- > To implement our HSE communications programme, supporting key targets – leadership and safety culture among employees.
- > To further increase share of in-house training.
- > To engage young employees using motivation, targeted events, career development programmes and training.
- > To develop distance-learning training.

HEALTH AND SAFETY



20 years prioritising health and safety

Above everything else, safety is our number one priority and we aim for a zero-harm work culture. We won't compromise on making sure all our people are safe at the end of the day. We invest heavily in proactively identifying risks, providing safety training for our staff, and meeting the most stringent international health and safety standards.

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
15 LIFE ON LAND	



Improving metal safety at Dukat

At the Dukat underground mine, metal reinforcement is used to support deep underground works. However, if metal fragments remain in the ore when it's sent for grinding, this can result in damage to conveyor belts or low grinding quality. Powerful magnets have now been installed at Dukat to separate any metal fragments from the ore, reducing shutdowns, increasing grinding quality, and improving safety.

New safety goggles at Voro

Seven employees from various divisions at our Voro site were asked to test a few different models of safety goggles. All provide comfort, excellent visibility and eye protection, but we wanted to find the most suitable ones for their work to protect against workplace hazards. Our employees' opinions are crucial, and their feedback will help us to decide which goggles to purchase.



Zara Harutyunyan

Mine rescuer at Kapan

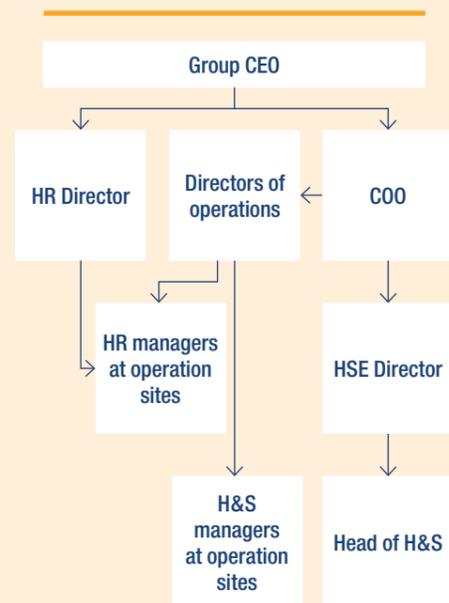
Former nurse, Zara Harutyunyan, has worked at Kapan in Armenia for the past two years. She is the only female mine rescuer in the entire Syunik region. To succeed at work, she had to overcome her fear of heights, which she did as a result of constant training and with the help of her colleagues.

"So many faithful knights ready to support and come to the rescue, it is great!" she says. "If you have motivation, you can adapt to any physical activity."



“As our business grows and we increase our underground operations and headcount, safety can become even more challenging. We take our responsibility to keep our people safe very seriously, and are committed to maintaining rigorous safety processes at all times and across our entire organisation.”

Vitaly Savchenko
Chief Operating Officer



Our approach

We work hard to create a 'zero harm' mindset and culture. This means every employee taking personal responsibility not only for their own safety, but also for that of the people around them. We continually promote safety behaviours to ensure all our people and contractors work in a safe environment.

We comply fully with Health and Safety (H&S) legislation wherever we operate, and strive to meet all relevant international requirements. We communicate our Health and Safety Policy (available at www.polymetalinternational.com) to our employees and stakeholders through information boards, our internal newspaper, and weekly Safety Day meetings. Every year, we work hard to ensure that our compliance with external certification OHSAS 18001 is reaffirmed for our Occupational Health and Safety Management System (OHSMS).

Our OHSMS guides us in detecting, assessing and mitigating risks, safeguarding employee health and workplace safety, and making sure equipment, buildings and other structures are used safely. It also ensures that supervision measures are carefully controlled, and that we conduct internal audits effectively. Additionally, we conduct monthly meetings of the Employee Council at our operations, where management together with workers discuss production and H&S issues. All corporate H&S priorities, procedures and management processes are the part of collective agreements.

Identifying risk management focus areas

Each year, we identify and assess health and safety risks across the Group and create risk maps for all our working processes and locations. We then develop detailed programmes to help us reduce these risks.

We recognise risks associated with each of our sites – in Russia, Kazakhstan and Armenia. Individual units across our production facilities, plants and mines that have been classified as 'hazardous' are fully insured. That is why our primary focus is on reducing the level of the most significant risks at our 12 underground operations. We carry out an annual qualitative hazardous risk assessment, and inform employees of the results through a range of communication channels.

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, ICMC guideline, Group Code of Conduct, Health and Safety Policy, Corporate Occupational Health and Safety Management System, OHSAS 18001, and national occupational safety standards



Improving safety through drone technology

Our Geomechanics teams need to collect spatial data about our sites. Traditionally, this has been done manually, and we know that working from heights is a critical safety risk. To improve safety, in 2017 we adopted drone technology to reduce working from heights. A video camera on the drone allowed our people to assess the current state of a pit at Albazino, which is 1.5km in size.

“The drone flew around the pit, took photographs along its perimeter, and afterwards the photos were processed,” said German Zlobin, one of our leading geomechanical engineers. “This makes it possible to create a 3D model, which will help us analyse the current situation and take appropriate measures.”

In 2017, we implemented our new Critical Risks Management (CRM) system, identifying critical risks for 2018. While the greatest hazards at our sites are from falling rock, road transportation accidents and falling (slipping), we have seen reduced exposure in the past year from these categories. We have upgraded one risk to 'critical', which is fire, and controlling measures for flammable materials is a particular area of focus.

To reduce the potential impact of critical risks at all our operations, our CRM includes a health and safety action plan for all critical risks, and for each risk we have identified five main directions of impact, and at least two preventative actions for each direction of impact.

We follow a Shift Risk Assessment (SRA) model to raise employee awareness of workplace dangers, manage risks promptly, and control the accuracy of our risk assessments. We implement SRA most rigorously in hazardous operational areas, for example automobile transport, mines, and plant and power supply.

Workplace accidents

Even when complying with the most stringent international standards and regulations as well as our safety management systems, unfortunately accidents can still happen.

Over the past few years, the number of our underground mining operations has increased, with more complex and challenging geomechanical conditions. Despite more employees working in these conditions, and the increased number of production sites, we are encouraged that our Lost Time Injury Frequency Rate (LTIFR) has declined from 0.19 to 0.15. While we are also encouraged that the overall number of fatalities in our operations has reduced by 50% in the past year, any fatality at Polymetal is one too many.

We are deeply concerned with the loss of two colleagues in 2017. Ms Lebedeva tragically lost her life from a fire in a laboratory at Varvara, which was caused by a concentration of flammable substances, and Mr Vasilyev was fatally injured by an unstable rock mass falling during an inspection at Omolon. We pay sincere tribute to these colleagues' hard work and dedication, and offer our utmost condolences to their families and friends. We will continue to financially support their families going forwards, and most importantly, will do everything possible to return to our previous record of zero fatalities across all our operations.

As a response, we have reviewed our internal safety guidelines and procedures regarding chemicals storage and checked our electrical equipment to ensure no further faults. We are helping our employees to better identify risks and effectively prevent any incidents in the future.

In 2017, there were also 14 other accidents in total across the Group. This compares to 15 accidents in 2016 and 10 in 2015. Our goal is for a zero-harm work culture and we will implement additional measures and devote significant resources to do all we can to prevent future accidents. Most of these injuries occurred at sites where our safety system has not yet been fully implemented. This will be an urgent priority going forwards.

Material topics

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

Priorities

To achieve zero harm, reduce and effectively manage critical 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

HEALTH AND SAFETY

Health and safety performance

Company



Contractors



Analysis and response

To help us understand any weaknesses in our safety performance, we always investigate and analyse all workplace accidents. We apply the '5 Whys?' principle to internal investigations, which we undertake in addition to investigations by state authorities. This process involves evaluating all possible health and safety risks – from technological and technical liabilities to employees' psychological and emotional influences.

After thorough research and analysis, we draw comprehensive conclusions and implement measures to help prevent re-occurrence. We inform all employees and contractors of our findings and incorporate new measures into our health and safety action plan. In addition, we implement all recommendations by state authorities. (See our SWOT analysis below analysing accidents in 2017).

By implementing our health and safety action plan, we have been able to successfully transfer to our new CRM system. Overall, this new system has reduced injury risk and we hope it will prevent repeat of past accidents in the future.

Engaging and training employees on safety

Training and engaging employees and contractors is essential to achieving our zero-harm goal. Polymetal's Human Resources Management System sets out our procedures for recruitment and assigning employees with specific skills, as well as for providing training. We clarify competence requirements for each relevant job description and heads of business units identify training needs. We provide training in occupational health, and industrial, electric and fire safety. We also provide refresher training and training for specific purposes.

In 2017, our employees and contractors attended refresher safety courses and some of those involved in dangerous works underwent mandatory safety training. To motivate employees about the importance of safety, we hold contests and reward departments that achieve zero occurrences and incidents. We also publish our 'safety barometer' in our corporate newspaper, and on information desks and portals.

Occupational diseases

Three cases of occupational diseases and health difficulties were recorded in 2017 (two cases of silicosis and one of hearing loss) at our Dukat mine. Both employees had more than 15 years' experience working in hazardous conditions, including chemicals, cold climate, noise, vibration, dust and hard physical work. Following these cases, one changed his occupation at Polymetal, and another left the Company.

SWOT analysis of safety at Polymetal

Strength	Weaknesses
<ul style="list-style-type: none"> > Employees are motivated to comply with safety rules > Support of safer choice > User-friendly application of safety tools > Formal aspects of safety are well-managed 	<ul style="list-style-type: none"> > Fatalities and unconvincing safety results > High risks > Complex geomechanical environment > Some employees see safety as necessity
Opportunities	Threats
<ul style="list-style-type: none"> > Good vertical subordinate relationships > Clear direction about future safety > Easy estimation of safety impacts > Better future results after longer use of OHSMS 	<ul style="list-style-type: none"> > Some divisions lag behind safety trends > Limited alignment between staff groups > Increasing share on underground mining with higher risks > New demands for staff competencies

'A right not to work'

Irina Kozlova became a deputy chief engineer of Process Safety and Occupational Safety and Health at our Komar site in 2016. Prior to that, she had worked at Polymetal for a number of years in different roles. Her main concern is to ensure that all work is carried out safely, and she follows two principles: leading by example, and safety first.

"I always say to my workers that you have a right not to do your work if there are any hazards to your health or if it puts your life and health in danger," says Irina. "My final rule is: anyone who witnesses an incident should report it."



Our progress in 2017

WE SAID...	WE DID...
We would use our Critical Risks Management (CRM) system and expand the number of risks.	In 2017, we implemented our new CRM system, which focuses on key critical risks.
We would continue safety training for all our employees at all our operations, provided by our newly trained coaches.	We continued safety training for our employees at all operational sites.
We would improve existing visualisation of hazards and implement it at our new mines to prevent employees entering dangerous areas.	We categorised hazards visualisation tools and developed guidelines for their use.
We would install speed control tools in all of our vehicles and those of our contractors.	We completed this and now are able to monitor the speed of any vehicle online.
We would continue replacing more manual work with equipment in underground mining to improve safety.	We purchased a significant quantity of safety equipment and equipped our mining fleet.
We would update our OHSMS in terms of allocating responsibilities and KPIs to managers to promote safety leadership.	We identified key responsible managers at our operations and linked their performance to remuneration.

Plans for 2018 and beyond

We are focused on decreasing the number of incidents and promoting additional safety measures by:

- > Paying extra attention to working areas with critical risks;
- > Ensuring a safer environment at our newly acquired mines;
- > Developing our Geomechanical Management System;
- > Adjusting OHSMS with respect to risk assessment improvement at auxiliary departments; and
- > Further enhancing safety training, behaviours and a safety mindset in all employees and contractors.

COMMUNITIES



20 years supporting local communities

Wherever we operate, we ensure that we work closely with local communities, support local development, and have a positive impact.

SUSTAINABLE DEVELOPMENT GOALS



Nanay folk tale competition in Khabarovsk

Every year, Polymetal holds Nanay narrating competitions in the village of Juen. These are called 'Ningmanchigoar', which translates as 'tell a fairy tale'. Old Nanay tales, tongue-twisters and riddles were presented by representatives from IMN communities of the Khabarovsk region during the competition.



Healthy environment

As a part of Polymetal's 'Healthy Environment' community engagement programme and year devoted to Environment, we launched and supported more than 35 events engaging local residents. These initiatives included municipal clean-up days, environmental contests and tree-planting events. During summer 2017 Polymetal employees together with community representatives planted more than 2,500 trees and 11,000 flowers. We actively support all youth eco-volunteering in our regions of operations and are aimed at enhancing environmental awareness and responsibility.

Employing people from local communities

Nadezhda Suy is the senior technical interpreter at Amursk POX. Before taking this position, she had worked at a linguistic school as a teacher. It took Nadezhda a while and hard work to become fluent in mining English. The key to success in her field is to understand everything including complex technical processes and professional slang. "We constantly learn something new and this makes the work interesting. I am happy that I have an exciting job which is also a good incentive to broaden my professional horizon. The main thing is to believe in yourself and never give up on your own self-development. There will always be opportunities for you!"





Continuous engagement of local communities is necessary to ensure the quality of our social responsibility. For the purpose of sustainable development, it is very important for us to communicate with locals, develop feedback mechanisms, and plan our social investments, considering the real needs of communities and analysing how effective they think our programs are.



Yulia Pivovarova
Public Relations Director



Our local stakeholders are key to our business success. In fact, we believe our achievements over the past 20 years have been made possible by working hand-in-hand with our local communities. By building strong, trusted relationships through regular engagement, we are able to respond to their needs.

While each of our sites is different, we do see some common concerns that are raised. For example, local communities may worry that our operations will impact local businesses or air quality. We do everything we can to ensure that our work does not negatively impact our local communities, and that in fact we have a positive impact on them.

By ensuring that our success is passed on to the community, we help to protect our reputation and keep our operations running smoothly. This approach ensures that human rights and the local environment are respected, and that our success is reflected in the local economy and society.

Our management approach

We follow international standards and conventions on community relations, such as the UN Declaration on the Rights of Indigenous Peoples and the UN Global Compact. We strive to develop and update our corporate standards and policies in line with international best practice. We also use our Community Engagement System, which ensures a universal approach to all our community engagement and feedback from locals.

Human rights

In 2016, we adopted our policy on human rights, which reaffirms our commitment to respecting human rights and preserving the cultural heritage of the indigenous communities in the areas where we operate. In 2017, we started our human rights risk assessment on the corporate level and will provide training of our employees in 2018. During the year, there were no recorded violations of the rights of minority groups.

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

Stakeholder engagement at all stages of mine life



Community engagement

Our dedicated teams oversee our community investment and engagement programmes. And each time we invest in a new mining site or project, as a priority we assess the social and economic risks and impacts that our activities may have at local and regional level. We develop long-term strategies and engage with local communities, institutions, authorities and organisations to ensure we deliver maximum value to local people.

Resettlement in communities

In 2017 we marginally expanded resettlement at Kyzyl. This meant we needed to move 15 families from the old building, which was too close to the road used by Polymetal to transport ore and waste rock. Property owners were offered cash compensation. As part of this process, we took particular care to identify and provide additional assistance to vulnerable households. We bought apartments from them and ensured that everyone affected was provided with a place to live (all of them purchased property in nearby settlements).

Material topics

- 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

Priorities

Improving quality of life of communities in our areas of operation; improving interaction with stakeholders; providing transparency and openness in our social activities; promoting sports and cultural activities (including healthcare and infrastructure projects); supporting Indigenous Minorities of the North (IMN); improving our social policy; and complying with international standards.

Corporate volunteering and charity

Five years ago, at Magadan, we began our corporate charity project, 'Mandarin', providing support to vulnerable groups. The project soon expanded to another seven sites with a total of 900 employees involved in making gifts for 350 children.

In 2017, we went even further, launching the project in three countries and nine regions of operations: Russia (Magadan, Khabarovsk, Chukotka, Karelia, Yakutiya, St Petersburg and the Urals), Kazakhstan and Armenia. 1,000 employees participated, distributing 'Mandarin' gifts to around 630 children from disadvantaged families and orphanages.

We also developed employee volunteering in 2017. In the Ural, around 40 employees took part in several environmental initiatives, such as planting apple trees at a boarding school, and cleaning the Kiva river bank. In addition, Polymetal volunteers put on events together with other volunteer organisations in the city.

In 2018, our volunteer team plans to help lonely, elderly people and children.



Supporting Indigenous Minorities of the North through reindeer herding

In the Russian Arctic, indigenous peoples of the North have created unique cultures that have allowed them to adapt to very severe geographic and climatic conditions. One of these cultures is tundra reindeer herding. Archaeological findings suggest that this has been practised here for more than two thousand years, helping man to explore, guaranteeing a constant source of food, and providing skins for warmth.

Reindeer herders live very close to nature. As part of our initiatives to support and establish good relationships with our local communities, we want to help Indigenous Minorities of the North to preserve their ethnic, cultural and national identity. We regularly engage with representatives of our local communities and hear about the challenges to their way of life.

As a result, we developed a programme to promote reindeer herding as a way of maintaining the communities' traditional lifestyle and support livelihoods in the extreme North. The programme covers all northern regions where we operate, and in 2017 we extended it to one more region – Yakutia. There, we have established contacts with representatives of the community living there.



Over the past year, we have supported 13 reindeer herding teams, comprising over 180 local people and 17 national communities. We have repaired three reindeer camps and arranged regular delivery of essential goods (food, medicines and fuel needed by reindeer herders) to remote settlements and nomad camps in the Chaun District of Chukotka and Okhotsk District of the Khabarovsk region. We have also arranged regular veterinary visits to check the health of the reindeer.

In addition, we helped organise 24 national festivals, contests and conventions with over 7,000 participants, supported 23 groups, ethnic centres and art clubs, involving over 515 people of various ages (from five to 65 years old), helping them to participate in contests and festivals. We also pay annual scholarships to students from schools in the Okhotsk district, helping them maintain their native Evensk language.

Our commitment to social investment

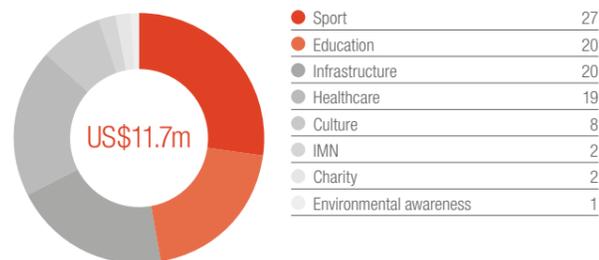
Every single one of our sites and facilities provides employment opportunities for local people. As well as paying regional taxes, we invest in local communities – funding education, health, culture and infrastructure. We also work to minimise any negative impact of our business on society, aiming to incorporate local community requests.

We discuss community needs and decide investment priorities with local stakeholders. Our Board of Directors and management team review our annual community investments and targets to ensure they deliver meaningful change for communities.

In 2017, we invested more than US\$11million in local communities. And over the past five years, our investment exceeded US\$30 million. We have focused particularly on projects involving sport, healthcare and education, infrastructure, culture and creative potential, Indigenous Minorities of the North (IMN), and environmental protection. We also made charitable donations worth US\$268,655.

In addition to financial contributions, we make 'in-kind' donations, including humanitarian aid to reindeer herders, with donations of food, fuel and medicines; delivery of food and medicine to remote communities and indigenous minorities; and construction and maintenance of roads in remote areas.

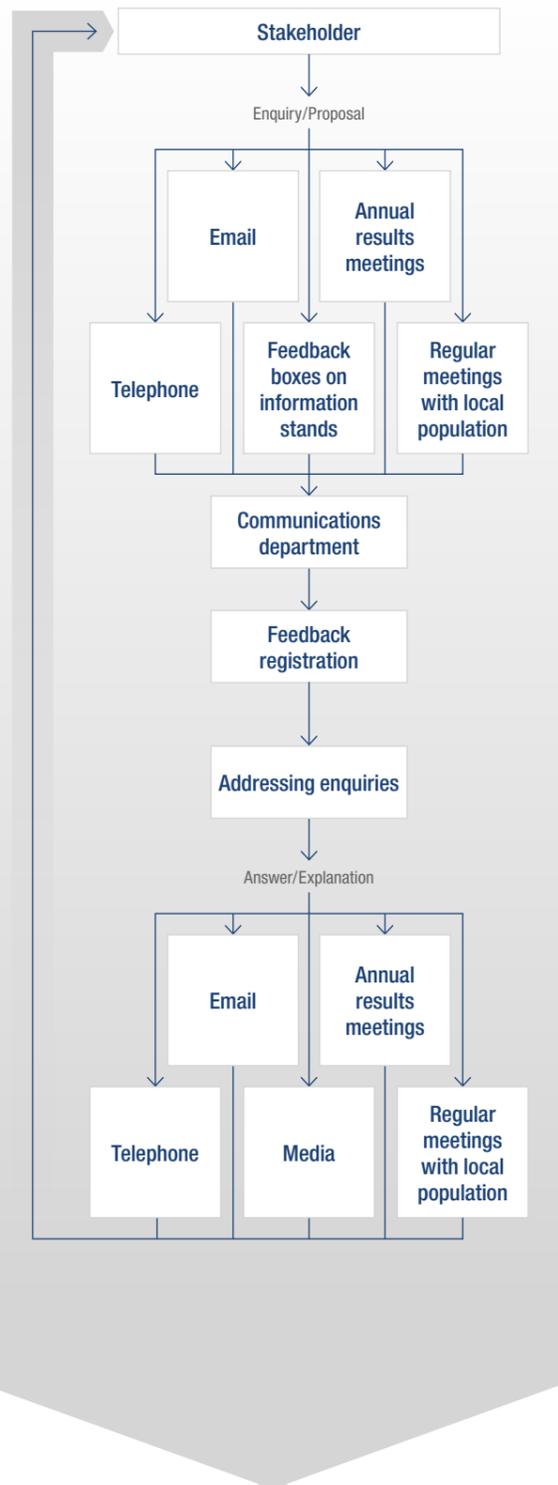
Social investments in 2017 (%)



Key social investment

KEY NUMBERS	INVESTMENTS (US\$m)	KEY PROJECTS
SPORT		
Over 70 projects	3.2	<ul style="list-style-type: none"> Construction of city sports arena in the settlement of Okhotsk, Khabarovsk region Constructed sports grounds and supported a local sports contest, village of Prigorodnyy, Kazakhstan Organised local children's ice hockey tournament, 'Zolotaya Kolyma', Magadan region
EDUCATION		
Over 85 projects	2.4	<ul style="list-style-type: none"> Construction of kindergarten in Vardanidzor, Armenia Repairs of kindergarten in Aim, Khabarovsk region Programme of educational grants at Kazakhstan universities for students of Zharna region, Kazakhstan
INFRASTRUCTURE		
Over 30 projects	2.3	<ul style="list-style-type: none"> Infrastructure improvement project, village of Vorontsovka, Urals Upgraded villages' gas pipeline systems in Kostanay region, Kazakhstan Funded lighting system in the city centre's square of Amursk, Khabarovsk region
HEALTHCARE		
Over 20 projects	2.3	<ul style="list-style-type: none"> Repaired and provided equipment for local hospital, village of Auezov, Kazakhstan 'Rural doctor' programme providing medical visits to remote settlements of the Khabarovsk region Laboratory equipment for regional hospital in the settlement of Seymchan, Magadan region
CULTURE		
Over 70 events	0.9	<ul style="list-style-type: none"> Supported children and youth 'Stars of Hope' art festival, Khabarovsk region Paid for concert stage for a culture hall, Krasnoturyinsk, Urals Supported local national art contest, Zharna region, Kazakhstan
INDIGENOUS MINORITIES OF THE NORTH		
Over 45 events and projects	0.3	<ul style="list-style-type: none"> Granted young people awards for learning and promoting the Chukchi language, and for developing reindeer breeding skills, Chukotka Constructed protective fencing for grazing deer, Yakutia Supported preservation of Negidal culture and traditional craft courses for young people, Khabarovsk region
CHARITY		
Over 60 events and projects	0.3	<ul style="list-style-type: none"> Provision of neuro-orthopaedic rehabilitation equipment for children with cerebral palsy, city hospital of Kostanay, Kazakhstan Supported swimming section for children with disabilities Supported charity events for older people, school students, vulnerable families and orphans in all regions of our operations
AWARENESS OF ENVIRONMENT CONSERVATION		
Over 25 events and projects	0.1	<ul style="list-style-type: none"> Cleaned part of the river Voghji, Kapan, Armenia Supported children and youth environmental groups, all regions of our operations Further development of educational project 'Pomidorro', Magadan region

Feedback mechanism



Communities' consultation and grievances

We communicate about our activities through our Community Engagement System (CES) and encourage local stakeholders to give us their feedback. Local communities in remote areas are important, and we regularly organise field trips and face-to-face consultations with them.

In 2017, we received more than 500 enquiries from local communities, mostly relating to employment opportunities, Company impact on the lives of local people, and requests for support for education and health institutions, and sport and cultural events for young people. During the year, we held 37 meetings, public gatherings and hearings for local community members and indigenous people (32 in 2016). We also organised 20 site visits for members of the public and community representatives (15 in 2016).

We began a dialogue with the community of the Sakha Republic (Yakutia), our new region of operation. We started identifying community stakeholders, including employees, residents, public organisations and authorities. We created communication channels and provided all stakeholders with access to these. As with our other operations, all stakeholders are now able to reach us easily, and are guaranteed to receive a detailed response as soon as possible and within 14 days..

Assessing our impact

Designated departments at each of our operations regularly collect data relating to our social projects. They conduct community polls, and hold annual performance review meetings with stakeholders to evaluate the social and economic performance of our projects. This helps us 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 development and monitoring of our social programmes.

In 2017, we conducted community polls in 11 districts involving 726 people. Our assessments showed several positive and no negative impacts from our operations. Positive impacts included tax payments, support of infrastructure and auxiliary industries, environmental protection and ecological projects, regional population increase due to industrial growth, local employment opportunities, and social investment and community support. In fact, we received more than 105 letters from community groups expressing gratitude for our efforts in addressing social issues.

It gives us great satisfaction that in 2017 we constructed or upgraded 100 socially significant institutions (50 in 2016). These include kindergartens, schools, health centres, and sport and culture centres in host communities in new and remote areas. This provides targeted assistance to vulnerable people, including children from poor families and the elderly.

Our progress in 2017

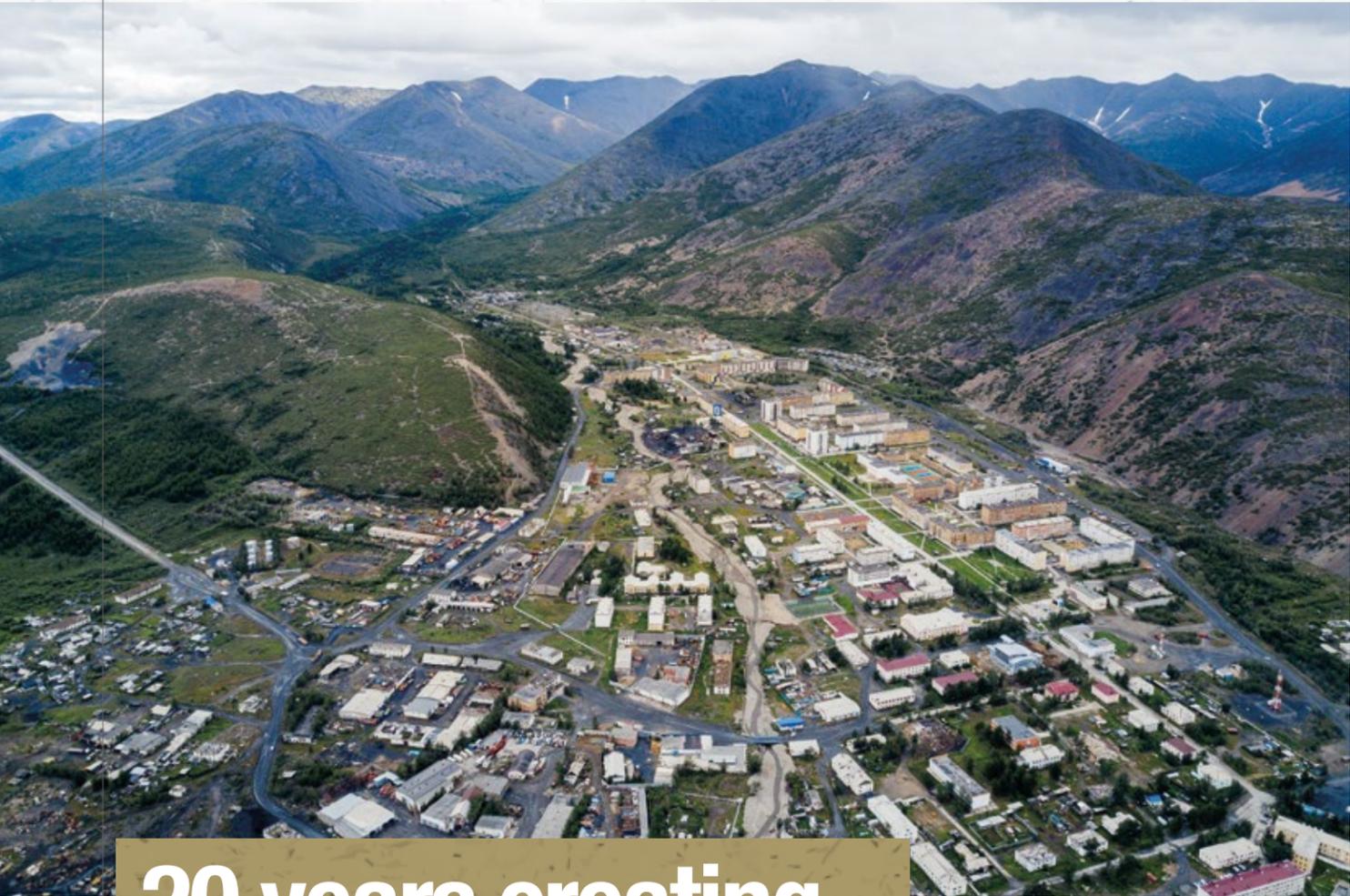
WE SAID...	WE DID...
We would carry out at least three meetings with local residents in our new regions of operation and receive their feedback on implemented social programmes.	We organised and held our first annual meetings with local residents in the new regions of operation: Tomponsky District (The Sakha Republic), Zhetikara District in Kazakhstan, and the Kapan community in Armenia. As a result, we received their first-year implementation assessment of our comprehensive social programme, and our proposals on the establishment of community interactions and social development for the coming year.
We would continue implementing our CES at all sites, identify any additional stakeholders, establish stakeholder relations, assess their needs, implement a stakeholder feedback system, and carry out regular surveys in our new areas of operation.	We implemented our Community Engagement System at all sites.
We would update our Sociable and Charitable Donations Policy.	An updated version of our Social and Charitable Donations Policy was approved by Board of Directors in 2017.
We would systemise our charity activities.	We systemised planning and reporting processes, and identified our main approaches to implementing projects. In 2017, we achieved significant progress in developing our corporate volunteering activities and more than 1,000 of our employees got involved in charity events.
We would reach cooperation agreements with the communities of the new areas of our operations.	We signed four more community agreements in new areas of our operations.

Plans for 2018 and beyond

We set the following tasks for 2018 and beyond:

- > to update our Social Projects Assessment System;
- > to implement the Community Engagement System at our recently acquired operations, including identifying stakeholders, establishing stakeholder relations, assessing their needs, implementing a stakeholder feedback system, and carrying out regular opinion polls;
- > to increase the number of social projects and actions preserving local languages, cultural heritage and traditional crafts of the Indigenous Minorities of the North;
- > to engage our employees and local communities' representatives in volunteering, and to promote their participation in the Company's environmental and charity projects.

ECONOMIC



20 years creating economic value

The long-term sustainability of our business depends upon economic success. A strong financial performance also helps improve local economies and livelihoods in the communities where we operate.

SUSTAINABLE DEVELOPMENT GOALS



Cubex low-temperature rig in Dukat

Last autumn, representatives of Kazzinc and Glencore visited our Dukat hub. They came from Kazakhstan to see our unique drilling rig, 'Cubex'. Dukat is the first in Russia to use the new rig, and we requested that it should be specially built for extremely low temperatures. The launch of the drilling rig will decrease our use of resources when removing overburden, so Cubex represents a major breakthrough in modern geology.

Simba S7 long-hole rig in Albazino

At Albazino, the dream of automatic long-hole drilling became a reality with our modern rig, 'Simba S7'. The staff in our mining planning department simply need to insert into it a USB drive with the project of drilling works and the machine adapts according to rock condition, to drill with high precision. All information is displayed on the monitor and recorded on a flash-drive, so our workers can see all important indicators for blasting operations. The machine has significantly lightened miners' workloads and improved the quality of our operations.



Anna Markova

Research engineer at Mayskoye

Anna Markova is a research engineer who has been working at the Mayskoye site since January 2017. Her research investigates the possibility of introducing high-speed flotation into ore processing at the ore preparation stage. This would significantly reduce the company's production costs in the long run. Anna was a winner at the Scientific-Practical Conference held in 2017.



“
We are a business, so delivering value to our shareholders is our goal. However, as a responsible business, we want to have a positive impact on the economies where we operate. As well as paying taxes transparently, ensuring we hire local employees and use local suppliers is a win-win. We benefit, and the economy benefits.
 ”

Maxim Nazimok
 Chief Financial Officer

Our approach

We deliver long-term value for shareholders, employees, partners and other stakeholders. Our operations also have a major positive impact on the economy – we contribute to regional sustainable economic progress by paying national and local taxes, employing local people wherever possible, and finding local or regional suppliers to buy from. This helps to improve standards of living for residents, further boosts local economies, and minimises the environmental impact of our supply chain. We also make social investments, helping to improve people’s livelihoods and strengthening our relationships with local communities. You can read more about our commitment to making meaningful voluntary social investments in the regions where we operate (see Communities section on page 57).

Economic impact

We have a positive impact on the regions where we operate through the payment of taxes to Russian, Armenian and Kazakhstan state and local authorities. In 2017 alone, our tax payments across the Group amounted to US\$188 million, compared to US\$272 million in 2016. These payments include mandatory contributions to state social funds, including pension funds of the Russian Federation, Armenia and Kazakhstan. Additionally, as a part of our collective agreements, we hold pension liabilities for retired employees. We do not consider these liabilities to be material and disclose them in the ‘other non-current liabilities’ category of our Financial report.

We are aware of both risks and opportunities posed by climate change, which have the potential to impact our operations, revenue, or expenditure. However, in 2017, we did not anticipate any relevant financial implications for the long term. We assess our risks on an annual basis and consider qualitative estimations (see our Risk Management section).

In addition, in the last reporting year we did not incur any significant fines or non-monetary sanctions for non-compliance with laws and regulations.

Who is responsible?

Group CEO, CFO, COO, Polymetal Trading and procurement teams, operations managing directors, heads of finance, communications, operations and HR at the mine sites

What guidelines do we follow?

UN Global Compact, UK Corporate Governance Code, Code of Conduct, Procurement Policy and Guidelines

Research, development and innovation

Our scientific and technical department identifies the latest innovations, conducts testing and pilot launching and then integrates the best of them into our production processes. In 2017, we focused on digital and green technology projects, among others.

Polymetal Engineering, together with our partners, started to test alternative technologies to substitute cyanide in ore processing and precious metals extraction. We have conducted tests with successful results and hope to further develop our cooperation and launch green technologies at our production sites.

Since 2012, we have implemented our Continuous Improvement System (CIS) to foster a culture of operational efficiency. Not only does this save money, it also helps lower our environmental impact, for example by reducing material consumption or introducing more efficient ways of using equipment. Thus, we implemented the tracking systems for personnel and mining fleet at our underground operations (Dukat) as well as at open pits (Kyzyl and Komar). This will significantly improve safety of personnel and efficiency of ore and waste haulage operations.

Innovation in exploration

In 2017, we started to use small, environmentally friendly, portable drilling rigs for exploration. These devices can be used in remote areas which are difficult to access, and can drill down to a depth of 140 metres. Exploration can be costly and often involves cutting down forests and building roads to transport a drilling machine to the discovery area. The portable rigs are so small that they can be carried by a single person, so we can protect trees and biodiversity and decrease exploration expenditure.

We also use portable analysers – modern versions of traditional geological tools. These allow us to make on-field quality and quantity analyses of rock mass, and therefore make immediate decisions about whether to keep drilling or change the direction of the borehole.

In 2017, at MineTech – Russian Contest of Mining Challenges and Solutions, we found a partner for geochemical (rock stability) analysis and we’re now testing innovative multi-element analysis technology.

In the era of automation, we’re working on digitalisation processes to increase the efficiency of mineral exploration. In 2017, we completed implementation of the Geobank exploration data system, as well as software to catalogue all of our geological samples and accumulate data from personnel working on-site and in our labs.

Local employment

Employing locally is a win-win solution for Polymetal and our host regions. As well as helping to strengthen ties between our business and communities, it lowers costs and our environmental impact by not having to fly employees in and out from other areas. It means employees are already dedicated to the well-being of the local community and helps us increase our positive impact on local economies.

We actively recruit from local communities, creating employment opportunities at our major operational sites. In 2017, 95% of our employees were local nationals (Russian, Armenian and Kazakh, depending on the location of the site). We make efforts to support women leadership and promote females, and as a result, in 2017 the share of locally employed female managers was 8% higher than male managers, and the share of locally employed women was 3% higher in our total Polymetal headcount.

Supply chain

In our supply chain management, we ensure that our procedures are transparent, conditions are competitive, partnerships are fair, goods and services are delivered on time, suppliers are reliable, and all parties are in full compliance with applicable regulations. To ensure efficiency in our supply chain, we use a business-to-business e-procurement system, which enables us to expand our list of contractors and make our processes more transparent and safe.

In 2017, we changed our procurement strategy for long-term planning and strive to build sustainable, long-term relationships with our partners, who are selected in an open tender process.

In 2017, we implemented scorecards, which we use for supplier assessment. Furthermore, we conduct audits to ensure we work only with ethical suppliers. In 2017, we audited over 4,500 potential contractors and rejected partnerships with some of them as they did not fit our corporate governance principles or anti-corruption policies.

Our suppliers – for example those providing construction material and equipment for our operations – are often large, global manufacturers, which helps us lower risk and cost. However, wherever we can, we engage local and regional suppliers, helping to stimulate regional and national supply chains and economies.

Material topics

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

Priorities

Create socio-economic value, maintain all relevant tax payments, ensure local employment, support local business

In 2017, on average around 47% of our supplier purchases in Russia came from the regions where we operate, compared to a rate of 48% in previous years. This decrease is associated with purchasing technical facilities, equipment and mining fleets in other countries for the purpose of upgrade and improvement, as well as hiring international companies for drilling and blasting operations. In Kazakhstan and Armenia, shares of purchases from local suppliers are 81% and 50% respectively.

Relations with regional suppliers are critical, due to the remoteness of many of our sites and their extreme weather conditions. Equipment is often delivered by sea to remote locations during the navigation season, and we are dependent on regional suppliers. In the Magadan region, strong supply chain relationships are critical because of limited transport options, and 8% of regional suppliers provide 46% of total operation needs. At our Voro mine in the Urals region, 38% of supplies are sourced locally.

Customers and markets served

Our products are sold both inside and outside their country of manufacture. We sell gold and silver bars mainly to Russian banks, while our concentrate is purchased by off-takers including smelters and manufacturers throughout the global market. In 2017, 68% of our total sales were bullion and 32% concentrate. The three regions with the largest proportion of sales were Russia (60%), Kazakhstan (17%) and Europe (12%), whereas sales to China, Singapore and Japan accounted for only 7%, 3% and 1% respectively. When selecting partners, Polymetal considers the potential risks associated with facilities for concentrate off-take. Bars are usually sold to large refineries and banks, and all processes comply with applicable national and international regulations. Together with our sales and marketing experts, we ensure full compliance with international regulations in product quality, shipment and transportation. 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 assistance and payments to governments

From 1 January 2017, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17% (2016: 18%) for our operations held in the Special Economic Zone of the Russian Far East, as well as the decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief, members of the regional free economic zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to US\$ 12 million in the reporting year (2016: US\$ 14 million).

From 1 January 2017 Svetloye LLC has received tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021.

We issue a separate annual report on payments to governments by Polymetal International plc and its subsidiary undertakings. This report is required by the UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015). These regulations are in line with EU Accounting Directive 2013/34/EU. They apply to large extractive companies whose securities are publicly listed on a UK-regulated stock market – companies that are involved in the exploration, prospecting, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. This report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE SHAREHOLDERS OF POLYMETAL INTERNATIONAL PLC



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 2017 (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 standard 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 2017.

Reporting Criteria

We assessed the Selected Information using the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI, 2016) (hereinafter – the “GRI Standards”). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

Polymetal International plc responsibilities

Management of the Company is responsible for:

- designing, implementing and maintaining internal 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 and reporting the Selected Information based on the Reporting Criteria; and
- accuracy, completeness and fair presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of the Company.

This report, including our conclusions, has been prepared solely for the management of the Company in accordance with the agreement between us, to assist management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Company's Sustainability Report for the year ended 31 December 2017, to assist management in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than management of the Company for our work or this report except where terms are expressly agreed between us in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our assurance procedures over Selected Information in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE MEMBERS OF POLYMETAL INTERNATIONAL PLC

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Company's management, including the Sustainability Reporting (SR) team and those with responsibility for SR management and group SR reporting;
- conducted interviews of personnel responsible for sustainability reporting data collection (interviews were held in Saint Petersburg);
- performed analysis of the relevant policies and basic reporting principles, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the requirements of the GRI Standards.

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 website¹.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained:

- nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards; and
- nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines of the GRI Standards.

AO PricewaterhouseCoopers Audit

27 March 2018

Moscow, Russian Federation

A.V. Davydova, certified auditor (licence № 01-000490), AO PricewaterhouseCoopers Audit



Audited entity: Polymetal International plc

Zinas Kanther and origenous Corner street, Zinas Kanther Business Center, 3035, Limassol, Cyprus

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

KEY SUSTAINABILITY FIGURES

Financial results

	Units	2017	2016
Revenue	US\$m	1,815	1,583
Cash operating costs (excluding depreciation, labour costs and mining tax)	US\$m	639	470
Wages and salaries; other payments and benefits for employees	US\$m	285	222
Payments to capital providers	US\$m	65	64
Payments to shareholders	US\$m	189	179
Taxes (excluding payroll taxes included in labour costs)			
Income tax and excess profit tax	US\$m	89	169
Taxes, other than income tax	US\$m	11	11
Mining tax	US\$m	88	82
Social payments	US\$m	15	10
Undistributed economic value retained	US\$m	434	376

Operation

	Units	2017	2016
Waste mined	Mt	114	82.1
Underground development	km	115.4	92.2
Ore mined	Kt	12,589	13,380
Open-pit	Kt	8,241	9,506
Underground	Kt	4,347	3,874
Ore processed	Kt	13,037	11,417

Production

Gold	Koz	1,075	890
Silver	Moz	26.8	29.2
Copper	Kt	2.7	1.5
Zinc	Kt	4.8	2.9
Gold equivalent ¹	Koz	1,433	1,269

Sales

Gold	Koz	1,099	880
Silver	Moz	26.5	30.7
Copper	Kt	2.6	1.6
Zinc	Kt	4.7	2.8

Principal consumables

	Units	2017	2016
Quicklime	t	53,898	55,270
Grinding body	t	15,871	16,964
Sodium cyanide	t	8,918	8,814
Concrete	t	10,292	6,710
Perhydrol	t	5,567	6,597
Flotation reagents	t	3,410	3,244
Soda	t	79	1,124
Caustic soda	t	951	720
Flocculant	t	214	324
Zinc powder	t	342	318

Notes

¹ Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.

KEY SUSTAINABILITY FIGURES

Energy

	Units	2017	2016
Diesel power plant	GJ	1,664,018	2,293,803
Diesel (transport and mobile machinery)	GJ	1,870,004	2,001,618
Electricity purchased	GJ	1,863,211	1,844,458
Coal	GJ	401,420	670,278
Natural gas	GJ	164,984	167,126
Petrol	GJ	33,395	43,079
Total energy	GJ	7,009,970	7,020,362

Water

	Units	2017	2016
Withdrawn			
Ground water	thousand m ³	7,822	8,284
Surface water	thousand m ³	9,144	5,779
External water supply	thousand m ³	716	414
Total water withdrawn	thousand m ³	17,683	14,477
Total reused or recycled water	thousand m ³	14,645	12,125
Water percent recycled and reused	%	83	84
Discharge			
Watercourses	thousand m ³	8,792	8,478
Collecting ponds	thousand m ³	825	3,169
Landscape	thousand m ³	252	26
Sewage	thousand m ³	713	177
Total water discharge	thousand m ³	11,339	11,850
Water sources significantly affected by withdrawal of water	number	0	0

Lands

	Units	2017	2016
Total managed land area	hectares	20,101	19,285
Land disturbed during year	hectares	1,271	2,482
Land reclaimed during year	hectares	471	261
Total land disturbed and not yet rehabilitated	hectares	11,995	11,411

Emissions

	Units	2017	2016
Total GHG emissions	t	771,320	736,724
Scope 1 Greenhouse gas emissions	t	280,851	268,093
Scope 2 Greenhouse gas emissions	t	490,468	460,375
Sulphur dioxide	t	983	847
Oxides of nitrogen	t	2,500	1,608
Carbon monoxide	t	2,983	2,153
Inorganic dust (solid particles)	t	4,973	4,565
Ozone depleting (CFC-11 equivalents) substances emitted	t	0	0

Waste

	Units	2017	2016
Waste rock	t	117,666,813	63,116,390
Tailings	t	10,575,864	10,625,666
Hazardous	t	13,481	10,610
Non-hazardous	t	128,250,317	73,963,349
Percentage of waste reused of total waste generated	%	22	20
Total waste		128,263,798	73,978,959

Environmental expenditures

	Units	2017	2016
Total environmental expenditures	US\$ thousand	24,758	14,371

Biodiversity

	Units	2017	2016
Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations	number	1	1
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	number	0	0

Social

	Units	2017	2016
Total workforce as of 31 Dec	number	11,919	11,261
Average headcount	number	11,553	10,862
Percentage of employees covered by collective bargaining agreements	%	89	88
Turnover rate	%	5.4	5.5

Workforce diversity

	Units	2017	2016
Percentage of female employees	%	22	21
Percentage of female managers	%	24	22
Percentage of female qualified personnel	%	42	42
Total young personnel (under 30)	number	2,407	2,566
Female young personnel (under 30)	number	509	613
Male young personnel (under 30)	number	1,898	1,953
Percentage of young personnel (under 30)	%	20	24
Percentage of female young personnel (under 30)	%	21	20
Percentage of male young personnel (under 30)	%	79	80
Disabled personnel	number	12	8
Taken parental leave	number	228	296
Male employees on parental leave	%	3	1
Female employees on parental leave	%	97	99
Return to work and retention rates after parental leave	%	100	100
Fixed-term employment contract	number	10,359	NA
Men	number	8,254	NA
Women	number	2,105	NA
Indefinite term employment contract	number	1,084	NA
Men	number	880	NA
Women	number	204	NA
Full-time	number	11,288	NA
Men	number	9,035	NA
Women	number	2,253	NA
Part-time	number	156	NA
Men	number	100	NA
Women	number	56	NA

Training

	Units	2017	2016
Trained personnel	number	14,974	8891
Percentage of employees trained in-house	%	63	57
Percentage of employees trained by external companies	%	37	43
Average number of training hours per employee (per year)	number	66	60
Average number of training hours per female employee (per year)	number	68	NA
Average number of training hours per male employee (per year)	number	60	NA
Total investments in training	US\$ thousand	1,474	866

KEY SUSTAINABILITY FIGURES

Safety			
	Units	2017	2016
Polymetal			
Accidents	number	16	19
Fatalities	number	2	4
Incidents	number	2	3
Occurrences	number	12	46
LTIFR	rate	0.15	0.19
Occupational diseases and health difficulties	number	3	4
Contractors			
Accidents	number	9	12
Fatalities	number	1	3
Incidents	number	1	0
Occurrences	number	7	50
LTIFR	rate	0.28	0.37
Ethics			
	Units	2017	2016
Code of conduct violations	number	12	5
Cases of corruption	number	7	4
Product responsibility			
	Units	2017	2016
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	number	0	0
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	US\$ thousand	0	0
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	number	0	0
Community investment			
	Units	2017	2016
Sport	US\$ thousand	3,215	2,000
Healthcare and education	US\$ thousand	4,671	1,563
Culture and art	US\$ thousand	939	751
Infrastructure of social importance	US\$ thousand	2,323	461
IMN support	US\$ thousand	272	208
Environmental awareness and education	US\$ thousand	84	40
Charitable donations	US\$ thousand	269	68
Total community investment	US\$ thousand	11,772	5,023
Number of partnership agreements	number	30	25
Total value of financial contributions to political parties, politicians, and political action committees	US\$ thousand	0	0
Communication			
	Units	2017	2016
Employees enquiries	number	1,001	1,269
Responded employees enquiries	number	1,001	1,264
Communities enquiries	number	516	270
Public meetings and gatherings	number	37	32
Site visits by external stakeholders	number	20	15
Compliance			
	Units	2017	2016
Significant fines	US\$ thousand	0	0
Non-monetary sanctions	US\$ thousand	0	0
Cases brought	number	0	0

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	GRI 402-1	Minimum notice periods regarding operational changes	1	p.43
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	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	1	p.49-50
	GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	1	p.48-50
Training and Education	GRI 403-4	Health and safety topics covered in formal agreements with trade unions	1	p.48
	GRI 404-1	Average hours of training per year per employee	1	p.39
Diversity and Equal Opportunity	GRI 404-2	Programs for upgrading employee skills and transition assistance programmes	1	p.39-41
	GRI 405-1	Diversity of governance bodies and employees	3	p.38
Diversity and Equal Opportunity	GRI 405-2	Ratio of basic salary and remuneration of women to men	1	Disclosure without a breakdown by the following age groups: under 30 years old, 30-50 years old, over 50 years old
				42
Diversity and Equal Opportunity	GRI 405-2	Ratio of basic salary and remuneration of women to men	1	Disclosure without a breakdown for each employee category

GRI CONTENT INDEX

Specific standard disclosures continued

STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLES	SCOPE	PAGES/NOTES
Non-discrimination	GRI 406-1	Incidents of discrimination and corrective actions taken	1	p.37
Freedom of Association and Collective Bargaining	GRI 407-1	Freedom of association and collective bargaining	1	p.5, 21, 42
Child Labour	GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	1	Zero operations and suppliers
Forced or Compulsory Labour	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	1	Zero operations and suppliers
Security Practices	GRI 410-1	Security personnel trained in human rights policies or procedures	1	All security personnel is outsourced and receives training in the human rights principles which complies with national regulation
Rights of Indigenous Peoples	GRI 411-1	Incidents of violations involving rights of indigenous peoples	1	p.54
	G4-MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories and formal agreements made	1	p.32
Local Communities	GRI 413-1	Operations with implemented local community engagement, impact assessments, and development programmes	1	p.8-9, 56-57
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	1	None
Human rights assessment	G4-MM9	Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process.	1	p.55
Closure Planning	G4-MM10	Number and percentage of operations with closure plans	1	p.31
Public Policy	GRI 415-1	Political contributions	1	p.70
Socio-economic Compliance	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	1	p.70

OTHER INFORMATION

Reportable segments

REPORTABLE SEGMENT	COMPANY NAME	SCOPES				
		1	2	3	4	5
Polymetal	Group					
Voro	CJSC Gold of Northern Urals					
Okhotsk operations	Okhotskaya Mining and Exploration Company LLC					
Okhotsk operations	Svetloye LLC					
Dukat	CJSC Magadan Silver					
Omolon	Omolon Gold Mining Company LLC					
Varvara	JSC Varvarinskoye					
Varvara	Orion Minerals LLC (Komar)					
Amursk-Albazino	Albazino Resources Ltd					
Amursk-Albazino	Amur Hydrometallurgical Plant LLC					
Mayskoye	Mayskoye Gold Mining Company LLC					
Kyzyl	Bakyrchik Mining Venture LLP					
Kapan	Kapan Mining and Processing Company CJSC					
Polymetal offices	Polymetal Management JSC					
Polymetal offices	Polymetal Engineering JSC					
Polymetal offices	Polymetal Trading Ltd					

Abbreviations

CIS	Commonwealth of Independent States
eq	equivalent
GE	gold equivalent
IMN	Indigenous Minorities of the North
NGO	non-governmental organisation
PGM	platinum group metal
POX	pressure oxidation

Units of measurement

g/t	gram per tonne
GJ	gigajoules (one billion joules)
TJ	terajoules (one trillion joules)
km	kilometres
Koz	thousand ounces
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
m	metres
Moz	million ounces
Mt	million tonnes
Mtpa	million tonnes per annum
MWh	megawatt-hour
Oz or oz	troy ounce (31.1035 g)
t	tonne (1,000 kg)
tpd	tonnes per day

NOTES



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