



UDOKAN
COPPER

SUSTAINABILITY
REPORT 2021

UPGRADE THE WORLD





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STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



” Copper plays a vital role in the global decarbonization effort, leading experts to call it the metal of the future, the backbone of the energy transition, and an enabler of the global economic sustainable development. Therefore, we believe our project to develop Russia’s largest copper deposit will contribute to climate action, primarily through our future products — copper cathodes and sulfide concentrate.

Valery Kazikaev
Chairman of the Board of Directors of Udokan Copper LLC

DEAR FRIENDS,

I am delighted to present our 3rd Sustainability Report that communicates our sustainability performance and commitment.

Copper plays a vital role in the global decarbonization effort, leading experts to call it the metal of the future, the backbone of the energy transition, and an enabler of the global economic

sustainable development. Therefore, we believe our project to develop Russia’s largest copper deposit will contribute to climate action, primarily through our future products — copper cathodes and sulfide concentrate.

The sustainability agenda is fundamental to our business and the development of our Mining and Metallurgical Plant. Our design solutions ensure

the balance between the cost effectiveness requirements for the future production and its environmental safety, while meeting the expectations of local communities and other stakeholders.

During the peak of the project construction activities in 2021, we focused on minimizing the environmental impact caused by the construction of the process plant and infrastructure facilities. Meanwhile, we attached equal importance to the implementation of the 2021-2022 ESG Program (development and implementation of ESG policies and standards). This has enabled us to lay the groundwork for using best practices in the copper industry.

In 2021, we joined the UN Global Compact as a re-commitment to responsible business practices.

Our ambitious construction program required extensive recruitment of professionals, leading to a 68 percent increase in headcount. At the same time, the Company supports professional communities in the Zabaikalye Region and during the reporting period, we saw a notable increase in the number of highly qualified candidates from the local community.

Our absolute priority is to ensure the highest safety standards. We have incorporated injury and fatality rates into our KPIs and maintain a vibrant safety culture to minimize them. This year, we have introduced the Occupational Health and Safety Committee as a new channel for communicating OHS issues.

We place strong emphasis on the development of the regions where we operate and contribute to the social and economic well-being of the local populations. We have continued to work with the regional authorities and local communities, including representatives of the indigenous peoples of the North in the Kalar Municipal District, one of the main stakeholder groups. Such collaboration enables us to be responsive

to the concerns of local residents.

Last year, we continued to implement socio-economic projects in the Zabaikalye Region, which earned us the title of the best strategic investor in the Far East. Since its establishment, the Company has invested about 1.7 billion rubles in sustainable development of the regions where it operates; in the reporting year, we spent 729 million rubles on socio-economic cooperation and charitable activities.

Being aware of the possible environmental footprint of our operations, we have designed a project for technical and biological soil reclamation after the deposit development is closed. Reclamation will help prevent unintended soil erosion and restore natural vegetation in the area. To minimize our footprint in the ecosystem, we implemented advanced technologies, developed environmental action plans and programs, and continuously monitored our operations. One of the major milestones for us this year was the successful finalization of our Climate Program, which has already begun evaluating direct and indirect GHG emissions across all emission scopes.

We will keep on operating to the highest standards of responsible and efficient business conduct, while respecting the expectations of our stakeholders. We aim to contribute to the overall sustainability goals by working cooperatively early on in the project.

Valery Kazikaev,

Chairman of the Board of Directors of Udokan Copper LLC

STATEMENT FROM THE CEO



” People are the backbone of Udokan Copper. We believe in boundless development of knowledge, talents, and skills of our employees.

Boris Slutsky
CEO of Udokan Copper LLC

footprint. Udokan Copper became the first Russian company to have grounding in assessing projected emissions against ISO 14064-1:2018.

We will continue pursuing responsible business practices and leadership in the industry through the regulatory documents development and projects we have adopted or are currently developing, including the 2021-2022 ESG Program (development and implementation of ESG policies and standards).

As part of our talent development efforts, we have commenced the transition to a matrix structure for construction and project management. This helps speed up innovations considerably and ensure transparency of work flows.

People are the backbone of Udokan Copper. We believe in boundless development of knowledge, talents, and skills of our employees. In 2021 our headcount increased by 68 percent to 1,348 people. We never stop improving our recruitment, onboarding, and engagement processes. Specifically, this year we introduced a corporate mobile portal, which already has more than 1,300 users*.

In the reporting year, we adopted a social welfare standard to improve life quality for our people and introduced a coaching program. We aspire to expand advanced training and learning programs for our employees. Alongside engineering courses, we implemented cross-training programs. We are rolling out a number of alternative training initiatives, such as the coaching mechanism, intended to transfer knowledge and skills from more experienced employees to newcomers.

The company actively develops learning tools, including on-the-job training for residents of the Zabaikalye Region. In addition to in-house advanced training programs, employees can take external courses. We have launched a mobile

corporate portal to improve employee engagement and are looking for a 10-15 percent increase in this figure by 2022.

In 2021, the Company made social investments worth 729 million rubles. We are committed to promoting sustainable development in the regions where we operate, with a primary focus on the needs of disadvantaged groups. This approach will be enshrined in our corporate policies to be implemented in 2022.

I believe our annual sustainability reports will help improve our stakeholder engagement toolkit, as well as our social and environmental efforts, in a planned and systematic manner.



Boris Slutsky,
CEO of Udokan Copper LLC

[102-14]

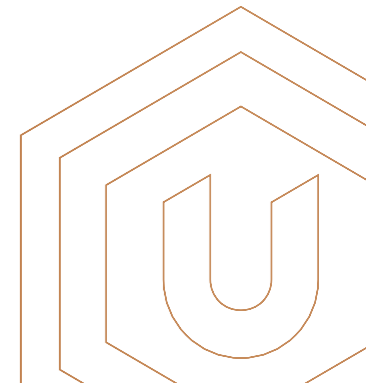
DEAR COLLEAGUES AND PARTNERS,

Our 3rd Sustainability Report outlines the progress we have made in 2021 and our plans for the future. We firmly believe that the successful implementation of sustainability principles requires trust-based long-term relationships with all of the stakeholders. To this effect, in 2021, we developed a number of internal regulations based on international

standards. These documents are designed to ensure continuous and transparent communication with the Company's management.

In 2021, we made a major decision to join the United Nations Global Compact as a re-commitment to the principles we stand for.

In addition, we have developed the Climate Program to further reduce our carbon



* As at May 2022.

KEY EVENTS AND RESULTS



[102-7] Key events

CONSTRUCTION



- Commissioned the following facilities of Udokan Mining and Metallurgical Plant (Udokan MMP): machine repair shops (MRS), ready-mix station (RMS), and crushing and screening unit (CSU)
- Approved reserves of commonly occurring minerals (COM), engineering design and mining allotments to secure construction materials for Udokan MMP facilities at the Emegachi I, KPP, PGS 2 Udokan, PK 102 PAD and Vodozabor claims Commenced extraction mining operations at the four claims, except for the Vodozabor COM deposit
- Implemented the geological and mining information system based on the Micromine package to automate the tasks of geological and mine surveying support of mining operations
- Delivered 99 percent of the core processing equipment to the construction site
- Commenced the construction of the Railroad base

PROJECT DESIGN



- Completed 93.3 percent of the design documentation

SUSTAINABILITY MANAGEMENT FRAMEWORK



WE SUPPORT



Joined the United Nations Global Compact (UNGC)

- Elaborated the Community Engagement Policy that defines the basic principles and mechanisms for promoting sustainable development of local communities
- Elaborated the Indigenous Peoples' Rights Policy
- Elaborated the 2021-2022 ESG Program (development and implementation of ESG policies and standards)
- Elaborated the Organizational Design Principles for HR Processes
- Elaborated the Industrial Environmental Control Program
- Elaborated the Corporate Social Welfare Standard "Creation of Comfortable Living and Working Conditions for Employees"
- Established the Environmental and Radiation Safety Service
- Established the Occupational Health and Safety Committee
- Expanded the Health, Safety and Environment Directorate (HSE Directorate) to include a Medical Service for employee counseling and first aid
- Launched implementation of matrix management structures for the Company's construction and project activities (created project teams).

PEOPLE-FIRST COMPANY



- Signed a new agreement on socio-economic cooperation for a total of 400 million rubles. Key areas included infrastructure development, healthcare, sports, culture, and education
- Introduced a coaching mechanism
- Launched a mobile corporate portal UdokanCopper/e-queo

ENVIRONMENTAL PROTECTION



- Established sanitary protection zones at Udokan MMP, the transportation & storage facility, and the access road between Novaya Chara station and Udokan settlement
- Designed a project for soil reclamation after the deposit development is closed
- Implemented an automated information and metering system for energy consumption from remote facilities



Key results



OPERATIONAL PERFORMANCE

- »» **16,033 million rubles** of net assets*
- »» **810.1 thousand tons** of associated copper ore extracted and stored at the ore stockpile
- »» **2,651.1 thousand m³** of rock mined
- »» **31,454 m³** of sand and gravels extracted at the Kemenskoe deposit



ENVIRONMENTAL PERFORMANCE

- »» **34.9 million rubles** of investments in environmental protection
- »» **205 thousand m³** of water consumed
- »» **1,417 tons** of air pollutant emissions**
- »» **6,345.843 tons** of waste generated***
- »» **147,624 GJ** of energy consumed
- »» **93 percent** of waste is Hazard Class V (virtually non-hazardous)
- »» **108.5 tons** of ash and slag waste reused



SOCIAL PERFORMANCE

- »» **0.071** — lost time injury frequency rate (LTIFR)
- »» **729 million rubles** — social investments into the region where the Company operates
- »» **0** fatalities
- »» **>1,245 users** of the mobile corporate portal UdokanCopper/e-queo****
- »» **1,348** employees

* As at 31 December 2021.
 **A significant increase (compared to the previous year) was mainly due to an increase in inorganic dust emissions by 10 times resulting from commissioning of a temporary crushing and screening facility.
 *** Such a dramatic increase is attributable to the pilot plant's productivity growth, the generation of copper ore processing waste (tailings) (virtually non-hazardous waste), and an increase in staff.
 **** As at May 2022.



ABOUT COMPANY

OUR APPROACH

Udokan Copper is a leading project to develop one of the world's largest copper deposits. Our top priority for now is to complete the construction phase on time and within budget. As of the initial phases of the Project, Udokan Copper is guided by the best global ESG practices, such as combating corruption and maintaining responsible supply chains. Our management framework enables a sustainable approach in preparation for operational ramp-up across the Company.

Company profile

(102-2) (102-5)
(102-7) (102-16)

Udokan Copper LLC (Udokan Copper or the Company) has been working on the Udokan project since 2008. Udokan is the largest in Russia and the third largest copper deposit in the world for resources among existing greenfield projects. Its specific qualities combined with innovative copper mining and processing technologies make it a unique greenfield project of strategic value, both for the Russian and global copper industry.

»» **No. 1** deposit in Russia for copper reserves

»» **No. 3** deposit in the world for resources among existing greenfield projects

The year 2021 saw a dynamic construction of Udokan MMP production facilities. Udokan Copper consistently follows applicable Russian and international safety standards throughout the construction phases, and employs best industry practices to deliver the project in line with sustainability principles.

The Company continued the extraction of balanced solid rock overburden within the established mine allotment as per the approved mining development plans and started the associated mining of copper ores as part of the capital mining operations (CMO) at the deposit as of 2020. In 2021, the actual volume of CMW was 2,651.1 m³ of mined rock plus 810.1 thousand tons of associated copper ore extracted and stored at the ore stockpile.

IN 2021:

»» **2,651.1** m³ of mined rock was the actual volume of CMO

»» **810.1** thousand tons of associated copper ore extracted and stored at the ore stockpile



Ore sample from the Udokan deposit



MISSION

WE PRODUCE METALS FOR A SAFE AND INNOVATIVE FUTURE, IN TUNE WITH NATURE AND CONCERN FOR PEOPLE.

VALUES

[102-16]

1 UTILIZING THE BEST AVAILABLE TECHNOLOGIES AND MINIMIZE THE ENVIRONMENTAL IMPACT

The Company employs the best Russian and international practices in the metals industry throughout the Udokan deposit development and exploitation project, and continues with research to deliver a top-notch with minor environmental footprint.

2 ENSURING REGULAR STAKEHOLDER ENGAGEMENT GUIDED BY THE PRINCIPLES OF RESPECT AND PARTNERSHIP

Udokan Copper views long-standing stakeholder engagement as an integral part of its business model. The Company is in regular dialogue with representatives of key stakeholder groups to build the most effective communication.

3 PRESERVING THE CULTURES OF INDIGENOUS PEOPLES AND DEVELOP SOCIAL INFRASTRUCTURE

Since the launch of the project, we have focused on making a positive social impact and sought to help improve the quality of life, while preserving the unique culture of local communities.

4 PROTECTING THE INTERESTS OF EMPLOYEES AND DEVELOP CORPORATE CULTURE

As Udokan Copper develops its organizational structure and prepares for transition to operations, in the reporting year it started to update one of its key documents — the Corporate Code of Ethics. The Code encompasses Udokan Copper's obligations to treat all of its staff lawfully, provide proper working conditions, create a comfortable environment in the team, and support sustainability-related initiatives put forward by employees. The Company makes building a corporate culture centered on professionalism, responsible business practices, ethics, and mutual respect a priority of its agenda.

Udokan Copper plans to develop a value-based business model in 2022. The revised values will be included in the updated Corporate Code of Ethics. This update is prompted by the need to prepare the Company for operation.

STRATEGIC PRIORITIES

The Company has set about developing a sustainable development strategy outlining its priorities for environmental protection, human capital management, and community relations. As of today, the Company's top priorities for business strategy are to complete the construction of Udokan MMP on time and within budget, while maintaining its reputation as a responsible producer.

After the commissioning of the production facilities, Udokan Copper's business strategy will be refocused on improving product quality and customer relations.



COMPLETE THE CONSTRUCTION OF UDOKAN MMP ON TIME AND WITHIN BUDGET, WHILE MAINTAINING ITS REPUTATION AS A RESPONSIBLE PRODUCER

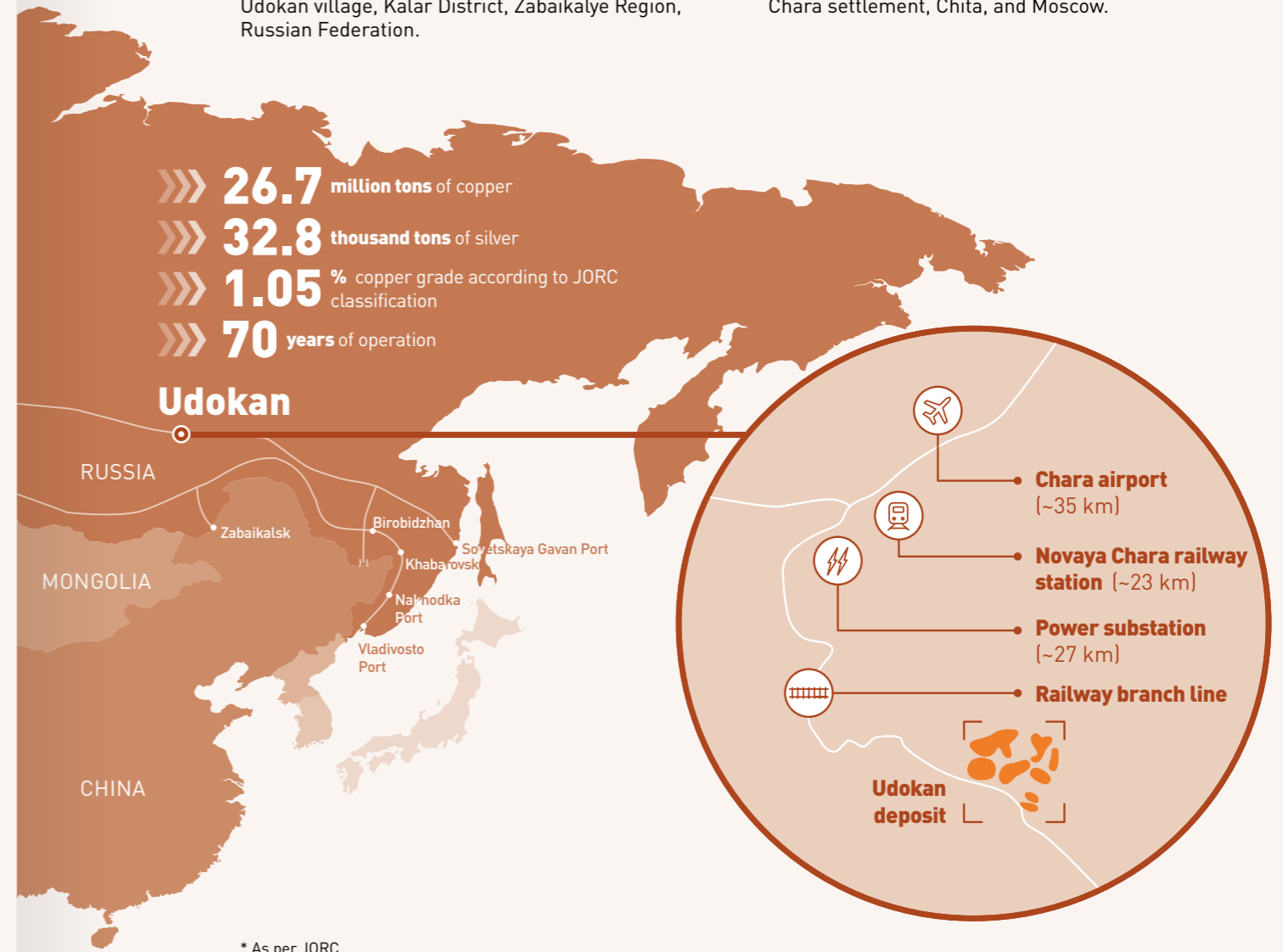
REGION OF OPERATION

[102-3] [102-4]

Udokan Copper develops the largest copper deposit located in the Kalar district of the Zabaikalye Region of the Russian Federation. The deposit's mineral resources are estimated at 26.7 million tons of copper and silver reserves at 32.8 thousand tons*, which guarantees more than 70 years of operation.

The Company is registered at: 1, Fabrichnaya street, Udokan village, Kalar District, Zabaikalye Region, Russian Federation.

The Company has 3 separate business units in Novaya Chara settlement, Chita, and Moscow.



- » 26.7 million tons of copper
- » 32.8 thousand tons of silver
- » 1.05 % copper grade according to JORC classification
- » 70 years of operation

Udokan

* As per JORC

Design solutions and construction stages

Today, Udokan Copper's key priority is to complete the construction of Udokan MMP facilities and infrastructure in line with the design documentation and applicable legal requirements, launch production, reach design capacity, and begin product sales. The Company makes sure to control the quality of construction work in a responsible manner and employs best practices and sustainability principles from the early stages of the project.

In the reporting year, the Company completed a substantial portion of construction and installation work (CIW) at key facilities of the future MMP.

CONSTRUCTION PROGRESS



PROCESS PLANT

In 2021, the Company carried out the construction at all process plant sites, along the entire value chain:

- **ORE CRUSHING PLANT:**
 - Primary crushing building
 - Transshipment units
 - Conveying facilities
 - Assembled processing equipment, industrial pipelines, and ventilation systems
- **CONCENTRATOR:**
 - Coarse ore stockpile
 - Critical class re-crush building
 - Conveying facilities for feeding ore from the stockpile to the main building
- All facilities of the concentrator main buildings (grinding plant, flotation plant, reagent preparation facility, auxiliary buildings and structures; assembling processing equipment, industrial pipelines, and ventilation systems)
- Central analytical services lab
- **HYDROMETALLURGY PLANT:**
 - Filtration, electrolysis, solvent extraction, thickening and decantation, and acid reception and pumping buildings
 - Assembled processing equipment, industrial pipelines, and ventilation systems



EXTERNAL POWER SUPPLY

Facilities constructed:

- 220 kV Bluzhdayushchy substation
- 220 kV Udokan MMP Stages 1 and 2 substation — obtained a compliance certificate for the constructed facility and a permit for its commissioning
- 220 kV HV power transmission line between Chara settlement and Udokan MMP 1,2 — obtained a compliance certificate for the constructed facility and a permit for its commissioning
- 220 kV HV power transmission line between Chara settlement and Bluzhdayushchy 1,2
- Package transformer substation (PTS) or the rotation camp



INFRASTRUCTURE (ROTATION CAMP)

Completed the principal types of work at the infrastructure facility:

- Supply base
- Construction of Workers' Dormitory No. 1

Foundation works at Workers' Dormitories No. 2 and 3 and the canteen.

MINING FACILITY AND ROADS

Underway is the construction of all of the mining facility sites:

- Main haul roads No. 1 and 2 and temporary haul roads No. 2, 3, 4, and 6 of the mining facility
- Interfacility roads to the water intake point, exit road to the industrial and municipal waste landfill, and roads to the 220 kV Bluzhdayushchy substation
- Ore stockpile No.1 for the period of 2021-2022 (completed)
- Roads to the rotation camp, supply base, 220 kV Udokanskaya substation (including the road around 220 kV Udokanskaya substation, roads to surface water treatment facilities, and waterworks), process plant checkpoint, and the road "Main entrance - concentrator" (1 stage) (completed)

RAILROAD BASE

Underway is the construction of all of the following railroad base sites:

- Cold storage warehouse
- Warm storage warehouse
- Administration building
- Warm garage



In addition, extensive work was carried out in 2021 in terms of preparing and obtaining design estimates and detailed design documentation:

DESIGN ESTIMATES:

- Obtained a positive conclusion of the non-state expert review for the revised design documentation for the following facilities: supply base, emergency response service, boiler station No. 1, 35 kV overhead power line and 35/6 kV substation, rotation camp, explosive storage with ammonium nitrate store, household and surface water treatment facilities, service center, administrative-household complex, central analytical and environmental laboratory
- Obtained a positive conclusion of the state expert review on the revised design documentation for the following facilities: external power supply and access road
- Obtained revised design documentation for the main title units and submitted it for state expert review*

DETAILED DESIGN DOCUMENTATION:

- Process plant — 97.6 percent complete
- Mining facility — 95 percent complete
- Infrastructure facility — 87.2 percent complete
- Railroad base — 62.1 percent complete
- External power supply — 100 percent complete
- Power supply facilities — 100 percent complete
- Rotation camp — 100 percent complete
- Water intake — 100 percent complete**
- Supply base — 100 percent complete
- Main entrance — 100 percent complete
- Industrial and municipal waste landfill — 100 percent complete
- Emergency response service — 100 percent complete
- Main haul roads — 100 percent complete
- Temporary haul roads — 100 percent complete

DESIGN DOCUMENTATION IS **93.3** PERCENT COMPLETE



* The main title units include process plant, mining facility, industrial and municipal waste landfill (PIKO), waterworks, and 10 kV switchgear.
 ** Without taking into account the increase in the water intake capacity, for which adjustments will be made in the detailed design documentation.



CONCLUDED AGREEMENTS TO ADJUST THE DESIGN ESTIMATES FOR THE TWO TITLE UNITS OF THE RAILROAD BASE:

- Transportation & storage facility
- Non-public railway tracks

In the reporting year, the Company decided to design a number of production and infrastructure facilities:

- Sulfide concentrate storage facility
- Tank container and sodium sulfide storage facility
- Water intake with increased capacity from 10 thousand m³/day to 20 thousand m³/day
- Reservoir tank storage for sulfuric acid
- New concentrator plant (drying plant)

Another key result of the Company's project activities in 2021 was the delivery of 99 percent of the core process equipment.

During 2021, to confirm the ability to achieve the planned ore processing targets at the Udokan deposit, the pilot plant was upgraded by replacing the crushing, flotation, and hydrometallurgy plants.

In September 2021, the Company started upgrading the automated process control system of the pilot plant by installing additional process control instruments and software to automate processes to the maximum extent possible.



The results of pilot tests confirmed the ability of the combined flotation and hydrometallurgical scheme to achieve the planned ore processing targets at the Udokan deposit in terms of both, metal extraction and quality of the finished products.

Key plans for 2022:

- Carry out comprehensive testing of energized power facilities
- Undergo a final audit by Gosstroy nadzor and obtain a certificate of compliance of the constructed facility with the design documentation



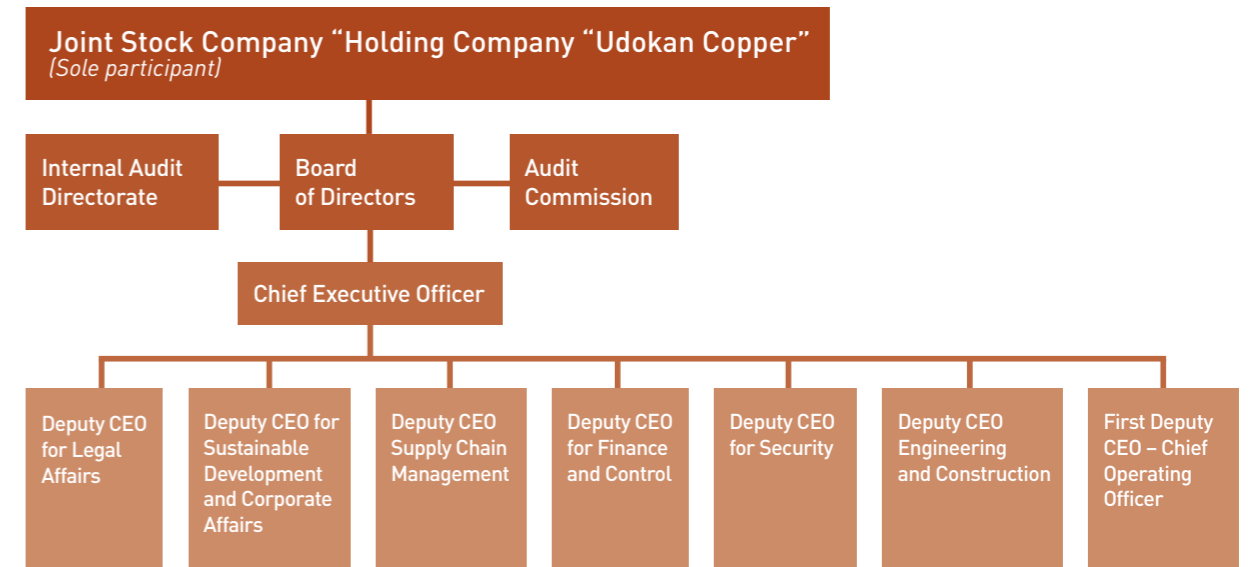
Corporate governance

Our commitment to best practices in corporate governance standards helps enhance its business reputation and build effective interaction between management, employees, and other stakeholders of Udokan Copper.

We have a corporate governance framework that complies with all the requirements of Russian laws and corresponds to the legal form of a limited liability company. We regularly update our corporate governance processes to incorporate the best Russian and global practices.

Our principal corporate governance documents include the Company's Charter, Regulation on the Board of Directors, Regulation on the Finance and Audit Committee, and Regulation on the Strategic and Technological Development Committee.

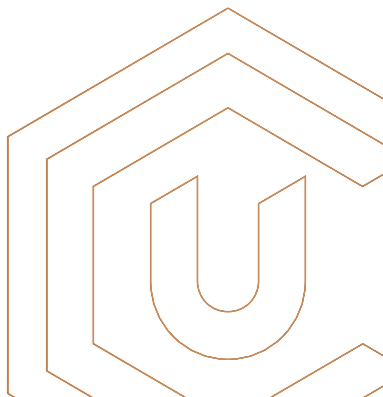
OUR CORPORATE GOVERNANCE STRUCTURE



The Internal Audit Directorate works to help the Company achieve its goals by using a structured and consistent approach to evaluating and improving the performance of the following processes:

- Risk management (Risk Management System)
- Internal controls (Internal Control System)
- Corporate governance

The risk-based internal audit plans are designed to take into account sustainability risks along with operational and financial exposures.



GENERAL MEETING OF PARTICIPANTS (THE SOLE PARTICIPANT)

The Company's supreme management body is represented by the general meeting of members. As at 31 December 2021, the Company's sole participant was Joint Stock Company "Holding Company "Udokan Copper". As provided by the Company's Charter, the General Meeting of Participants (represented by the sole participant) determines the priority areas of the Company's activities, elects the Board of Directors and the sole executive body, approves annual reports and annual balance sheets, and makes other decisions, including scheduling audits.

BOARD OF DIRECTORS

The Company's Board of Directors carries out strategic management, approves major transactions, appoints committees of the Board of Directors, and performs other functions in line with the Russian law, the Company's Charter, and the Regulation of the Board of Directors.

In 2021, the Company held 20 meetings of the Board of Directors. Those meetings dealt with the following issues:

- Approval of transactions and contracts for CIW at Udokan MMP facilities, equipment supply, mining operations, and other issues related to the Company's activities during the investment stage
- Approval of the 2021-2022 ESG Program (development and implementation of ESG policies and standards)*.



The establishment of the Strategic and Technological Development Committee by the Board of Directors was one of the key developments in 2021. The Committee aims to assist the Board of Directors and other management bodies of the Company in performing their functions effectively in terms of development strategy, technology policy, research and implementation of new ore mining and refining processes, support and control of the commercial operation launch of Udokan MMP.

The Finance and Audit Committee continued monitoring the Company's financial and business operations, internal audits, transactional decision-making, risk assessments, financial reporting, and ESG matters in the reporting year. In 2021, the Committee addressed ESG matters on two occasions during its meetings.

Decisions on remunerations to the members of the Board of Directors Re made by the Sole Participant, JSC "Holding Company "Udokan Copper". Remuneration procedures comply with the requirements of Federal Law No. 14-FZ On Limited Liability Companies of 8 February 1998, the Company's Charter, and Regulation on the Board of Directors.

CEO

CEO of Udokan Copper LLC acts as its sole executive body. CEO's key responsibility is to manage the Company's day-to-day operations in accordance with the requirements of the Russian laws and the Company's Charter.

Up to 30 December 2021, G.S. Mironov was the CEO.

As of that date, G.S. Mironov was replaced by B.N. Slutsky as CEO.



* For details, see the Sustainability Management Approach section.

SUSTAINABILITY MANAGEMENT

We strive to incorporate the sustainability agenda into all aspects of our operations using advanced standards for managing ESG issues as early as the construction phase. By the time of commissioning, Udokan Copper plans to embed ESG principles into its production processes as well. Since we seek to implement sustainability principles in all of our business processes, our sustainable development governance structure encompasses all levels of corporate governance.

Our sustainability management system is designed using an integrated approach. The Board of Directors and CEO are engaged to address the key sustainability management issues. Most of the divisions participate in sustainability management at the operational level, within their competencies and areas of responsibility. The divisions primarily responsible for sustainability issues report to Director for External Affairs, Director for Human Resources and Organizational Development, and Director for Health, Safety and Environment.

Deputy CEO for Sustainable Development and Corporate Affairs is responsible for the implementation and development of sustainability practices, is in charge of the Sustainability Management Department, and reports directly to the CEO.

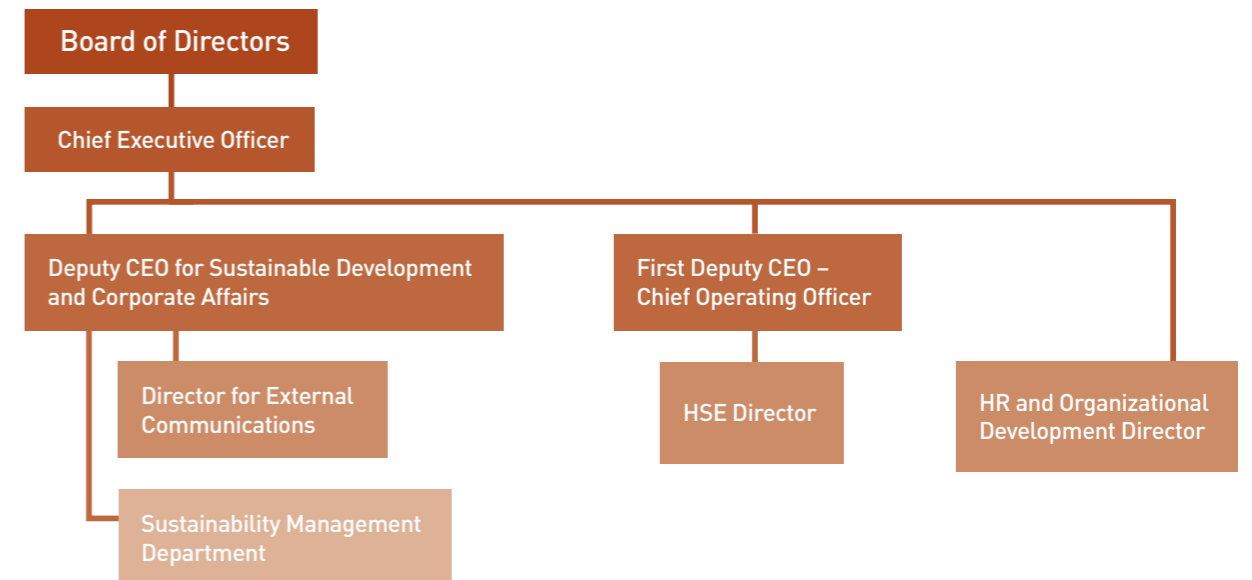


The Sustainability Management Department was introduced into the Company's corporate governance system in 2020. The department's key responsibilities include:

- Development of a sustainable development strategy
- Development and delivery of a climate strategy
- Quality control, analysis of the content and presentation of design documents
- Assistance during state (non-state) expert reviews of design documents at the federal and regional levels; obtaining the required approvals, permits, and clarifications
- Monitoring and analysis of the Russian legislation governing design documentation development, obtaining necessary permits and approvals, and procedures for expert reviews

Employees of the Sustainability Management Department regularly undergo professional training to raise awareness of trends in ESG best practices.

SUSTAINABILITY MANAGEMENT STRUCTURE



Business ethics and anti-corruption

Udokan Copper conducts business with a strong commitment to business ethics and maintains a robust anti-corruption framework in compliance with the Russian laws and regulations. We are well aware of our social responsibility and, therefore, our key business principle is "zero tolerance" for corruption violations in all their forms and manifestations.

Our values, principles and norms of business conduct are outlined in our basic internal regulations*:

- [Anti-Corruption Policy, approved on 27 December 2019](#)
- [Conflict of Interest Regulation, approved on 10 July 2017](#)
- [Corporate Code of Ethics, approved on 10 July 2017](#)
- [Whistleblowing Standard Operating Procedure, approved on 2 March 2017](#)
- [Gifts and Hospitality Standard Operating Procedure, approved on 10 July 2017](#)

To prevent conflicts of interest, all employees complete annual conflict of interest statements that are reviewed by the Security Service.



In 2021, the Company prepared a draft updated Code of Business Conduct and Ethics as part of the 2021-2022 ESG Program (development and implementation of ESG policies and standards), as approved by the Board of Directors. Updating the Code was driven by the need to bring it into line with sustainability standards and best practices, as well as to prepare for the operational phase. The revised Code will be approved and implemented in 2022.

In addition, the Company applied the following in-house regulations in the reporting year:

- Internal Labor Regulations of Udokan Copper LLC
- Anti-Corruption Policy
- List of Business Processes and Positions Vulnerable to Corruption

In 2021, to combat money laundering and terrorist financing**, Udokan Copper LLC introduced Internal Control Policy.

All new hires read, understand, and acknowledge their understanding of the existing regulations by signing a copy thereof; updated or newly drafted regulations are communicated via the Electronic Document Management System. We are currently looking into the possibility of implementing the respective training and testing in 2022.

* These documents are available at the Company's website <https://udokancopper.ru/suppliers/>
 ** In pursuance of FZ-115 of 7 September 2001



COMMUNICATIONS ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

[205-2]

Indicator	Number of people	Share, percentage
Total informed members of the Board of Directors who are not the Company employees	11	100
Total informed employees, including top managers	1,348*	100
Total informed contracting parties, including:	627	100
those of the Russian Federation	612	100
those of other countries	15	100

In the reporting year, five employees of the Security Directorate were trained in anti-corruption policies and methods. All employees and contracting parties have been informed about the Company's anti-corruption policies and methods.



100 % of employees and contracting parties have been informed about the Company's anti-corruption policies and methods.

COMBATING CORRUPTION

[205-1]

The Company's policies and procedures comply with applicable legal requirements and allow us to effectively combat money laundering and corruption attempts.

The basic document governing anti-corruption activities is the Anti-Corruption Policy that is mandatory for all employees to read and understand. To communicate the principles of ethical behavior to all employees, the Anti-Corruption Policy is included in all employment contracts, job descriptions, and internal labor regulations. Failure to comply with its requirements is a punishable offence. Anti-corruption provisions are also included in contracts with suppliers and contracting parties**.

The Security Directorate is responsible for ensuring compliance with anti-corruption requirements.

[205-3]

In 2021, we had two instances of violations of the Company's Anti-Corruption Policy.

* For more details on the Company's employees, see the Talent Development section
 ** For details, see the Sustainable Supply Chain section

CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

- »»» 2 — confirmed incidents of corruption
- »»» 0 — confirmed cases of non-renewal or termination of contracts with business partners due to corruption-related violations
- »»» 4 — confirmed cases of employee dismissals or sanctions for corruption
- »»» 1 — corruption-related legal claims initiated against the Company or its employees in the reporting period

In the reporting year, there were two violations of the law identified as part of the Company's security measures.

1. In particular, during an internal audit, the Security Directorate found violations of the Order "On Approval of Payroll Policy". The damage totaled 169 thousand rubles. The Company imposed fines and enforced two non-financial sanctions (termination of employment contracts) in response to the identified incident.
2. As part of anti-corruption measures, the Security Directorate received information about a violation of the Anti-Corruption Policy. Due to the dismissal of the said employees, it was not possible to verify the information of corruptive nature.

In July 2021, the Security Directorate carried out internal audits on the breaches of in-house regulations committed by the Company's employees. Based on the results of two internal audits, the employees at fault were reprimanded.

»»» 28 (100%) subdivisions of the Company underwent corruption risk assessment in the reporting year

MECHANISMS FOR ADVICE AND CONCERNS

[102-17]

Employees of Udokan Copper can directly contact (in person, by phone, email, etc.) the officer responsible for anti-corruption policy in the Company (Head of the Economic Security Unit, Economic Security and Anti-Corruption Department, Security Directorate) to lodge queries and receive advice on compliance, corporate ethics, and corruption.

In 2021, the Company developed a Procedure for filing and reviewing appeals from stakeholders and decided to establish a Hotline for requests from internal and external stakeholders (including on an anonymous basis). The Hotline was launched in 2022*. Internal and external stakeholders may submit their appeals to the Company via email at info@udokancopper.com, Hotline at 8 (800) 550-98-45, or fill out a form on the Company's website.

During the reporting period, the Security Directorate did not receive any appeals.

* For details, see the Company's website <https://udokancopper.ru/contacts/>

Economic performance

Udokan MMP focuses on ensuring ongoing operations and effective financial planning for future activities and the successful development of the project.

The Company's approach to governance in terms of economics and financial planning has not undergone any significant changes*. In 2021, the Company established the Financial and Economic Modeling Directorate.

To ensure financial stability, Udokan Copper identifies and assesses risks that may divert its business from the targets set. The Company has identified the following risks:

Risks	Controls
<p>LOAN INTEREST RATE INCREASE</p> <p>The risk represents the impact of an increase in the key rate of the Central Bank of the Russian Federation (hereinafter, the "CBR") on the bank's interest rate on loans for the Company's needs. Such changes may affect Udokan MMP's financial performance, its debt burden, and unbalance the budget.</p>	<ul style="list-style-type: none"> Hedging the key rate of the CBR under the state program "Project Finance Factory" Entering into an agreement to subsidize a portion of the interest rate under the corporate competitiveness program
<p>INCREASE IN CURRENCY EXCHANGE RATES</p> <p>Currency risk includes an increase in the cost of imported equipment and a number of services due to the weakening of the national currency, which has a considerable effect on the Company's expenses.</p>	<ul style="list-style-type: none"> Setting credit limits in U.S. dollars to offset the risk of funding shortfalls Preparing to export products to generate foreign currency earnings

CORE BUSINESS EXPENSES, million rubles

Description	2019	2020	2021
Front-end engineering design (FEED) / project support	1,137.21	758.99**	642.9
Construction, including CIW, equipment, mining facility	4,443.38	23,614.21	42,986.97
Payroll and insurance premiums	1,470.51	2,115.35	3,457.51
Other costs	1,228.39	1,170.71	3,310.93
Interest on loans, commitment charges, and other payments	1,466.57	2,286.07	4,911.43
TOTAL	9,746.06	29,945.33	55,309.73

* For details on economic and financial planning, see the [2020 Sustainability Report](#), on page 58

** Including 118.7 million rubles spent on the development of design estimates for the Chara airport reconstruction

COMPLIANCE WITH TAX LEGISLATION

Udokan Copper complies with the tax laws of the Russian Federation and duly performs its obligation to pay taxes to the federal, regional, and local budgets. The Company strives to maintain high standards of tax accounting transparency. By paying taxes to local budgets, the Company contributes to the development of the region where it operates.

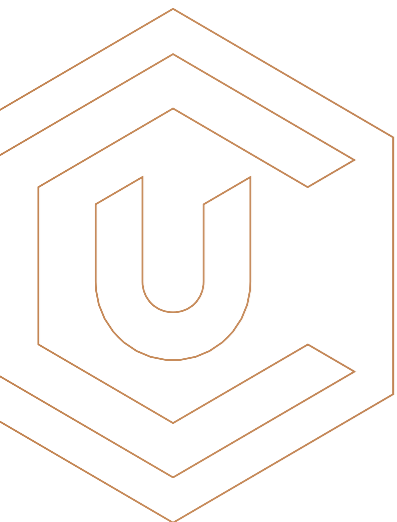
Udokan Copper monitors changes in tax legislation and adjusts tax-related processes as necessary. The Chief Accountant manages and monitors the Company's tax processes and ensures the availability of appropriate processes and systems to monitor them. Udokan Copper's financial statements are regularly reviewed by an independent auditor. The Company consults with external advisors and has access to various sources of tax, legal, and judicial information, where it regularly seeks clarifications on controversial tax issues.

The Company works with JSC Far East Development Corporation and is a resident of PDA*. Through this program, the Company will benefit from a number of tax incentives once the deposit is put into commercial operation.

The Company operates solely in the Russian Federation tax jurisdiction as Udokan Copper LLC, whose principal activities include mining and processing copper ore, and producing copper cathode and copper concentrate.

TAXES AND FEES PAID BY UDOKAN COPPER LLC, million rubles

Description	2020	2021
Taxes withheld and paid on behalf of the Company's employees	526.7	896.1
Industry and other taxes and payments to the budget, including:	83.5	156.7
◦ Mineral extraction tax	46.1	62.7
◦ Property tax	4.7	3.9
◦ VAT paid by tax agent	30.3	81.0
◦ VAT paid on import of goods from the Customs Union	2.4	9.3



* An economic zone offering favorable tax conditions, simplified administrative procedures, and other privileges in Russia, created to attract investment, accelerate economic development, and improve people's lives.

Sustainable supply chain

Udokan Copper works to create and maintain a sustainable supply chain. To this end, the Company focuses on building long-term and mutually beneficial relationships, designing fair and transparent procurement management processes, enhancing competitiveness in the procurement framework, and ensuring a level playing field for all suppliers and contractors.

PERFORMANCE ON 2021 GOALS*



GOAL: TO CONCLUDE LONG-TERM CONTRACTS FOR THE SUPPLY OF REGULARLY CONSUMED MATERIALS

We have signed a number of framework contracts with manufacturers of basic technological materials regularly used in our operations.



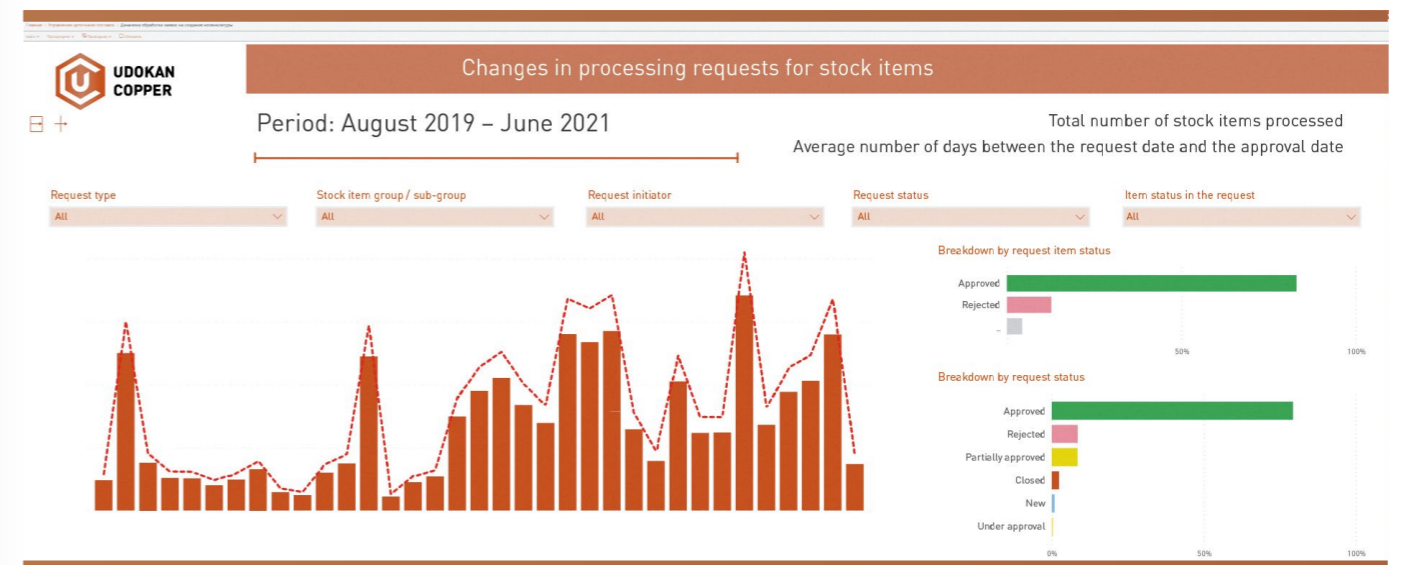
GOAL: TO DIGITIZE PROCUREMENT PROCESSES IN ERP (managing purchases in the system — from order receipt and selection of contractors to acceptance of goods and raw materials at the warehouse).

We have introduced the ERP functionality for planning and demand management as part of internal consumption order generation. Since there is no need to create a purchase order for standard materials and equipment, the process "from planning to creating demands" is significantly reduced; a plan to improve 1C ERP/SED in terms of supporting the end-to-end process "from demand to write-off" and integration with related systems has been developed.



GOAL: TO AUTOMATE PROCUREMENT AND REPORTING FOR PROMPT DECISION-MAKING

In the reporting year, we prepared a dashboard system to visualize reports, provide information on current stocks at central warehouses by departments and applicants' names, check the current status of purchases, and specify the expected date of delivery to the warehouse. In addition, such dashboards allow us to analyze data, speed up the decision-making process, and optimize the overall procurement and resource allocation process.



* Since the project is at its development stage, which implies particularly dynamic procurement activities, the goals are revised constantly. This Report contains an updated list of goals for 2021 and their progress.

»»» **GOAL: TO ENSURE THE SUPPLY OF MATERIAL AND TECHNICAL RESOURCES (MTR)**

We have signed the necessary contracts with suppliers and contractors; work is taking place as scheduled. There were changes in deadlines in a number of contracts, however this did not affect the pre-commissioning work.

»»» **GOAL: TO ENSURE TIMELY DELIVERY OF TOLL MTR FOR CONSTRUCTION AND INSTALLATION WORKS.**

We have created a registry of toll MTR that specifies the delivery dates. Purchases made with a slight increase in the timing did not have a negative impact on the progress of construction.

»»» **GOAL: TO ENSURE TIMELY PROCUREMENT PROCEDURES FOR CIW**

All construction contracts were signed within the scheduled time frame.

»»» **GOAL: TO FULFIL OBLIGATIONS UNDER THE OUTOTEC CONTRACT**

We have fulfilled our obligations, and thus we did not pay any penalties to Outotec in 2021 for failure to fulfill them properly.

»»» **GOAL: TO ENSURE THE START OF ORE PRODUCTION WITHIN THE ESTABLISHED TIMEFRAME (outsourcing of mining operations)**

We have signed outsourcing contracts for mining operations within the deadlines stipulated in the updated project schedule.

»»» **GOAL: TO KEEP TO THE PROJECT BUDGET**

The 2021 procurement plan was implemented within the approved budget*.

PROCUREMENT MANAGEMENT

[102-9]

A sustainable supply chain is about effectively managing environmental, social, and economic impacts and risks, as well as using best business practices throughout the entire product lifecycle — from resource procurement to manufacturing products, their delivery to customers, and further use.

Procurement is a crucial element of the Company's sustainable supply chain during the deposit development stage. We never stop improving our procurement processes so as to respond to the increasing complexity of our operational challenges.

[102-10]

The Company's procurement activities are governed by the Procurement Policy adopted in 2017 with further amendments to the Policy approved by the CEO. In 2021, we made some major changes to our procurement management processes as set forth in the Order "On Changes to the Organizational Structure of the Deputy CEO for Supply Chain Management".

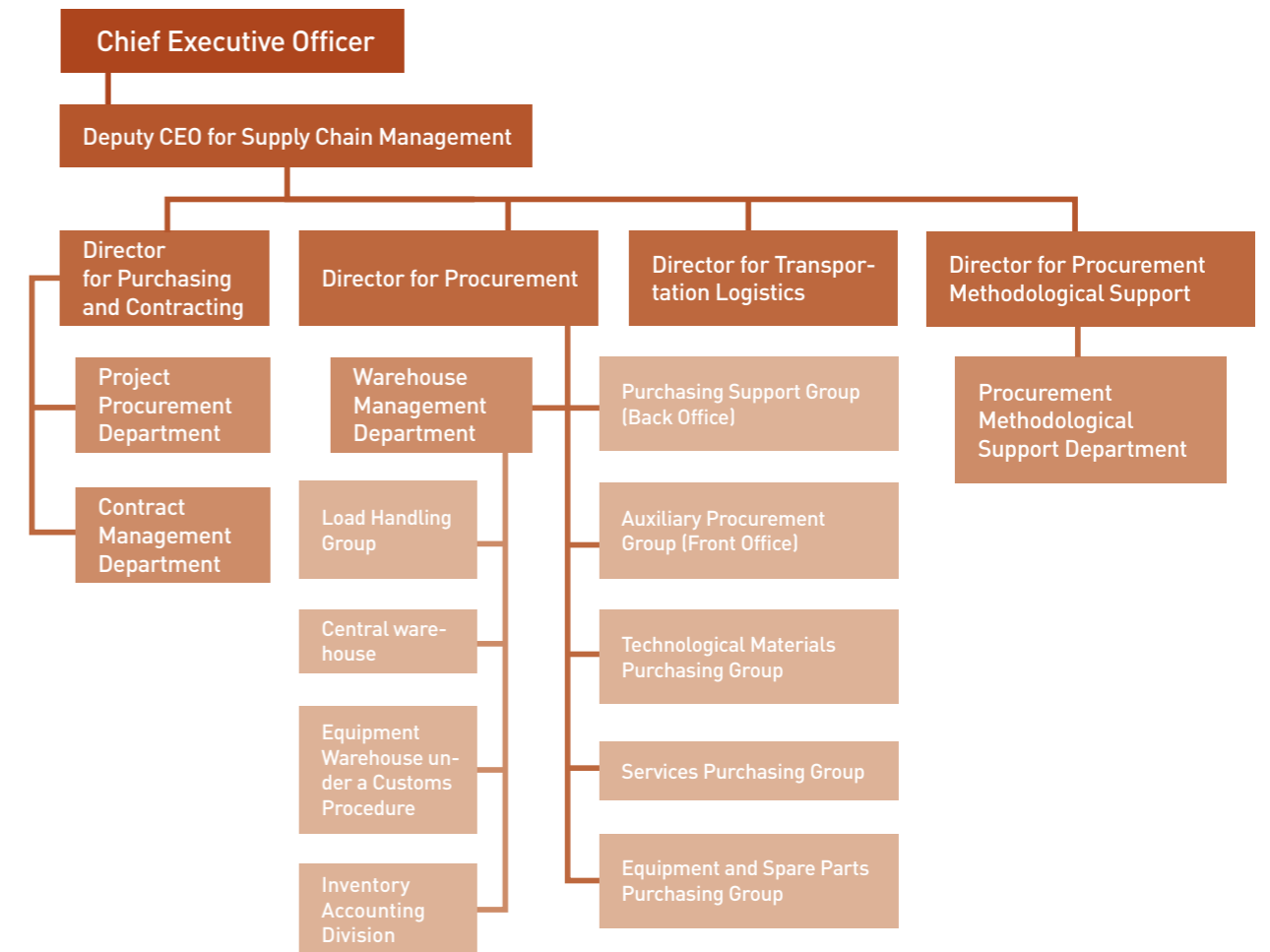
The Company introduced the position of the Deputy CEO for Supply Chain Management whose mandate includes supporting the entire procurement process from order receipt to dispatch from the warehouse.

* This does not include incoming additional requests procured through reallocation of funds and competing overrun sheets.

The Supply and Procurement Function was divided into new directorates: Procurement and Contracting Directorate for the project procurement and Supply Directorate for the procurement of materials and fixed assets for commercial operation. With these reorganizations we can provide everything necessary for the current construction phase and at the same time begin preparations for purchasing materials and fixed assets for operations, including further category management and procurement strategy updates.

The Procurement Methodological Support Directorate was made a separate unit. The Transport Logistics Directorate was introduced to set up a management process for external and internal logistics.

UPDATED SUPPLY CHAIN MANAGEMENT STRUCTURE



We engaged professional consultants to build target supply chain management business processes. In the current period, we managed to do a large amount of work, including:

- Developed and described the target business processes and organizational structure of the supply chain management unit
- Developed rules of procedure for procurement activities
- Developed managerial controls and tools for communication between supply chain management units and cross-functional teams
- Developed requirements for 1C ERP automation

PROCUREMENT CONTROLS

[CM-MM-510a.1]

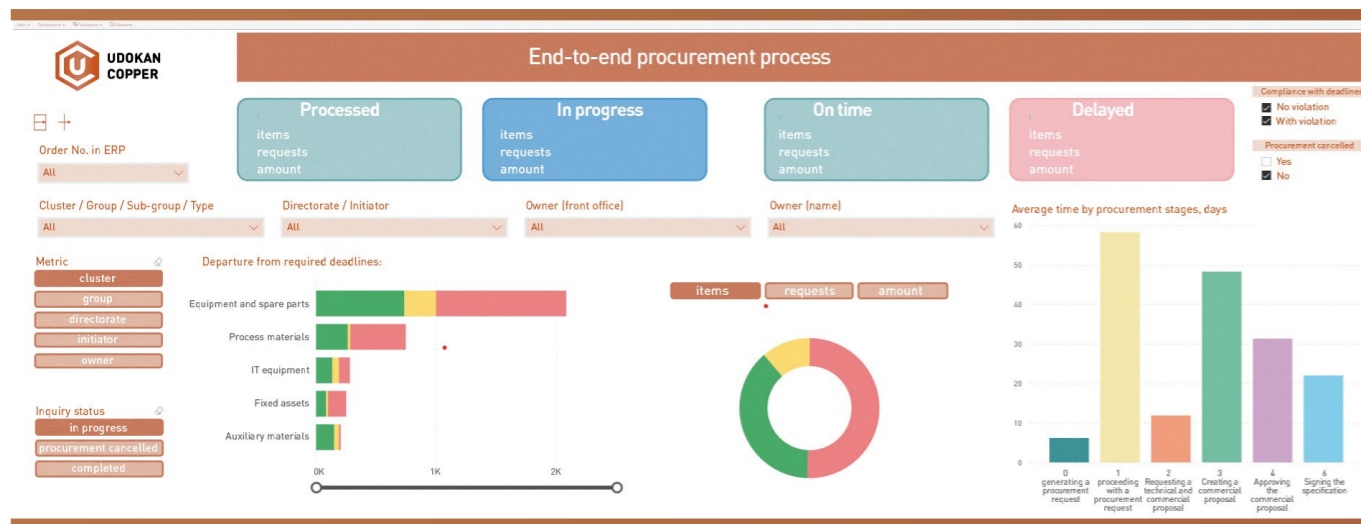
The Company sets high standards for the quality of procured goods and services, as well as for the suppliers themselves. To ensure compliance with these standards, Udokan MMP performs a two-level control of procurement activities.

INTERNAL CONTROL

Udokan Copper implemented the functionality to create internal consumption orders in 1C: ERP as the main mandatory tool for formalizing demands of business units for inventories. The new feature allowed improving the planning and demand management processes of the Company's business units. To ensure prompt decision making in reporting the Company implemented a supply monitoring register, register of stocks, and Power BI data visualization.



As new 1C ERP and Power BI based processes and features were introduced, a number of training webinars were held to show how the supply and inventory monitoring register works and how internal consumption orders can be placed. The Company's employees demonstrated a high level of engagement and appreciated the new functionality. Detailed reports on supply and inventory monitoring were particularly praised. The employees noted the usability of the reports and constant availability of information on procurement steps and current stock of materials and equipment.



EXTERNAL CONTROL

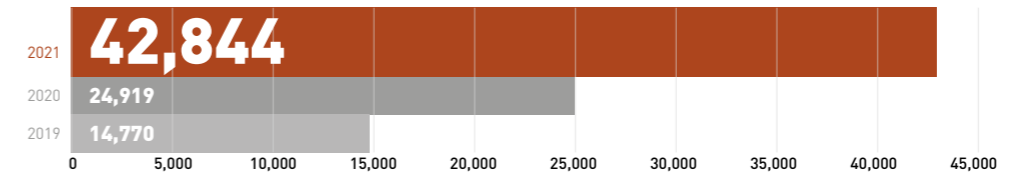
The Company approved the supplier accreditation process by the Order "On Introduction of the Accreditation Process. The process relies on the data that suppliers provide for bidding in the supplier questionnaire through a B2B e-trade platform. The platform was implemented in the fall of 2021. The accreditation process includes verification of compliance with basic ESG criteria, i.e. the availability of an environmental management system, occupational health and safety management system, and anti-corruption policies and procedures. Suppliers also report metrics that enable systematic analysis of the share of suppliers from the Zabaikalye Region. Accreditation allows us to carry out all-round screening of suppliers' reliability and financial stability, as well as to assess potential risks earlier in the relationship with them.

PROCUREMENT RESULTS

In 2021, the Company's purchases totaled about 42.8 billion rubles, which is 72 percent higher than in 2020. Such an increase was driven by the active construction activities.

The key areas of procurement include hiring contractors for FEED, construction and assembly work, and other related services for the Company.

PURCHASES, million rubles*



»» **42.8 billion rubles** the Company's total purchases

KEY AREAS OF SUPPLIER RELATIONSHIP MANAGEMENT

Udokan MMP seeks to build long-term relationships with its contractors and partners based on mutual respect, trust, honesty, and fairness. The Company works to ensure transparent procurement processes, so it selects suppliers and contractors primarily through competition. Information about tenders is published on the B2B-Center [e-trade platform](#). The fundamental principle behind the selection process is to ensure fair competition to identify the suppliers who can offer the best deal to meet the Company's needs.

Relationships with suppliers evolve in tandem with the Udokan Copper LLC and the company's transition to the production phase. The Company entered into framework contracts with a number of manufacturers of key process materials to ensure that MTR and reagents are supplied in the required quantities within the scheduled time frame for the start of hot pre-commissioning work (PCW).

Udokan Copper believes that its counterparties should uphold the same ethical standards and sustainability principles that guide its operations. When establishing a relationship with a new counterparty, the Company conducts a proper compliance review**. Udokan Copper seeks to cooperate with ESG-oriented companies that support sustainability principles and are certified in management systems.



GOALS FOR 2022

- Develop and implement category management tools as part of the basic process material supply for the start of hot pre-commissioning work (PCW)
- Organize management of the supplier base in terms of qualification activities on B2B
- Develop and implement tools to evaluate the effectiveness of suppliers
- Transfer all procurement procedures to B2B-Center, roll out a catalog-based procurement process
- Automate planning and demand management processes in 1C ERP
- Switching to issuing materials and equipment from the warehouse based on registered demand in 1C
- Roll out electronic document management for the exchange of primary documents, contracts, and specifications with counterparties
- Standardize the stock item identification guide to improve the quality of regulatory reference data

* Including FEED, CIW, and inventory, net of VAT

** For details, see the Business Ethics and Anti-Corruption section

SUSTAINABLE DEVELOPMENT MANAGEMENT

OUR APPROACH

Udokan Copper is keenly focused on sustainable development management, embracing the values and principles of the global community and building its corporate values, culture, and vision on them. The Company has taken on environmental commitments to the communities in the region where it operates, and promotes the integration of social and corporate aspects into its business processes. Udokan Copper seeks to maintain an ongoing dialogue with stakeholders and recognizes the importance of incorporating stakeholder interests into the Company's activities.



Statement from Deputy CEO for Sustainable Development and Corporate Affairs

DEAR FRIENDS, COLLEAGUES, AND PARTNERS,

This year Udokan Copper has implemented a number of important sustainability initiatives. One of our key gains was the Company's accession to the UN Global Compact and the adoption of the 2021-2022 ESG Program for the development and implementation of ESG standards.

In the reporting year, we finalized our Climate Program, which assessed planned GHG emissions for all scopes (Scope 1, 2, and 3) and analyzed ways to reduce them. At the same time, Udokan Copper became the first Russian company to have grounding in assessing projected emissions against international standards.

Udokan Copper stands out as one of those exceptional companies that report on sustainable development at the investment stage. For this year, the Company's key priority is the construction of Udokan MMP and associated infrastructure.

We are working to improve our reporting system as one of the main channels of communication and stakeholder engagement.

In 2021, for the first time ever, the Company's report disclosures were made not only using the GRI standards, but also referring to the principles of the Sustainability Accounting Standards Board (SASB). These principles are designed to help companies disclose information that is material to investment decision-making.

In preparing this report, we conducted a stakeholder survey to identify material topics. This was the first time this survey



was conducted publicly. The Company extended this survey to everyone, as it sees great value in showing the topics relevant to all stakeholders directly in the report.

Yulia Shabala,

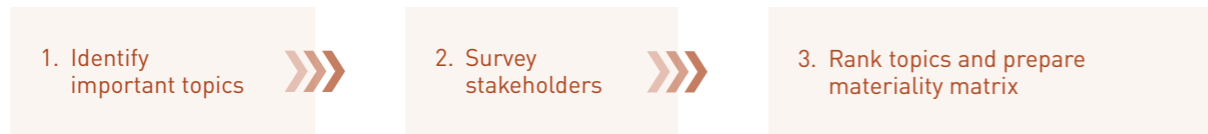
Deputy CEO for Sustainable Development and Corporate Affairs, Udokan Copper LLC

Approach to identifying material topics

[103-1] [102-46]

This report discloses the topics that represent material economic, environmental, and social impacts or that have a material effect on stakeholder assessments and decisions in accordance with GRI Standards*.

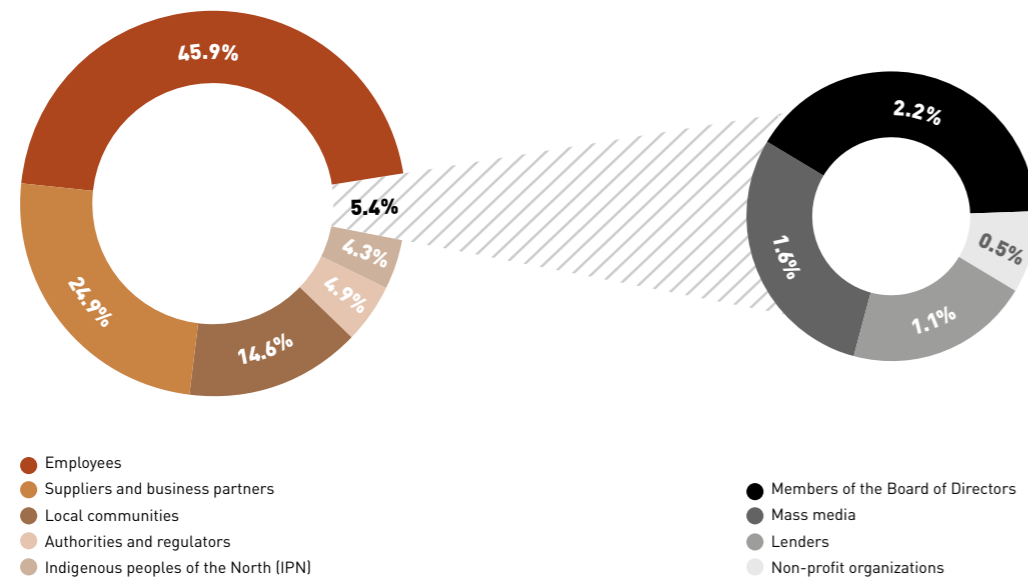
We used a three-step materiality analysis to identify the most material topics for the Report:



STEP 1: We prepared a list of important topics based on an analysis of Russian and international best practices in corporate reporting of steel companies.

STEP 2: We surveyed** the Company's internal and external stakeholders to identify the most material topics for each group, taking into account the Company's impacts and the extent to which these topics affect the stakeholders. The respondents were asked to rate each of the topics identified in the first step from 1 to 5. Representatives of stakeholders could also leave additional freeform comments at the end of the survey. The survey had a total of 185 respondents.

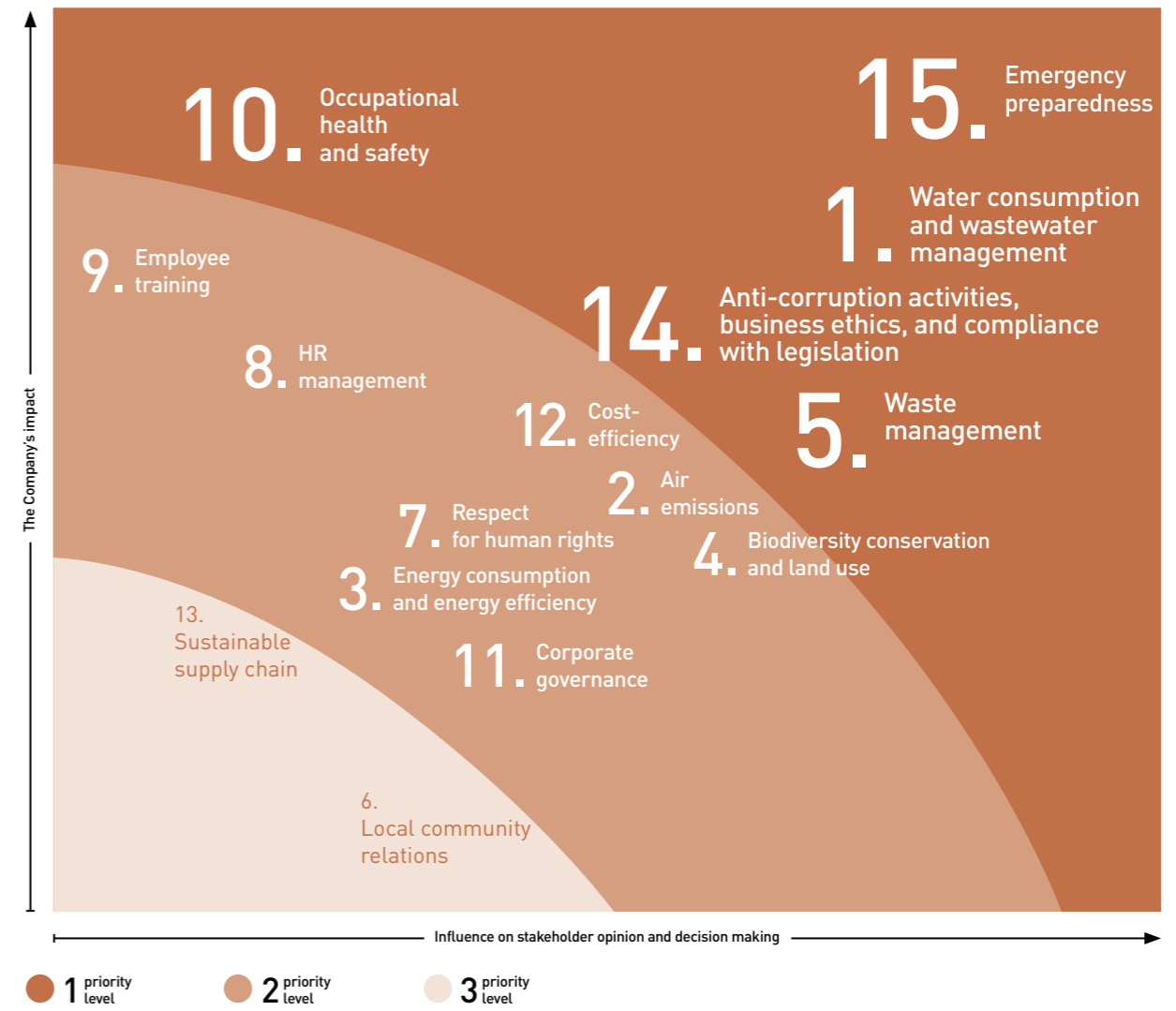
BREAKDOWN OF STAKEHOLDER VOTES BY GROUP, percentage



STEP 3: We summarized the survey results, graded the topics in three levels (material, important, of minor importance) and prepared a materiality matrix for disclosures:

* For more details on GRI disclosures in the report sections, see the GRI Indicator Table.
 **We conducted online surveys (via e-mail, Udokan Copper's website, the official Instagram page) and face-to-face meetings with local residents

MATERIALITY MATRIX



[102-47]

MATERIAL TOPICS:

- 1. Water consumption and wastewater management
- 5. Waste management
- 10. Occupational health and safety
- 14. Anti-corruption activities, business ethics, and compliance with legislation
- 15. Emergency preparedness

IMPORTANT:

- 2. Air emissions
- 3. Energy consumption and energy efficiency
- 4. Biodiversity conservation and land use
- 7. Respect for human rights
- 8. HR management
- 9. Employee training
- 11. Corporate governance
- 12. Cost-efficiency

MINOR IMPORTANCE:

- 6. Local community relations
- 13. Sustainable supply chain

Approach to sustainable development management

[102-16]

We are committed to the values of the global community and the principles of sustainable development. We are aware of the need to integrate them into our business model and are keen to incorporate them into our key business processes. Udokan Copper has been consistently developing its economic, social, and corporate agendas since its founding. We have undertaken environmental commitments to develop the deposit in a sustainable manner. To support our intentions, we have introduced a number of environmental initiatives in the Zabaikalye Region*.

Over the years of our operations in the region, we have invested a total of 1.7 billion rubles in social projects. Right from the construction stage, the Company has been working to create an ESG management framework, establish the general operating and decision-making guidelines, and shape its vision and corporate culture based on the sustainability principles. By creating a separate ESG management function, the Company will be able to define a unified sustainable development strategy to coordinate, analyze, and implement best practices for maximum benefits.



[102-12]

In 2021, Udokan Copper joined the Donors Forum. Together with other foundations and companies, Udokan Copper participates in charitable activities to create partnerships and ensure the greatest contribution to social and economic interaction with local communities.

WE SUPPORT



[102-12]

The UN Global Compact is an international CSR and sustainability initiative for business that is based on 10 principles in the areas of human rights, labor, environment, and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development,

and the United Nations Convention Against Corruption.

In 2021, the Company joined the United Nations Global Compact (UNGC) to reinforce its commitment to the well-being of society and the preservation of the ecosystems of the world through the implementation of sustainable development goals and principles. This Report contains a Statement of Progress on the Integration of the 10 principles of the UNGC.



In 2021, the Company's Board of Directors approved the 2021-2022 ESG Program (development and implementation of policies and standards) to continue the line of action taken by the Company to conduct its business responsibly and achieve leadership in the industry.

* For details, see the Environmental Protection section

The UNGC principles	Report section
HUMAN RIGHTS	
1. Businesses should support and respect the protection of internationally proclaimed human rights	Sustainable Development Management, Respect for Human Rights
2. Businesses should make sure that they are not complicit in human rights abuses	
LABOUR	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Talent Development
4. Businesses should uphold the elimination of all forms of forced and compulsory labor	Sustainable Development Management, Respect for Human Rights
5. Businesses should uphold the effective abolition of child labor	
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	
ENVIRONMENT	
7. Businesses should support a precautionary approach to environmental challenges	Environmental Protection
8. Businesses should undertake initiatives to promote greater environmental responsibility	
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	
ANTI-CORRUPTION	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	About Company, Business Ethics and Anti-corruption

To achieve its strategic objectives in the field of sustainable development, the Company develops a corporate regulatory framework for the key ESG activities. The following documents were developed in 2021:

- Comprehensive environmental Policy
- Tailings Management Policy
- Sustainable Development Policy
- Human Rights Policy
- Community Engagement Policy
- Indigenous Peoples' Rights Policy
- Stakeholder Engagement Policy

The Company plans to approve and implement new and updated ESG regulations in 2022.

In 2021, the Company finalized its Climate Program* to estimate direct and indirect GHG emissions across all scopes (Scope 1, 2 and 3). The program envisages a comparative analysis of the carbon intensity of metallurgical production, including ways to reduce it, and a GHG emission management plan. In the reporting year the British Standards Institution independently verified the estimates of projected emissions** To date, Russia has not seen a similar project to verify compliance with ISO 14064-1:2018***.

Deputy CEO for Sustainability and Corporate Affairs is responsible for the implementation of policies and regulations. The Board of Directors approves sustainability strategy initiatives, reviews the sustainability report, and participates in the identification of material topics on an annual basis.

* For details, see Environmental Protection, Energy Consumption and Climate Agenda.

** British Standards Institution (BSI): <https://www.bsigroup.com>

*** For details, see Environmental Protection, Energy Consumption and Climate Agenda.

SUSTAINABLE DEVELOPMENT GOALS

Contribution to the UN SDGs

[102-12]

The Company acknowledges the importance of all 17 UN Sustainable Development Goals (UN SDGs) and has identified five priority UN SDGs to which it can make the most significant contribution at this stage of its operations. In 2021, the Company commenced developing a sustainable development strategy for the short, medium and long term. The strategy is scheduled for approval and implementation in 2022. It defines the main priorities and areas of development with an update of the UN priority SDGs based on an in-depth analysis of the internal and external contexts. In the reporting year, the Company also started devising KPIs for the strategy implementation and developing a roadmap for their achievement.

In the reporting year, Udokan Copper reassessed its contribution to the SDGs. The current list of priority UN SDGs and the Company's contribution to their implementation are shown in the table below.

►►► PRIORITY UN SDGS FOR THE COMPANY AND CONTRIBUTION TO THEIR ACHIEVEMENT



Ensure healthy lives and promote well-being for all at all ages



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Strengthen the means of implementation and revitalize the global partnership for sustainable development

UN SDGs	UDOKAN COPPER'S CONTRIBUTION	Report Section
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Relevant targets: **3.4, 3.8**

- Health care and safe working conditions
- Implementing an integrated development project in the area near the Novaya Chara deposit to build a fitness center and healthcare facility Implementation of measures to ensure sustainable operations and prevent the spread of coronavirus infection
- Assisting the regional oncologic dispensary by purchasing the necessary expensive equipment*

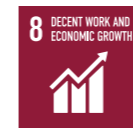
- Talent Development
- Occupational Health and Safety
- Local community relations



Relevant target: **4.4**

- Implementing innovative training solutions and an accessible learning environment for all employees, including mandatory and non-mandatory trainings
- Implementing projects hosted by the Department of History and Philology of Zabaikalsky State University to study the Evenki language
- Building HR capacity through cooperation with universities and colleges in the region of operations

- Talent Development
- Local community relations



Relevant targets: **8.3, 8.4, 8.5**

- Health care and safe working conditions
- Creating decent living and working conditions in remote regions
- Creating jobs for qualified specialists in the region of operation
- Providing opportunities for vertical career growth
- Ensuring the above-average level of wages in the region of operation

- Talent Development



Relevant target: **9.1**

- Overall development of the region of operation, including the construction of infrastructure facilities (roads, power lines, a bridge, and reconstruction of the Chara airport)
- Overall development of the Novaya Chara settlement area
- Using an innovative patented copper ore processing scheme

- Key Events and Results
- Local community relations
- Design Solutions and Construction Stages



Relevant target: **17.16**

- Joining the United Nations Global Compact

- Sustainable Development Management
- Stakeholder Engagement.

* Preparatory work was carried out in 2021, implemented in 2022

Stakeholder Engagement

[102-42]

Udokan Copper is mindful of stakeholders' opinions and expectations and reflects them in its activities, which drives our strong business performance. Establishing a continuous dialogue with each stakeholder group helps us respond to emerging social and environmental risks in a timely manner and strengthen our reputation as a responsible company. In the reporting year, stakeholder meetings were held on a regular basis*.



As of 2020, the Company has had a Community Engagement Task Force in place. The Task Force was established to build an efficient and meaningful dialogue and develop the practice of cooperation with local communities. The Task Force's key objectives are:

- Holding regular consultations and meetings to discuss positions on socially important issues, as well as programs of social and economic interaction
- Consolidating comments and suggestions from the local population of the Kalar municipality
- Developing proposals on the creation of an enabling environment for the social and economic development of the Kalar Municipality of the Zabaikalye Region
- Assisting in identifying the key social policy priorities in the Kalar Municipality
- Considering public opinion when making decisions related to the Company's activities.

The Company defines the list of key stakeholders based on its past experience and international best practices. The Company regularly refines and supplements the criteria of stakeholder identification and assesses the external and internal social environment of the business to identify new stakeholder groups. Each category of stakeholders uses different communication channels, which facilitates the communication process.

In 2021, the Company developed a Procedure for filing and reviewing appeals from stakeholders** based on the UN Guidelines for the non-judicial grievance mechanisms and the ICMM Guidelines for handling and resolving community concerns and grievances. The Procedure helped achieve the following goals:

- Building an ongoing dialogue with all stakeholders through a trustworthy mechanism
- Implementing effective and timely ways to consider appeals and make decisions based on them
- Providing an option to submit anonymous reports
- Improving communication channels to ensure the accessibility of submitting appeals to all stakeholders, with due consideration of the specifics of vulnerable groups, including indigenous peoples the North, and their possible limitations and difficulties in access to submitting appeals



In addition, the Company developed the Stakeholder Engagement Policy and Regulations* based on the AA1000 (Accountability Principles, Stakeholder Engagement Standard), which aims to consolidate the approach to managing stakeholder engagement based on the specifics of each group. These corporate documents describe in detail the processes for identifying remedial actions that can be incorporated into the decision-making process for a consistent and prompt response.



Udokan Copper has developed the Stakeholder Engagement Policy, which is to be approved and implemented in 2022. The Policy defines the guidelines for identifying key stakeholders and the main areas, methods, and forms of engagement with them. The Policy provisions comply with the core international standards. To ensure the successful implementation of the Policy, the Company plans to provide training and extensive information to internal stakeholders.

* For details, see the Local community relations section.
 ** The updated document is expected to be approved and implemented in 2022.

* The updated document is expected to be approved and implemented in 2022.





THE COMPANY'S SHAREHOLDERS AND MEMBERS OF THE BOARD

[102-21] [102-40] [102-43] [102-44]

Stakeholder expectations:

- Increased capitalization of the Company and dividend payments
- Achievement of financial and operational goals of the Company

Stakeholder engagement

- Disclosure of financial and non-financial information about the Company's operations
- Meetings of the Board of Directors
- Preparing reports on the status and outcomes of program activities, as reflected in the Socio-Economic Cooperation Agreements

Cooperation outcomes for 2021

- The Board of Directors held 20 meetings between January 1 and December 31, 2021
- The Strategic and Technological Development Committee under the Board of Directors was established to handle matters related to the transition to commercial operation
- Members of the Board of Directors participated in a survey to determine the material topics of the 2020 Sustainability Report



FULL- AND PART-TIME EMPLOYEES

Stakeholder expectations:

- Safe and comfortable working conditions
- Stable and competitive remuneration
- Opportunities for professional growth
- Respect for human rights and non-discrimination of any kind

Stakeholder engagement

- Employee training and development
- Communication and feedback
- Employee benefits
- Hotline calls to the CEO

Cooperation outcomes for 2021

- Measured employee engagement for the first time
- Launched a multifunctional mobile application e-queo to increase the employees engagement*
- Developed and implemented 49** active training programs based on the corporate mobile application

* For details, see the Human Capital section

** As at May 2022



LOCAL COMMUNITIES

Stakeholder expectations:

- Creation of jobs
- Promotion of socio-economic development of the region
- Environmental and sanitary-epidemiological safety

Stakeholder engagement

- Holding round tables and regular meetings;
- Concluding agreements on the implementation of regional development programs

Cooperation outcomes for 2021

- Recognized as the Best Strategic Investor in the Russian Far East as part of the Star of the Far East competition
- Implemented about 100 initiatives in healthcare, science, art, culture, sports, and social support for local communities to promote sustainable social and economic development of Zabaikalye Region, including the Kalar Municipality
- Invested 400 million rubles as part of an agreement on socio-economic cooperation to implement programs aimed at supporting sustainable development in the region where it operates
- Spent 330 million rubles on charity;
- Donated 6.5 thousand doses of the Sputnik Lite one-component vaccine to the Kalar District
- Constructed a comfortable dormitory for medical staff, which helped attract qualified medical personnel to the Kalar Municipality
- Launched a new fully equipped infectious disease module (over 200 devices) for 24 patients, including two intensive care wards with ALV and a PCR lab
- Eight projects won the Apex Social Projects Grant Contest





THE INDIGENOUS SMALL-NUMBERED PEOPLES OF THE NORTH

Stakeholder expectations:

- Promotion of the sustainable development of the indigenous peoples affected;
- Support for preserving the traditional culture, traditional use of natural resources, and trades of the indigenous peoples

Stakeholder engagement

- Implementing projects aimed at preserving the traditional culture of the indigenous peoples
- Holding public hearings, round tables, and open discussions with representatives of the indigenous peoples



Cooperation outcomes for 2021

- Implemented all planned activities under the program to support representatives of the Kalar indigenous peoples*
- Developed the Indigenous Peoples' Rights Policy
- Developed a Procedure for filing and reviewing appeals with due consideration of the specifics of the indigenous peoples of the North and their possible limitations in access to communication channels

* For details, see the Local Community Engagement section



CONTRACTORS, SUPPLIERS, AND BUSINESS PARTNERS

Stakeholder expectations:

- Long-term mutually beneficial cooperation
- Proper performance of contractual obligations
- Safe working conditions for contractors' employees
- Respect for human rights
- Support of domestic producers

Stakeholder engagement

- Carrying out tender procedures to ensure fair competition
- Cooperating in the execution of contracts
- Holding of business meetings and industry-specific sessions

Cooperation outcomes for 2021

- Spent a total of 42.8 billion rubles on purchases
- Implemented supplier accreditation procedures



LENDERS

Stakeholder expectations:

- Achievement of financial and operational goals of the Company
- Fulfillment of the Company's obligations to its creditors under the current financing projects
- Maintaining a high level of corporate governance in order to build stable, long-term relationships with lenders

Stakeholder engagement

- Disclosing financial and non-financial information about the Company's operations
- Participating in individual and group meetings on cooperation issues

Cooperation outcomes for 2021

- Fulfilled the obligations to the creditors under the current financing projects
- Ensured an appropriate level of corporate governance to build stable, long-term relationships with creditors



BUSINESS COMMUNITY

Stakeholder expectations:

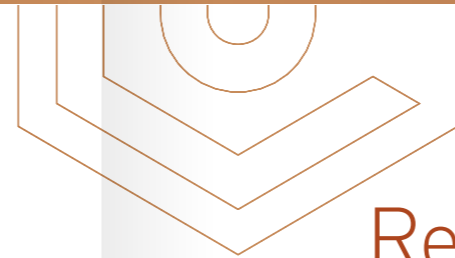
- Shaping industry trends
- Dialog with industry representatives to address urgent industry issues and accomplish sustainable development goals

Stakeholder engagement

- Participating in industry events and national economic forums

Cooperation outcomes for 2021

- Participated in more than 20 events to share experience, address current ESG issues and challenges, and build partnerships to achieve sustainability goals



NON-GOVERNMENTAL ORGANIZATIONS

Stakeholder expectations:

- Fulfillment of socio-economic and environmental commitments

Stakeholder engagement

- Cooperating to achieve sustainability goals

Cooperation outcomes for 2021

- Organized Inclusion Days "Inclusive Culture, Ecology, and Tourism" together with NGO Belaya Trost and the Institute for Management Design and Competitive Strategies
- The Company joined the UNGC
- Udokan Copper became a participant in the Donors Forum



FEDERAL AUTHORITIES AND STATE REGULATORS



REGIONAL AND MUNICIPAL AUTHORITIES

Stakeholder expectations:

- Compliance with Russian laws
- Compliance with commitments made to all stakeholders;
- Contributing to the social and economic development of the region where the Company operates
- Implementation of the best available technologies to ensure environmental safety in mining and production of copper cathodes and sulfide concentrate

Stakeholder engagement

- Supporting the region where the Company operates by entering into agreements for socio-economic cooperation with the Government

Cooperation outcomes for 2021

- Signed an agreement on socio-economic cooperation between the Government of Zabaikalye Region, the Administration of Kalar Municipality, and Udokan Copper LLC; approved an action program for 2021 under the agreement for a total of 400 million rubles.



VOCATIONAL TRAINING INSTITUTIONS

Stakeholder expectations:

- Acquisition of a profession that is relevant and in demand
- Assistance in finding a job after graduation

Stakeholder engagement

- Implementing joint educational programs to train highly qualified industry specialists and expanding the Company's workforce

Cooperation outcomes for 2021

- Attracted students from higher education institutions in Zabaikalye Region for internship with the Company;
- Developed a program for the PERSPEKTIVA MINING professional skills competition

Respect for human rights

[408-1] [409-1]

Udokan Copper LLC employs people of different ages, genders, nationalities, and religions. Our successful development is underpinned by respect for human rights and freedoms, zero tolerance for child and forced labor, and zero discrimination of any kind.

Udokan Copper is aware of the importance and value of fundamental human rights and freedoms and declares with all responsibility that it scrupulously observes them and abides by the [UN Universal Declaration of Human Rights](#), the [Social Charter of the Russian Business](#), universally recognized standards of human rights and freedoms, and the applicable laws of the Russian Federation.

Neither the Company, nor its contractors and suppliers allow using child or forced labor.

The Company's human rights principles are stipulated in the Corporate Code of Ethics of Udokan Copper LLC that is mandatory for all employees. Looking forward, we plan to approve and implement the Sustainable Development Policy, the Human Rights Policy, and the Indigenous Peoples' Rights Policy in 2022. All employees will be familiarized with the new policies and trained to ensure a full understanding of each approved document.

Udokan Copper expects all business partners, suppliers, and contractors to recognize all human rights and freedoms and to adhere to these principles in the conduct of their business.



TALENT DEVELOPMENT

OUR APPROACH

Udokan is an advanced project focused currently on the construction of Udokan MMP's facilities and infrastructure. Strong engagement of the highly competent personnel is a key pre-condition for implementing the project and meeting all requirements on time. Therefore, Udokan Copper works hard to create safe working environment and employee training. Our focus is on ensuring fair compensation, support for families, human rights, and diversity. Personnel management aims to create an efficient and motivated team aligned around the values of mutual respect and professionalism.

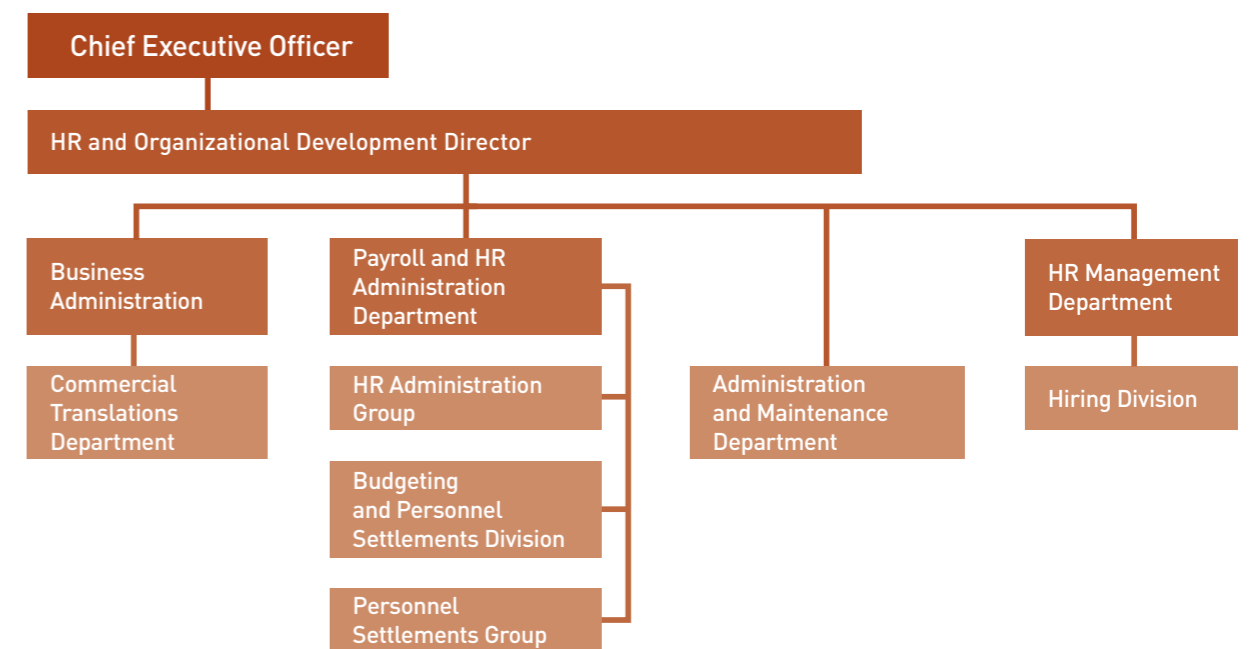


Approach to personnel management

Udokan Copper is well aware of how critical it is to support and develop talent, based on the Company's development vector and the socio-economic development of the region where the Company operates.

In March 2021 the Human Resources and Organizational Development Directorate* was set up. Today it plays a key role in human resources management in the Company. The Directorate manages employee hiring, induction, development, motivation, and HR record keeping.

THE ORG CHART OF THE HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT DIRECTORATE



The general HR management is structured in accordance with the HR Management Plan and the Workflow Organization and Compensation Plan. In 2021, the cross-functional strategy for the Company's top management was developed as part of the strategic session for developing a plan for construction and assembly works and the transitioning to the operational stage.

In 2021, we started implementing matrix structures in construction and design management. We created project teams led by project owners. The team lead is responsible for managing and distributing resources and personnel. The transitioning to the new structure added flexibility to the HR management system and increased both the speed and efficiency of the goal achieving process. Thanks to the implementation of this management model, we increased the transparency of processes, accelerated implementation of innovations, and established the personal responsibility of project managers for work outcomes.

In 2021, in order to promote the practices of direct contacts between employees and management, the Company launched meetings between teams, line managers, and HR managers to discuss topical matters relating to the functioning of business units and resolve administrative matters. Based on the results of the meetings, the participants receive feedbacks and keep minutes, including lists of actions to be taken (with the weekly status tracking).

* In accordance with the Order on approving "The Regulation on Human Resources and Organisational Development Directorate" of 9 March 2021

» To facilitate communication with top management, a decision was taken to organize meetings with the CEO and the Chairman of the Board, and launch the CEO hotline was based on the Copper online assistant platform. These initiatives are planned to be implemented in 2022.

In the reporting year, Udokan Copper developed and approved the Principles of Organizational Design to streamline organizational design processes in establishing new divisions and functions. The Company also completed the preparation of HR processes for the transition to operations.

THE KEY RESULTS OF THE HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT DIRECTORATE OPERATIONS

» AUTOMATION OF THE DOCUMENT FLOW SYSTEM SEGMENTS RELATING TO THE LABOR ORGANIZATION AND PAYROLL SYSTEMS, AS WELL AS THE HR DOCUMENT FLOW SYSTEM

Results in 2021:

- Implemented the Smartway service used by the employees to book airplane and railway tickets online
- Launched Copper online assistant providing information on certificates, vacations, work schedules and other reference materials to employees
- Started contractual work with a potential counterparty to implement the electronic document interchange in HR management, goal setting automation and personnel assessment

» TALENT SOURCING

Results in 2021:

- A sufficient number of specialists were hired in accordance with the hiring schedules and business unit requirements
- Hiring candidates from Zabaikalye Region and the Far Eastern Federal District is a priority
- Implemented the automated hiring system, using the Friend Work tool

» IMPROVEMENT OF THE LOCAL REGULATORY BASE GOVERNING LABOR RELATIONSHIPS

Results in 2021:

- Approved orders relating to labor relationships or updating previous regulations on employee payroll, bonuses, additional guarantees, compensations, shift-based work, as well as guidelines for goal setting, KPIs, etc.

» EMPLOYEE TRAINING

Results in 2021:

- We used the mobile app we implemented to create and launch the total 49 active training programs* for different employee categories: workers/managers/staff

» COLLABORATION WITH EDUCATIONAL INSTITUTIONS

Results in 2021:

- Signed two framework contracts with the Center of Professional Training, private educational institution, and the Far Eastern Institute for Supplementary Vocational Education, non-profit organization for advanced professional education
- The Company is present on the Fakultetus platform, digital career environment for university graduates
- Udokan Copper took part in the online Career Week at Irkutsk National Research Technical University

» COLLABORATION WITH EMPLOYMENT AGENCIES

Results in 2021:

- The Company participated in the career fairs held in Zabaikalye Region

PERSONNEL ENGAGEMENT RISKS

The Company tracks, assesses and manages personnel-related risks. In 2021, the Company identified three key and took measures to manage them:

» A LACK OF COMFORTABLE ACCOMMODATION OF THE SHIFT PERSONNEL due to the continuing construction of infrastructural facilities in the rotation camp

Risk controls:

The Company initiated the purchase of additional comfortable modular quarters for temporary accommodation of rotation workers.

» HIGHLY INTENSIVE WORK OF MANAGERS AND SPECIALISTS

Risk controls:

In order to prevent the professional burnout of managers and specialists, we are implementing the electronic document flow system to reduce the administrative load and increase the efficiency of the document interchange system.

» INTENSIFYING COMPETITION ON THE LABOR MARKET

Risk controls:

The Company readjusted salaries and continues to monitor the labor competition in the industry.

* As at May 2022



Human capital

People are the key resource for developing Udokan Copper's business. After the launch of large-scale advanced production capacities, the Company will seek highly qualified specialists, among them experts in ore extraction and processing, to meet new enterprise needs. Currently, the construction and operational teams are the key focus of the Company's talent hiring and development effort.

As at the end of 2021, the total number of employees increased 68 percent to 1,348 compared to 2020*. A significant growth was due to the active hiring related to implementation of the large-scale construction program, as well as the operational directorate expansion. Men account for 77 percent of the employees, which is the specific feature of the industry. However, Udokan Copper strives to increase the percentage of women among the employees, including management positions. In addition to full-time employees, the Company engages contractor companies to perform the largest part of construction works. The total number of contractor personnel engaged at the construction site exceeded 4,000 persons as at the end of 2021, which is approximately 70 percent above the previous year's level.

[102-7] [102-8] [EM-MM-000.B]

» **68 PERCENT** — AN INCREASE IN FULL-TIME EMPLOYEES, 2021

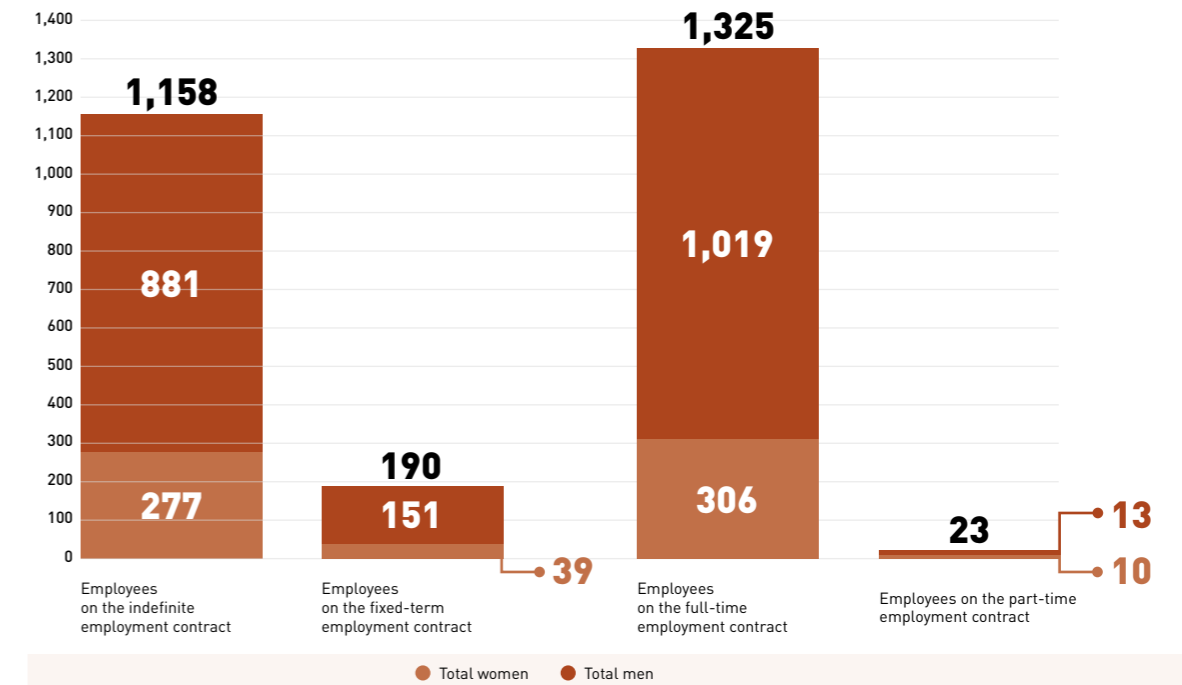
PERSONNEL STRUCTURE BY AGE AND GENDER, persons

Total employees	Under 30			30-50			Over 50			Total employees		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
SENIOR MANAGEMENT (MANAGERS, SPECIALISTS, CLERKS)												
Total senior management (managers, specialists, clerks)	37	50	95	268	393	713	48	67	72	353	510	880
Including women	17	27	40	90	132	206	16	22	23	123	181	269
Including men	20	23	55	178	261	507	32	45	49	230	329	611
including managers	4	9	10	124	167	266	23	34	32	151	210	308
Including women	0	2	1	29	40	55	4	5	5	33	47	61
Including men	4	7	9	95	127	211	19	29	27	118	163	247
Including specialists	27	35	81	142	220	439	22	30	40	191	285	560
Including women	11	19	35	59	86	143	11	16	18	81	121	196
Including men	16	16	46	83	134	296	11	14	22	110	164	364
Including office personnel	6	6	4	2	6	8	3	3	0	11	15	12
Including women	6	6	4	2	6	8	1	1	0	9	13	12
Including men	0	0	0	0	0	0	2	2	0	2	2	0
WORKERS												
Total workers	56	47	87	165	197	316	55	49	65	276	293	468
Including women	11	10	17	15	15	24	10	4	6	36	29	47
Including men	45	37	70	150	182	292	45	45	59	240	264	421
Total	110	97	182	433	590	1,029	103	116	137	646	803	1,348
Including women	34	37	57	105	147	230	26	26	29	165	210	316
Including men	76	60	125	328	443	799	77	90	108	481	593	1,032

[405-1]

* Comprises all employees of Udokan Copper as at the end of 2021

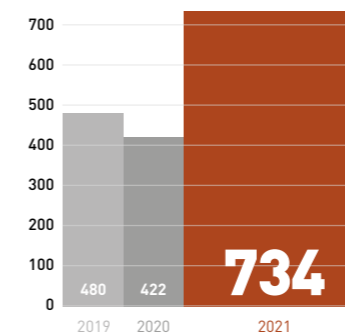
PERSONNEL STRUCTURE BY CONTRACT TYPE AND GENDER, 2021, persons



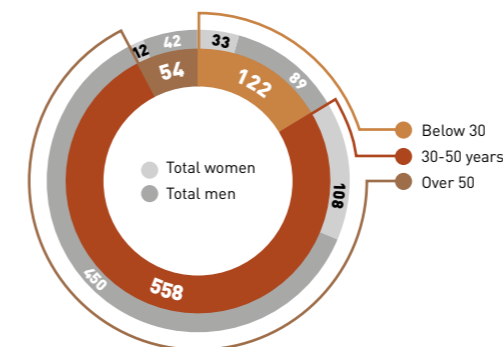
[401-1]

In 2021, the Company hired 734 employees, 74 percent more than last year. New employees among men and women accounted for 79 percent and 21 percent, respectively. This proportion is due to specific features of Udokan Copper's business.

CHANGES IN THE HIRED EMPLOYEE STRUCTURE, persons



TOTAL NUMBER OF NEW EMPLOYEES IN 2021 BY AGE AND GENDER, persons



[202-2]

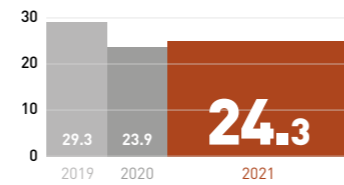
When selecting executives*, the Company gives priority to professionalism, competence and leadership experience. The percentage of senior management hired from the local community was 100 percent in 2021**. Udokan Copper provides all-out support to professional communities in Zabaikalye Region. The Company is pleased to see that the growing number of highly qualified professionals with deep understanding of the business specifics in the region.

[401-1] [102-48]

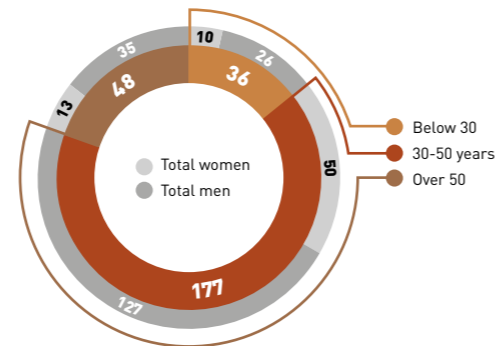
Personnel turnover increased to 24.3 percent in 2021. This turnover level is due to the shift-based work, as well as the current project stage, as some construction works are of term agreement. Furthermore, the Company altered the turnover calculation methods this year. First, in 2021, the calculation was based on the annual average number of personnel, while in the previous year the year-end headcount was used. Second, the calculation excluded employees who left the Company due to the death. Previously, we accounted only for the personnel who left the Company due to the employment contract expiration.

Udokan Copper monitors employee turnover and analyzes reasons for each contract termination if the dismissal is not related to the completion of work. The HR team develops conclusions and recommendations based on collecting and processing commentaries of employees with respect to low levels of satisfaction with the working conditions, as well as analyzes reasons for switching to other production facilities, and advises on how to improve the situation.

EMPLOYEE TURNOVER, percentage



EMPLOYEES DISMISSED IN 2021, BY AGE AND GENDER, persons



* Top management comprises the CEO and managers directly subordinated to the CEO.
 ** Here, the representatives of local communities are citizens of the Russian Federation.


Employee engagement

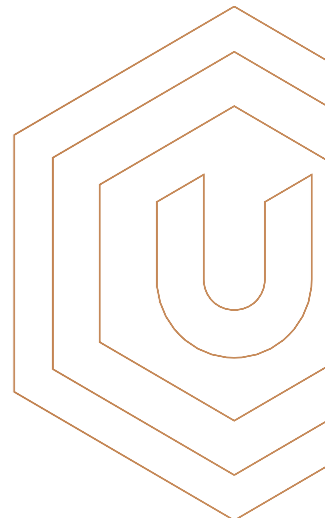
The principles of relationships between Udokan Copper and its employees are defined in the [Corporate Code of Ethics](#)* and apply to all employees and managers of the Company. These principles reflect the key values of the Company. The Company works to protect legitimate interests of each employee, create a favorable psychological climate in the Company and decent working conditions, care about health and wellbeing of the employees and their families, encourage initiatives and professionalism, and ensure fair assessment of contributions made by each employee to the common outcome.

SOCIAL SECURITY

[401-2]

Udokan Copper contributes to the wellbeing of the employees by providing a benefits package. The social support for employees working on the shift basis comprises the following:

-  VOLUNTARY HEALTH INSURANCE (VHI)**
-  PURCHASE OF AIRPLANE AND RAILWAY TICKETS AT THE EXPENSE OF THE COMPANY VIA SMARTWAY ONLINE SERVICE OR WITH COMPENSATION FOR INCURRED TICKET COSTS
-  FREE OF CHARGE ACCOMMODATION IN COMFORTABLE COMPANY DORMITORIES
-  FREE OF CHARGE THREE TIME MEALS
-  FREE CORPORATE MOBILE COMMUNICATION
-  SHIFT ALLOWANCE



* In 2021 the Company updated the Corporate Code of Ethics. The updated document is expected to be approved and implemented in 2022. For details, see the Business Ethics and Anti-Corruption section.
 ** The VMS policy is issued to all employees after the probation period.

To support employee relocation, the Company provides a special relocation package comprising payment for the transfer of employees and their families, the compensation for luggage delivery, monthly compensation for apartment rent in accordance with established limits, as well as payment for mobile communication services.

Udokan Copper provides the employees with opportunities to engage in sporting activities and strengthen their health. Thus, employees from the Chita office can attend the swimming pool and fitness club. Temporary Rotation Camp No. 3 has a gym and open-air sporting facility with a recreation space. To support healthy life styles, Udokan Copper established a representative team for participation in the Spartakiad (the local sports and athletic contest) of Kalar Municipality.

»»» **THE PHILOSOPHY OF THE COMFORTABLE LIVING AND WORKING CONDITIONS FOR EMPLOYEES**

In the Company approved by the Corporate Social Welfare Standard for the "Philosophy of comfortable living and working conditions for employees." The key goal of the standard is to create favorable living and different forms of leisure for employees. The Company plans to increase the quality of life for the employees through implementing initiatives that are part of the schedule with fixed deadlines in the following areas in order to improve the following:

- Quality of living
- Nutritional quality of food
- Living environment and leisure quality



SUPPORT FOR FAMILIES

Udokan Copper delivers support to the families of its employees. The Company cares about future generations and focuses on supporting its employees. Udokan Copper provides paid parental leaves in accordance with the Russian legislation.



»»» The Company organizes various events for children of its employees. In 2021, the families of the employees were invited to the New Year performance where the children received New Year gifts. Udokan Copper launched My Udokan creativity competition for employees and their children.



The Company guarantees equal opportunities in childcare for women and men in accordance with the current legislation. In 2021, a majority of employees who went on a parental leave were women. A parental leave was provided to ten mothers and two fathers.



THE MOBILE CORPORATE PORTAL

In 2021, we launched a mobile corporate portal (UdokanCopper/e-queo). Starting from the full-scale launch of the mobile portal, the activity (engagement) of the users has reached 1,384 employees*.

The portal enables employees operating at remote sites to connect promptly with HR specialists, as well as to receive the actual information on the Company's operations, particularly, about new appointments, corporate news and congratulations on holidays for employees. Sometimes, the platform is used to hold surveys and tests for employees. Thus, we implemented regular employee satisfaction surveys on general and specific topics.



Udokan Copper works to increase the personnel engagement. The engagement metric reflects the strength of the employee desire to be part of the organization, the desire to make an additional effort to work on their own initiative and generate positive feedback on the Company.

In April 2021, the Company has for the first time held a survey to study the employee engagement. The number of respondents reached 427 employees, or 54 percent of the total headcount as at the survey date. The results of the survey confirmed the need to further develop the HR management process where the Company invests significant resources.

The survey enabled us to assess the efficiency of the talent management. We performed the impact analysis used to develop the Plan for Increasing the Personnel Engagement. The Company expects that the plan-based and high quality work with the personnel will allow it to increase the engagement level to 10-15 percent by 2022.

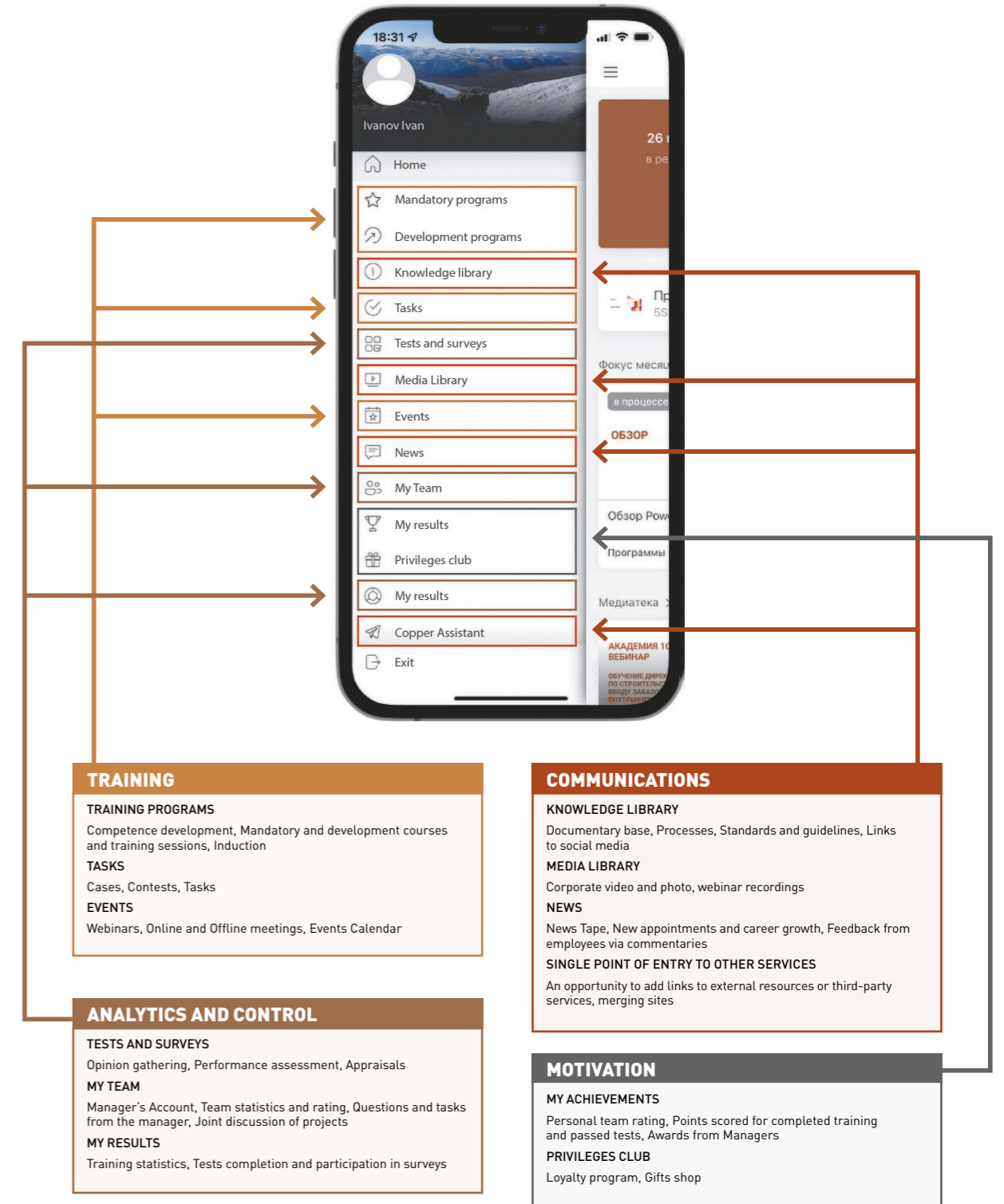
In 2022, we plan to modernize the engagement evaluation system to achieve the maximum coverage of the Company's employees and obtain the most accurate results.



* The data is for the period from June 2021 to May 2022.

The mobile application provides access to the training courses aimed at enhancing mandatory professional skills, as well as the program for developing management competences for executives. Each business unit uses the rating system to assign points for the completion of courses. The additional points can be received for completion of the motivation option (the Award from the Manager). The received points can be exchanged for products with corporate labels within the Club of Privileges.

THE KEY FUNCTIONS OF THE MOBILE CORPORATE PORTAL



Incentives and remuneration

Udokan Copper ensures the competitive and decent compensation for their employees. The Company improves the compensation system and ensures its transparency on the continuous basis.

The decisions on the compensation amounts are taken irrespectively of the gender and age. The Company determines the amount of the compensation based on the complexity of the performed work, requirements for employee qualifications, the quantity and quality of the effort spent.

The employee compensation consists of two parts: the fixed (base) and variable (bonus) compensation. The Company's employees demonstrating outstanding professional skills may be entitled for additional payments that depend on the position, achievement of personal KPIs and general performance of the Company.

At the start of each reporting year, the Company establishes goals and KPIs (monthly and annual) for employees, efficiency metrics, the assessment weight and methodology. At the end of the year, we review the achievement of goals on which the total bonus percentage depends. The results of the assessment are used both in the financial and non-financial compensation systems, e.g. assignment of honorary titles, issuance of certificates of honor or letters of commendation.



» In 2021, Udokan Copper held special ceremonies to commemorate the following professional holidays: Metallurgist's Day, Construction Worker's Day, Miner's Day, Driver's Day, Power Engineer's Day. During these events, the Company's employees received awards. The professional skill contests were held among drivers and welders.

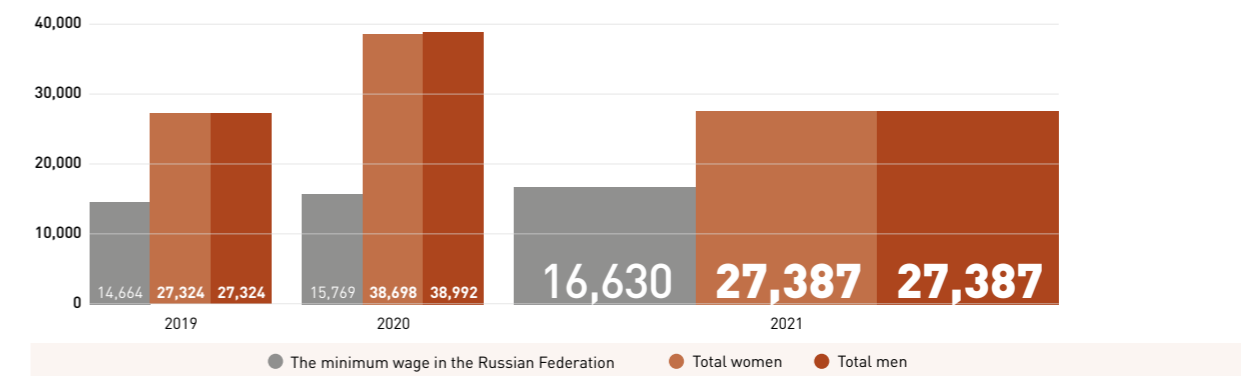
In the end of 2021, Udokan's Hero contest was held, and the winners received prizes.

IN ADDITION TO THE ANNUAL BONUS, THE COMPANY USES THE FOLLOWING INCENTIVES:

- Monthly bonuses for achieving production KPIs
- Allowance for quality and zero-accident operations*
- Additional payments for mentoring as part of implementing the mentorship program
- Remuneration for participation in the Generator of Ideas efficiency enhancement program
- Remuneration for recommending candidates—the Candidate Bonus
- Remuneration for COVID-19 vaccination

The minimum wage of Udokan Copper's employees** exceeds that in the region where the Company operates*** almost two-fold. The minimum payroll for women and men decreased by 29 percent and 30 percent compared to 2020, respectively. The decrease is due to the adjustment of the approach to determining the base compensation level in 2021. In 2020, the base salary comprised the variable part, i.e. the allowance for high quality and zero-accident work. In 2021, the allowance for high quality and zero-accident work was transformed into production bonus and excluded from calculation of the base salary.

THE MINIMUM WAGE, RUB



» THE MINIMUM WAGE OF UDOKAN COPPER'S EMPLOYEES EXCEEDS THE MINIMUM WAGE IN THE RUSSIAN FEDERATION BY **1.65** X

The average base salary of men is 10 percent higher than that of women. This difference is due to the fact that it is mainly men who hold executive positions.

THE RATIO OF AVERAGE BASE SALARIES OF WOMEN AND MEN AS AT 2021

Name	Senior management (managers, specialists, clerks)	Workers	Total
The ratio of average base salaries of women and men	0.70	1.03	0.90

* This allowance was canceled from 1 January 2021 due to introduction of monthly bonuses.
 ** The minimum wage consists of the base salary and bonus which are paid regularly on the mandatory basis.
 *** Here, the region where the Company operates is the Russian Federation.

Talent training and development

[404-2]

The Company sets high requirements for employee education and qualification levels.

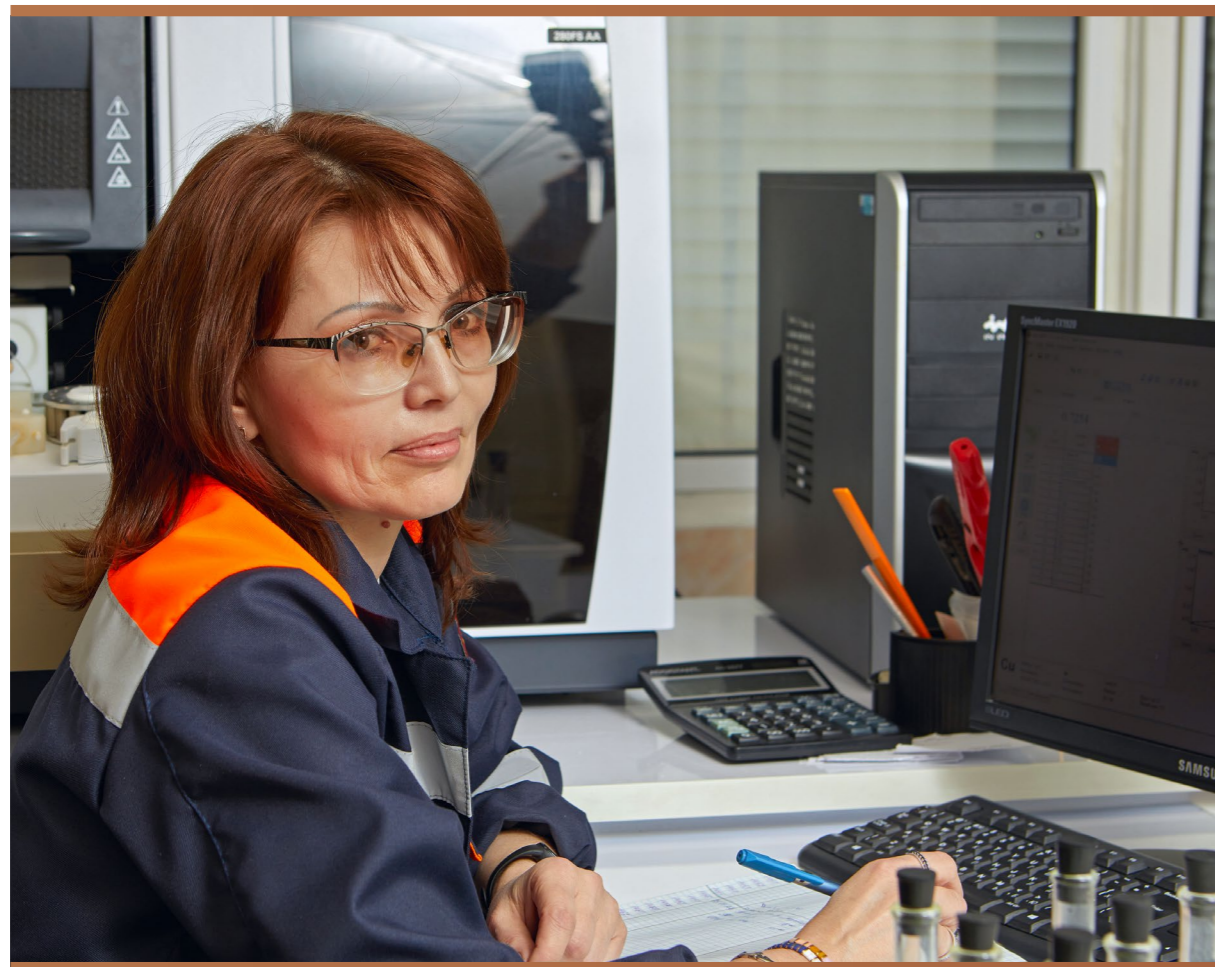
In 2021, the Company trained employees in accordance with the training program, as well as operating needs of business functions. The need for training is based on specific features of the construction phase and accounts for difficult mining conditions and preparation of operating services for the operational phase. In 2021, employees received mostly remote training due to the complex epidemiological situation.

The Company employees take mandatory training including the following:

- Training in OHS and fire safety requirements of controlling and regulatory bodies
- Training for obtaining certificates and permits required for performing core operations



As part of the program for enhancing employee qualifications, the Company organizes participation in the internal and external educational programs. Thanks to the launch of the mobile corporate portal, employees can complete professional growth programs (including Power BI, Excel, Teams), as well as OHS and cybersecurity programs. Training in 1C skills is available, too: The electronic document flow for employees who did not use it before.



In addition, employees were offered a series of specialized refresher courses for engineering and technical staff. Educational programs for workers also included cross-training courses. The mechanics specialists were given an opportunity to complete theoretical and practical training in the Performing Diagnostics and Addressing Malfunction of Hyundai и Shantui Road Construction Vehicles. Senior management (managers, specialists, clerks) received training in The Art of Influence, Time Management, etc. The Company held strategic sessions and conferences for managers to develop cross-functional strategies applicable during transitioning to the operational phase. The events for managers are organized to consider strategic benchmarks, translate plans for the plant's key operational areas, and coordinate the current and future work of top management.



In 2021, we resumed the program of the practical production courses for people living in Zabaikalye Region. Ten students took part in the program and two of them received offers to work in the Company after graduation.

Udokan Copper asks for feedback from the employees who completed such training. Opinions are gathered through polling. This enables the Company to align the training topics, contents, and materials with the professional needs of employees, assess the quality of delivered materials, the competence of the trainers, and the organizational and technical support of the training.



The Company regularly sends educational communications to employees. These communications contain useful information on the electronic document flow, ERP, registering new plans and contracts in the corporate systems.

MENTORSHIP

Udokan Copper develops the mentorship system to transfer expertise and skills from more experienced employees to those who has recently embarked on the self-development process in the Company.

In 2021, the Registry of Mentors was approved. The approved mentors took the training in the Basic Mentorship Skills and received respective certificates. Mentors, management and employees have jointly defined individual induction plans. Mentors always stay in touch with newcomers and advise them on the professional matters. After the successful completion of the induction period, mentors receive remuneration.



THE IMPLEMENTATION OF MENTORSHIP ALLOWED US TO REDUCE THE NEW TURNOVER EMPLOYEE DURING THE PROBATION PERIOD.

[102-41] [201-3]
[EM-MM-310a.1]

In 2021, the Company had no collective agreements or separate pension plans excluding mandatory payouts in accordance with the Russian legislation. The absence of the collective agreement is due to the specific features of the construction period, organization of interaction between employees and management, development of internal policies and other local regulations. Udokan Copper considers entering into collective agreements in the future.

Plans for 2022

- Implement the HR strategy for Udokan MMP's transitioning to operations
- Implement the HR electronic document flow
- Introduce position grades
- Automate rotation personnel work time planning and tracking processes
- Introduce a prospective hire assessment system
- Find and implement a state-of-the-art platform for professional training of process staff
- Improve employee engagement
- Expand the services for HR data provision via the Copper online assistant platform
- Launch the CEO Hotline via the Copper online assistant platform
- Develop a value-based business model and employer proposition
- Set goals, monitor and evaluate KPI performance
- Automate the goal setting and performance assessment system
- Digitize and implement new technological solutions as a priority development area
- Promote the Company's HR brand
- Launch mandatory training for all employees including certification from the National Agency for Welding Control and the visual measurement control
- Launch offline training on team building, mentorship, and personnel induction
- Launch webinars, participate in offline conferences and workshops according to the business unit specialization
- Organize external internships, when needed
- Organize training in additional programs to increase the efficiency of senior management (managers, specialists, clerks)



OCCUPATIONAL HEALTH AND SAFETY

OUR APPROACH

Our top priority is to protect the lives and health of our employees. Therefore, we work to create a safe and friendly work environment and develop a safety culture to prevent workplace injuries and occupational illnesses. The Company understands its responsibility for the safety of local communities in the regions where it operates and takes measures to prevent dangerous situations and achieve a zero accident rate.



Approach to occupational health and safety

Ensuring occupational health and safety (OHS) is a fundamental concern of Udokan Copper and an indisputable prerequisite for its operations. Udokan Copper prioritizes the prevention of accidents and casualties among the employees, as well as the mitigation of their possible consequences.

OHS MANAGEMENT SYSTEM

We have an Occupational Health and Safety Management System (OHSMS) that establishes a set of interrelated and interacting elements defining our OHS policy and goals, as well as measures and procedures to achieve them. The system applies to all of our employees, as well as representatives of contractors and subcontractors, visitors and interns.

[103-2] [103-3] [403-1] [403-7]



THE OHS REQUIREMENTS ARE MANDATORY FOR ALL OF THE COMPANY'S EMPLOYEES AND OTHER PERSONS LOCATED ON THE COMPANY'S PREMISES OR IN THE BUILDINGS, INCLUDING HAZARDOUS PRODUCTION FACILITIES.

The OHSMS is compliant with the legislative requirements of the Russian Federation, including:

- Labor Code of the Russian Federation
- Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities of 21 July 1997
- ISO 45001:2018 Occupational Health and Safety Management Systems — Requirements with Guidance for Use
- Order No. 438n of the Russian Labor Ministry On Approval of the Standard Regulation on the OHS Management System of 19 August 2016
- Decree of the Government of the Russian Federation No. 1243 On Approval of Requirements for Documentary Support of Occupational Health and Safety Management Systems of 17 August 2020.

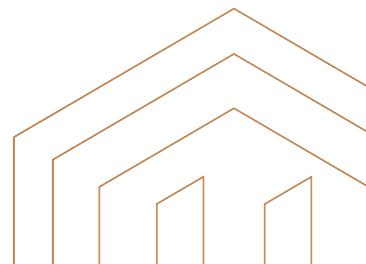


CONTRACTOR ENGAGEMENT

We attach particular importance to interaction with our contractors and demand that they comply with the highest OHS standards.

To reduce contractor injury rates, promote a safety culture, and increase safety awareness, we provide OHS induction, civil defense, and emergency training for contractors. Also, to mitigate risks, during work, there is training on the Company's procedures, such as Cooperation and Control Procedure and Dynamic Risk Assessment Procedure.

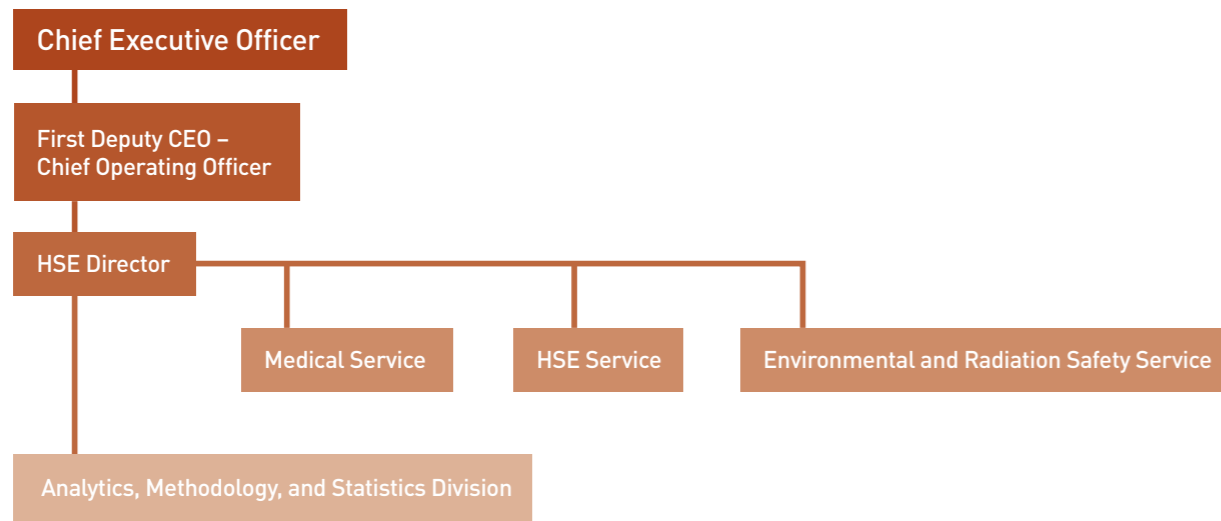
In 2021, we identified a number of OHS violations committed by contractors, which resulted in the payment of penalties. HSE Directorate received 62 claims (17 percent down from 2020). Such a decrease demonstrates a positive effect of our contractor engagement efforts.



OHSMS STRUCTURE

OHSMS covers all levels in the Company's organizational structure, from top management (CEO) to shop floor employees or field workers.

OHSMS ORGANIZATIONAL CHART



The Company's organizational structure includes the HSE Directorate subordinate to the First Deputy CEO, Chief Operating Officer. In June 2021, the HSE Directorate was expanded to include the Medical Service and two staffing positions of senior OHS specialists were added to the OHS and Injury Prevention Service to ensure continuous oversight of contractor compliance with the OHS requirements at the MMP construction site.

At year-end 2021, the HSE Directorate comprised:

- OHS and Injury Prevention Service
- Environmental and Radiation Safety Service
- Analytics, Methodology, and Statistics department
- Medical Service

HSE Directorate's objectives:

- Building a safety culture in the Company;
- Implementing and maintaining a health, safety, environmental, and radiation safety management system to prevent occupational injuries, accidents, and incidents
- Ensuring compliance of design, operational, technical, and other documentation with the requirements of the Russian Federation HSE laws
- Reducing (eliminating) the environmental footprint of the project through compensatory measures and design solutions;
- Organizing and implementing preventive and therapeutic measures to preserve and improve the health of employees, prevent and reduce general and occupational diseases (including temporary disability) and disabilities;
- Organizing and implementing control over radiation safety in the Company's division

OHS MS BASIC DOCUMENTS

As part of the OHSMS, the Company applies the following basic internal regulations*:

- Occupational Health and Safety Policy
- Key Occupational Safety Rules
- Regulation on the OHS Management System
- Regulation on the Organization and Implementation of Hazardous Operations
- HSE, HAZOP, Environmental, and Fire Safety Standards for Contractors
- Regulation on the Organization and Implementation of the Three-Tiered HSE Control in the Company
- Regulation on the Organization and Implementation of Production Control over Compliance with Industrial Safety Requirements at Hazardous Production Facilities of Udokan Copper LLC
- Regulation on the Procedure for Internal Investigations and Registration of Incidents and Accidents
- Fatigue Management Procedure
- Confined Space Work Procedure
- Dynamic Risk Assessment Procedure
- Cooperation and Control Procedure
- Energy Isolation Procedure
- Personal Protective Equipment Procedure
- Medical Emergency Response Plan
- Motor Vehicle Safety Standard



Following the accident analysis for the previous year, the Key Occupational Safety Rules were amended as appropriate. The Rules are a mandatory document to be read upon employment and all employees are required to sign additional agreements to their employment contracts that include an obligation to comply with the Key Occupational Safety Rules.

IDENTIFICATION OF HAZARDS AND RISK MANAGEMENT

One important part of the OHSMS is identifying and managing occupational risks. This process is managed by the heads of the Company's structural divisions and governed by the following documents:

- Labor Code of the Russian Federation
- GOST R 12.0.010-2009 OSSS. Occupational Health and Safety Management Systems. Identification of Hazards and Risk Assessment

Apart from that, the Company has developed a Dynamic Risk Assessment procedure that provides for employees to assess changing conditions at their work stations, identify inconsistencies with labor safety requirements, and promptly eliminate them or take remedial measures to mitigate existing risks. All employees undergo training on this procedure upon hiring with annual retraining afterwards.

* For a full list of regulatory documents, see the Company's [website](#)



EACH EMPLOYEE PERFORMS A DYNAMIC RISK ASSESSMENT BEFORE STARTING WORK, WHEN RECEIVING A NEW WORK ORDER OR WHEN ENVIRONMENTAL CONDITIONS AT THE WORK SITE CHANGE.

Each employee must perform a dynamic risk assessment before starting work or in the course of work when conditions at the work site change to ensure that he/she is not exposed to any hazards in the current conditions. Employees are not allowed to start work without eliminating all risks in the workplace or reducing them to an acceptable level. If hazards are identified that the employee cannot eliminate on his/her own, he/she must inform his/her immediate supervisor.

Supervisors play an essential role in the risk management process, advising employees on how to minimize or eliminate risks, proposing options for improvement, encouraging positive behavior, or providing useful criticism. When hazards or risks cannot be eliminated or reduced to an acceptable level under the current conditions, the immediate supervisor must suspend the current task or all work in a particular work area until appropriate measures are taken.

The HSE Service analyzes all Dynamic Risk Assessment reports for specific risks to develop remedial measures. In addition, as part of the Cooperation and Control procedure, supervisors review workplace conditions and evaluate employee actions.

All potentially hazardous incidents, minor injuries, accidents, incidents and breakdowns are investigated to identify the root causes and implement appropriate remedial measures. The results of each investigation are communicated to employees as part of the Lessons Learned newsletter.



In 2021, an initial hazard identification and risk assessment was conducted as part of the agreement to conduct a diagnostic audit of the OHSMS.

In addition, the Energy Isolation procedure was approved in 2021 as part of the risk identification process. Following the approval of this procedure, the Company identified all energy sources used in its production units; developed energy source isolation matrices detailing the procedures for installing and removing interlocks; determined the need for interlocking devices and purchased them; and conducted training for operating and maintenance personnel.

In 2021, the Company initiated the development of an online assistant service to expand the functionality of the hotline where employees can report any observable hazardous working conditions and then notify the responsible HSE personnel to take action.

OHS COMMUNICATIONS

To raise awareness on improving working conditions and occupational safety, the Company established an OHS Committee in 2021. It consists of representatives of department heads and workers on an equal footing. The Committee deals with issues and proposals for improvement and coordination of OHS activities. The Committee meets on an annual basis. The OHS Committee procedures are set forth in the Regulation On the OHS Committee at Udokan Copper LLC.

In addition, the Company's management meets with employees on a regular basis to discuss HSE, social, and other issues. Such meetings conclude with minutes indicating the action plan, deadlines, and persons in charge.

To keep employees well-informed, all production sites are equipped with OHS information boards, and rotation camps No. 2 and 3 have electronic bulletin boards.

On a weekly basis, OHS meetings are held with representatives of contractor organizations.

Prevention of occupational injuries and diseases

[403-2]

The Company's OHS priorities include zero fatalities among the Company's employees, contractors, and subcontractors. In 2021 it was set as the functional KPIs of the HSE Directorate:



Zero work-related and construction-related fatality accidents involving the Company's employees (FAT);



Zero work-related and construction-related fatality accidents involving contractors' employees and local residents (FAT).



THE COMPANY SETS AN ANNUAL GOAL OF LOWERING THE INJURY RATE AND HAVING ZERO FATALITIES OR SEVERE INJURIES.

The Company investigates and registers all accidents and near misses, as well as breakdowns and incidents.

To determine the level of investigation, the Company uses criteria based on the gravity of the accident:

- Level I (severe accident; fatal accident; group accident)
- Level II (minor accident)
- Level III (emergency breakdown, incident)
- Level IV (minor injury; near miss)

Investigations establish the key factors and root causes of the accidents, based on which recommendations are made to prevent the recurrence of similar accidents in the future.

[403-4]

Following each investigation, an information message is prepared, communicated to all Company employees, and posted on bulletin boards; a report is prepared detailing the investigation results and root causes of the accident; and remedial actions are identified and implemented.

APPROACH TO MINIMIZING INCIDENTS

To ensure continuous development and improvement of the OHSMS and to reduce the injury rate, Udokan Copper promotes safety culture. To do so, the Company encourages employee engagement in OHSMS issues, including through the development of motivation systems.

In 2021, we analyzed the effectiveness of safety procedures and identified the highest-performing units and employees. The winners received valuable gifts.

The Company has developed and maintains the Cooperation and Control procedure to monitor employee behavior at work stations, identify unsafe practices or conditions that endanger their health at work, and encourage employees to behave safely.



THE BEHAVIOR CONTROL IS IMPLEMENTED TO IDENTIFY SHORTCOMINGS AND TAKE MEASURES TO ELIMINATE THEM, RATHER THAN TO PUNISH EMPLOYEES.

The Company has established a schedule for monitoring employee behavior:

- Managers and specialists of business units — at least one audit per week
- Directors — at least two audits per month
- CEO and deputies — at least one audit per month.

The Company's senior management demonstrates leadership and commitment to safety, compliance with HSE requirements, and provides the Company with all the necessary resources to perform HSE functions, including logistical support and human resources.

OHS TRAINING

The Company conducts mandatory training for employees in accordance with state HSE requirements. The training system complies with the following statutory requirements of the Russian Federation:

- Labor Code of the Russian Federation
- Resolution of the Russian Government No. 1365 On Training and Certification in the Field of Occupational Safety, Safety of Hydraulic Structures, Safety in the Electric Power Industry of 25 October 2019
- GOST 12.0.004-2015 OSSS. Labor Safety Training Management
- Resolution of Russian Ministry of Labor and Russian Ministry of Education No. 1/29 On Approval of the Procedure for Occupational Safety Training and Testing of Employees of Companies of 13 January 2003 [as amended on 30 November 2016]
- Federal Law No. 116-FZ On Occupational Safety of Hazardous Production Facilities of 21 July 1997

In addition to mandatory training, the Company also has a number of additional training programs. To this end, the Company has developed a training matrix that defines a minimum set of mandatory and recommended training programs for various jobs and positions. The programs cover a wide range of OHS issues, including the Company's internal procedures such as Cooperation and Control, Dynamic Risk Assessment, Fatigue Management, Energy Isolation, and others.

During the reporting year, the Company also held trainings for the healthcare staff in the following areas: Disinfection Activities, Medical Waste Management, Pre-trip Check-ups of Drivers, Medical Personnel Training on Alcoholic Intoxication Examination.

Contractor employees undergo induction program and training on internal procedures:

- Cooperation and Control
- Dynamic Risk Assessment

The efficiency of the training is assessed with of the following tools:

- OHS knowledge verification
- Procedure reports analysis
- OHS certification
- Question lists

WORK-RELATED INJURIES

ACCIDENTS AMONG EMPLOYEES OF THE COMPANY AND CONTRACTORS, number of people

[403-9] [EM-MM-320a.1]

Indicator	Company employees			Contractor employees		
	2019	2020	2021	2019	2020	2021
Total number of reported work-related injuries (TRI)	9	4	6	6	23	14
Injured persons who sought medical treatment without loss of work ability (minor injuries) (MTC)	4	3	5	0	16	9
Injured persons with temporary disability (switch to light labor jobs without loss of work ability) (RWC)	0	0	0	0	0	0
Employees who sustained a lost time injury due to occupational accidents during the work (LTI)	5	1	1	6	7	5
Total number of workplace accidents*	5	1	1	6	7	5

0 FATALITIES AT THE COMPANY OR ITS CONTRACTORS



* There were no fatalities at the Company or its contractors between 2019 and 2021. There were no group accidents either.

OCCUPATIONAL INJURY RATES IN THE COMPANY IN 2021*

Indicator	Rate
Overall fatal accident rate (FAR)	0
Total recordable injury frequency rate (TRIFR)	0.424
Lost time injury frequency rate (LTIFR)	0.071
Lost time incidents severity rate (LTISR)	10.812
Total recordable incident rate (TRIR)	0.424

In the reporting year, the Company's employees worked more than 2.8 million man-hours, and contractor employees worked more than 15.1 million man-hours. In the reporting year, the Company's employees suffered six work-related injuries (50 percent up from 2020) and contractors' employees suffered 14 work-related injuries (39 percent down from the previous year). Of these, only one employee of the Company and employees of contractors sustained a lost time injury. Most of the injuries were minor.

The Company keeps separate records for injuries among contractors' employees. As a result of the joint efforts with contractors to ensure safe working conditions, we saw a year-on-year decrease in injuries among contractors' employees.

EMPLOYEES' HEALTH AND PREVENTION OF PROFESSIONAL DISEASES

To determine whether employees are fit to perform work assigned and to prevent occupational diseases, the Company conducts continuous (throughout the year) and periodic medical check-ups. Employees also undergo regular pre-shift and post-shift check-ups through the automated medical check-up electronic systems ESMO and ASMK.

In 2021, the HSE Directorate was expanded to include a 24/7 health service for employee counseling and first aid, including emergency aid for acute illnesses or injuries. There is one service manager and five paramedics in the Medical Service on each shift.

To ensure prompt transportation of patients, the Company has also a KAMAZ-based vehicle to take employees for further examination and treatment to the Kalar Central District Hospital, as per health indications.

All employees of the Company are eligible for a voluntary health insurance program upon completion of their probationary period. All healthcare organizations, services, and systems, with which the Company works, comply with all applicable requirements of the Russian legislation.

As required by labor legislation and internal regulations, the Company conducts a workplace assessment to determine the presence of harmful and hazardous working conditions and develop a subsequent action plan to minimize their adverse impact.

In 2021, the Company assessed 282 work stations with a total of 640 employees. The results showed that the number of work stations was:

194 Class 2 (permissible working conditions)

48 Class 3.1 (harmful working conditions)

40 Class 3.2 (harmful working conditions)

* Based on 200 thousand worked hours.

COVID-19 RESPONSE

» **80%** BY MID-DECEMBER 2021, THE COMPANY HAD 80 PERCENT OF ITS STAFF VACCINATED

Due to the epidemiological situation caused by COVID-19, in 2021 the Company entered into an agreement with licensed healthcare institutions to conduct COVID-19 PCR tests and antigen tests for Udokan Copper employees on a regular basis. In addition, the Company's employees were vaccinated and revaccinated against COVID-19 in the Novaya Chara settlement by the Kalar Central District Hospital and in Chita by the State Autonomous Healthcare Institution Clinical Medical Center of Chita.

To boost the number of vaccinated and revaccinated employees, the Company makes health communications to combat the spread of COVID-19. In particular, the Company distributed leaflets on vaccination against COVID-19 to employees via e-mail and placed posters with promotional and educational materials on vaccination matters along with contacts of healthcare workers assigned to organize vaccination.

In 2021 the Company modified the remuneration system and paid a one-time bonus for completing a full course of vaccination against COVID-19.

To protect the health and safety of each employee, Udokan Copper also organized vaccination against COVID-19 for contractor employees at the Kalar Central District Hospital.



Emergency preparedness

Ensuring the safety of Udokan Copper MMP facilities as early as at the construction stage is the top priority for the Company.

To eliminate any risk of causing harm to people' health and the environment, Udokan Copper carries out civil defense preparedness and emergency prevention and response activities in accordance with the requirements of the legislation of the Russian Federation.

CIVIL DEFENSE PREPAREDNESS AND EMERGENCY MANAGEMENT

The Company's CEO is in charge of Civil Defense and Emergency.

The Company did not make any significant changes in the emergency investigation system this year. Investigations of emergencies are carried out by dedicated commissions composed of the Company's specialists in various fields in accordance with the approved internal regulations. Investigations are conducted to assess the damage caused, clarify the causes of emergencies and their unfolding, and develop measures to prevent them in accordance with the procedure established by the Russian legislation.

An important measure of the civil defense and emergency management efficiency is a high level of protection of the Company's employees and infrastructure from potential accidents, disasters, natural calamities, and military events.

The basic documents regulating the Company's defense and emergency management activities are as follows:

- Regulation on the Authorized Person to Manage Civil Defense and Emergency Response Matters of 30 April 2021
- Regulation on the Permanent Commission for Improving Operational Stability of Udokan Copper LLC Facilities of 31 May 2021
- Regulation on the Commission for Prevention and Elimination of Emergencies and Ensuring Fire Safety of Udokan Copper LLC of 07 June 2021
- Regulation on the Assistant Mine Rescue Crew of Udokan Copper LLC of 13 November 2020
- Regulation on the Procedure for Internal Investigations and Registration of Incidents and Accidents of 9 November 2020
- Accident Containment Plan for Hazardous Production Facility for the period from 01 July 2021 to 30 June 2022
- Procedure No. 178 (algorithm) for Emergency Response Actions on the Territory and in the Buildings and Premises of Udokan Copper LLC of 27 October 2021

The documents are approved by the CEO.

To implement the civil defense and emergency response improvement plans, the Company created and certified the Assistant Mine Rescue Crew. To ensure technical preparedness for emergency response, the Company purchased the necessary equipment for the needs of the Assistant Mine Rescue Crew.

Due to the remoteness of the Company's facilities from the state fire emergency response units, the Company signed an agreement with Technospas Group LLC for 24/7 watchstanding to respond promptly to fires and emergencies at the construction sites of Udokan MMP.

Employees and external stakeholders are encouraged to contact the Hotline if they have any questions about civil defense and emergencies or to report hazardous situations*.

* For details, see the Business Ethics and Anti-Corruption section.

CIVIL DEFENSE AND EMERGENCY RISK MANAGEMENT

The Company identifies the risk of fire in fire-hazardous areas in the adjacent forest zone as the key emergency risk.

Measures to manage this risk include:

- Ensuring compliance with legislative requirements for occupational and fire safety
- Improving the employees' OHS competencies
- Using fire and explosion-proof equipment
- Using and improving emergency alarms, fire detection systems, warning systems, and specialized emergency containment and elimination equipment



PLANS FOR CONTAINING AND ELIMINATING THE CONSEQUENCES OF ACCIDENTS

In 2021, the Company developed and approved plans for containing and eliminating the consequences of accidents. These plans define the notification mechanism and emergency response procedures for the Company's personnel and operational services.

As part of OHS and emergency briefings, all employees of the Company and contractors are familiarized with the necessary emergency response actions, in accordance with the developed plans for eliminating accidents.

Measures implemented in 2021:

- Adjusted design documentation for search-and-rescue communication systems and local notification systems at the Company's facilities under construction
- Improved the communication system, notification system, automation solution complexes, and automated systems for collecting, processing and transmitting information

In 2021, the Company did not register any cases of emergencies or accidents.

»» 0 EMERGENCIES OR ACCIDENTS RECORDED IN 2021

CIVIL DEFENSE AND EMERGENCY RESPONSE TRAINING

All employees of the Company undergo civil defense and emergency response training.

In 2021, to maintain emergency preparedness, the Company implemented the following measures:

- Organized special training for technical managers and mining dispatchers on programs for containing emergencies and eliminating the consequences of accidents
- Jointly with the Kemerovsky VGSO branch of FSUE Militarized Mine Rescue Unit of the Ministry of Emergency Situations of Russia, conducted physical training with members of the Assistant Mine Rescue Crew in a heat chamber using self-contained breathing apparatus
- Held firefighting drills for all employees of the Company in accordance with the developed schedule

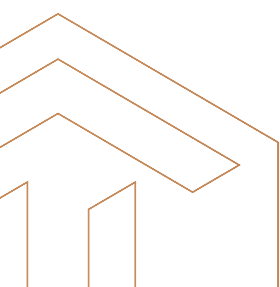


ALL EMPLOYEES OF THE COMPANY UNDERGO TRAINING IN CIVIL DEFENSE AND EMERGENCY SITUATIONS

»» GOALS FOR 2022

Our OHS and emergency preparedness goals for 2022:

- Digitize OHS processes
- Develop source isolation matrices to cover 100 percent of equipment
- Develop and implement procedures for management communication with staff — Problem-Solving Board
- Develop and implement an OHS manager standard



ENVIRONMENTAL RESPONSIBILITY

OUR APPROACH

Future operations of Udokan Copper are associated with a significant impact on nature and local ecosystems, therefore, already at the design and preparation stages the Company regards actions aimed at reducing its environmental impact as an important priority and an integral part of the business. The company is making efforts to cut down all types of emissions, discharges and waste, improve energy efficiency, and conserve biodiversity. Udokan Copper strives to ensure a rational use of natural resources to keep them available for future generations.



Guided by precaution, we use modern technologies, equipment, and materials to minimize the industry-related environmental impact.

In 2021, despite the absence of operational activity, Udokan Copper continued to develop its environmental responsibility. The company follows high environmental protection (EP) standards and uses relevant best practices designing its technological cycle to ensure careful use of natural resources and energy, and reduce waste generation and air emissions. For instance, at the construction stage, Udokan MMP opted for equipment with high environmental performance to enjoy their benefits both in environmental protection and in enhanced economic efficiency.



Upon completion of the construction stage at the MMP, the Company plans to use hydrometallurgical technologies offering certain environmental benefits for metal production. The method uses aqueous liquids to extract copper from the ore, while the more common pyrometallurgy employs ore roasting at high temperatures.

Key advantages of hydrometallurgy over pyrometallurgy include the following:

- Less gas air emissions
- Less dust
- Lower energy consumption

At the same time, hydrometallurgy processes entail pollution of large amounts of water used in the technology. To reduce its negative impact, Udokan Copper will use a water recycling system.

Compliance with the Russian environmental legislation and applicable international legal acts is a top priority for the Company. Preventing and minimizing potential environmental damage, reducing climate impact and conserving natural biodiversity is equally important. The Company seeks to secure interests and rights of indigenous peoples while raising environmental literacy among the Company's employees and other stakeholders.

During the construction phase in 2021, the Company did not generate any significant air emissions. Moreover, there was no intake and discharge of large amounts of process water or other negative impact on the environment. The Company is committed to prioritizing environmental neutrality at the commercial production stage.

Udokan Copper manages environmental issues in six priority areas:

- Ensuring control over compliance with environmental requirements and standards at construction sites and production facilities
- Arranging on-site environmental control
- Obtaining necessary permits in accordance with environmental legislation
- Arranging environmental monitoring at MMP Udokan construction sites and related facilities including air and water testing (hydrochemical and hydrobiological) and surveys of soil cover, vegetation, wildlife, and noise
- Assessing the state of ecosystems and developing measures to mitigate damage to biological resources in the area of the Udokan deposit
- Developing and updating internal HSE regulations



Environmental management

PERFORMANCE ON 2021 OBJECTIVES



GOAL: TO ESTABLISH THE SANITARY PROTECTION ZONE (SPZ) AT UDOKAN MMP AND ASSESSING ITS ENVIRONMENTAL FOOTPRINT

The adjusted project documentation for the 1st stage of construction of Udokan MMP included a draft design of the SPZ; a positive public health and epidemiology report was issued in respect of the project.



GOAL: TO OBTAIN AN APPROVAL FOR THE SPZ PROJECT FOR RAIL BASE FACILITIES AT NOVAYA CHARA STATION

The company obtained a resolution to establish a SPZ for a transport and storage facility and an access road from Novaya Chara station to Udokan settlement. For this purpose, Udokan Copper implemented a number of measures with total investments amounting to approx. 4 million rubles.



GOAL: TO OBTAIN PERMITS FOR THE MODERNIZED PILOT PLANT AND UDOKAN MMP

Performed inventory of stationary sources and air emissions for the pilot plant and temporary facilities of Udokan MMP (machine repair shops (MRS), a ready-mix station (RMS), and a crushing and screening unit (CSU)). Developed draft of maximum allowable air emissions to obtain a new permit for air emissions. The project was awarded with a positive expert opinion from the Center for Hygiene and Epidemiology in Zabaikalye Region. Developed draft to obtain a new approval of waste generation standards and limits on their disposal. Developed and approved program of industrial environmental control.



GOAL: TO ENSURE THE STATE REGISTRATION OF FACILITIES ASSOCIATED WITH NEGATIVE ENVIRONMENTAL IMPACT

An application to register machine repair shops (MRS), ready-mix station (RMS), and crushing and screening unit (CSU) of Udokan MMP as category III facilities associated with negative environmental impact was submitted to Zabaikalye Interregional Directorate of the Federal Service for the Supervision of Use of Natural Resources. Deep well water intake at Klyukvennoye underground water deposit was recorded in the state register of waste placement facilities under category III.



GOAL: TO ENSURE REGISTRATION OF WASTE PLACEMENT SITES AT THE STATE REGISTER OF WASTE PLACEMENT FACILITIES.

An application to register waste placement sites "Severny tailing dump" and "Yuzhny tailing dump" in the state register of waste placement facilities was submitted to Zabaikalye Interregional Directorate of the Federal Service for the Supervision of Use of Natural Resources



GOAL: TO OBTAIN COMPREHENSIVE ENVIRONMENTAL PERMITS

The Company continues the work on obtaining permits for emissions, discharges, and waste disposal. As expected, the comprehensive environmental permit will be obtained in 2025.

ENVIRONMENTAL MANAGEMENT STRUCTURE

The environmental management system underlies efficient processes creating a favorable working environment for the Company's employees and local communities living in the region of the Company's presence. Therefore, environmental management in the Company extends to all decision making levels. In 2021, the Environmental and Radiation Safety Service was established under the Health, Safety and Environment Directorate (HSE Directorate) to manage Udokan Copper's environmental agenda.

ENVIRONMENTAL MANAGEMENT

THE CHART OF THE ENVIRONMENTAL MANAGEMENT STRUCTURE



CHIEF EXECUTIVE OFFICER

Key functions

- Manages the Company’s day-to-day operations with other powers stipulated by the Russian legislation and the Company’s Charter

FIRST DEPUTY CEO – CHIEF OPERATIONS OFFICER

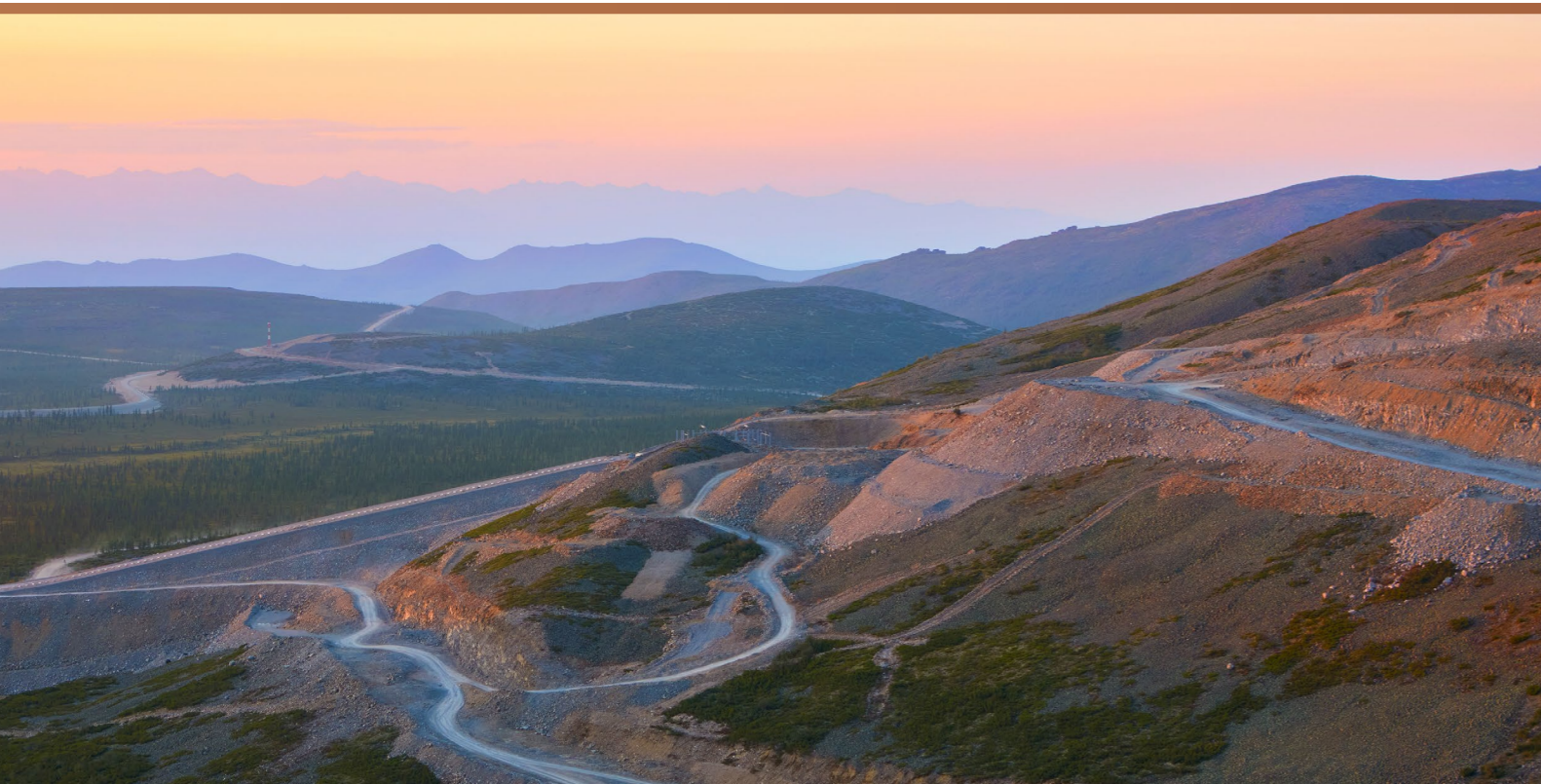
Key functions

- Manages structural divisions of the Operations Directorate, ensures functional coordination of divisions subordinate to the Deputy CEO by lines, and divisions of direct subordination to the CEO within project activities pursuant to their job description
- Ensures effective design solutions, timely and high-quality preparation of production, technical operation, repair and modernization of equipment while maintaining high product during development and production
- Creates adequate conditions for the timely and high-quality performance by production units of day-to-day tasks assigned to them in accordance with the approved work procedure (regulations) and the production technology approved for the Company’s products
- Guides development of the production policy and production development strategy, determining its key directions in accordance with the Company’s development strategy and efforts required for its implementation
- Managing production and financial and economic matters of the structural unit

ENVIRONMENTAL AND RADIATION SAFETY SERVICE UNDER THE HSE DIRECTORATE

Key functions

- Ensuring conformity of design, working and technical documentation with the Russian environmental legislation
- Reducing or eliminating the negative environmental footprint through mitigation measure and design solutions
- Organizing and implementing control over radiation safety in the Company’s divisions



KEY DOCUMENTS GOVERNING ENVIRONMENTAL RESPONSIBILITY

- [Corporate Code of Ethics](#)
- [Environmental Policy](#)
- [OHS and fire safety requirements for contractors](#)
- Regulations on the HSE Directorate
- Udokan MMP comprehensive environmental monitoring program

In the reporting year, the Company was developing a Comprehensive Environmental Policy and a Tailings Management Policy in accordance with the Global Industry Standard on Tailings Management. As expected, the documents will be approved and implemented in 2022.

The Company complies with the Russian environmental legislation. In 2021, no relevant violations committed by the Company were identified.

[307-1]



NO VIOLATIONS OF EP PRACTICES WERE RECORDED IN 2021

STAKEHOLDER ENGAGEMENT ON ENVIRONMENTAL FOOTPRINT

Udokan MMP is convinced that successful decision making on environmental issues is possible only with proactive engagement with various stakeholder groups*. The Company feels that cooperation with competent specialized organizations regarding the implementation of industrial environmental control is of great importance:

- Institute of Natural Resources, Ecology and Cryology, Siberian Branch of the Russian Academy of Sciences (INREC SBRAS) — an environmental monitoring organization
- Federal State Budgetary Institution, Centre of Laboratory Analysis and Technical Metrology — instrumental control of plant emissions
- Ecology Plus, LLC — waste collection, transportation and management systems
- Oleron +, LLC — solid municipal waste handling technologies
- Inteko Siberia, LLC — ferrous steel scrap sales

Udokan Copper, represented by its Environmental and Radiation Safety Service, takes part in the development and approval of local regulations in environmental protection and resource management

The Company also cooperates with suppliers and contractors to monitor compliance with environmental legislation. Udokan Copper regularly hosts meetings on compliance with environmental legislation and audits of contractors. Violations entails penalties and instructions to eliminate the deficiencies as soon as possible.

* For more details see the Sustainability Management and Stakeholder Engagement sections.



ENVIRONMENTAL IMPACT ASSESSMENT

The baseline environmental assessment for Udokan deposit development project was completed together with the design of a process flowsheet for ore processing between 2010-2014. In 2018, another comprehensive environmental impact assessment of Udokan MMP was performed*. At the construction stage, an annual comprehensive environmental monitoring is performed in the Udokan deposit enabling the Company to ensure an ongoing monitoring of negative environmental changes and find a prompt response.

On the territory of the Company's operations, environmental monitoring is effected in accordance with the program agreed by the Department for Subsoil Use in Zabaikalye Region, the Program for Industrial Environmental Control, and the Program for environmental and pollution monitoring at waste disposal facilities and within the limits of their impact on the environment.

In 2021, same as in the previous year, environmental monitoring was performed by INREC SBRAS. It included a research of the atmosphere, hydrochemical and hydrobiological quality of water bodies, the state of the soil landscape, flora, fauna, and noise impact. The monitoring findings were compared to the results of the baseline environmental studies and monitoring of 2012-2021. The evaluation led to a conclusion that the environmental situation in the area adjacent to the Udokan deposit remained unchanged**.

An assessment of the environmental impact of the expected operations was also carried out in 2021 with development of an SPZ draft for Udokan Copper MMP (construction stage 1). The audit was performed due to adjustments of the project documentation.

As part of its impact assessment, the Company identifies the main risks associated with environmental protection:

- Change in the hydrological regime of streams, pollution of surface waters with a subsequent decrease in the fish productivity of streams
- Contamination of streams and soil with chemicals, bacteriological contamination of soil
- Habitat removal



RECLAMATION PLANS

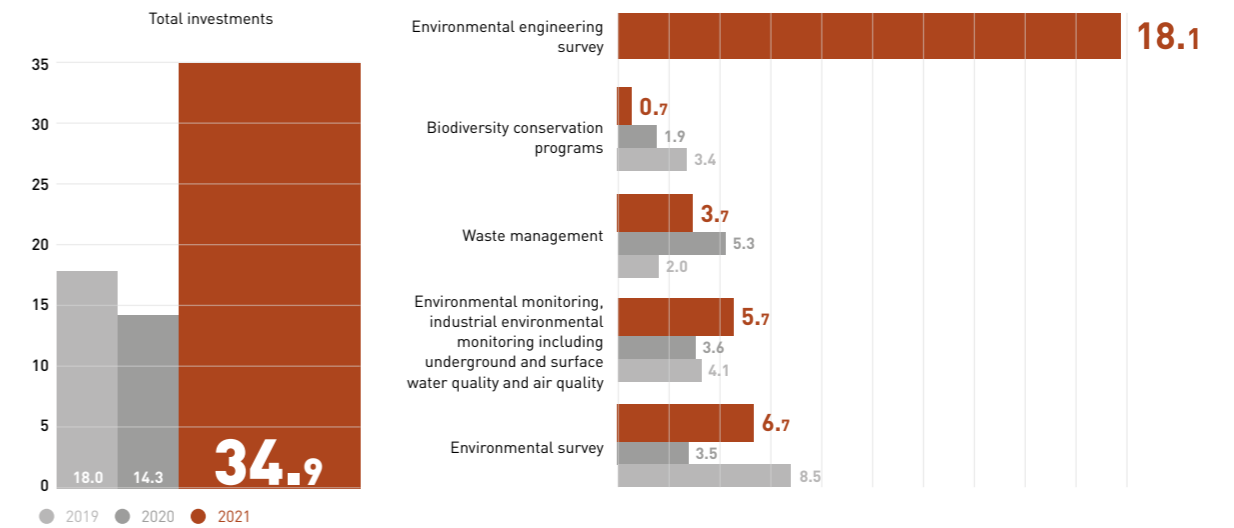
Development of mine sites and mineral production inevitably entail a negative environmental impact. Therefore, Udokan Copper is designing reclamation plans for disturbed lands already at the construction stage. Thus, in 2021, a project was developed for sanitary, forestry, and water management reclamation of Udokan MMP sites***. The Company's plans to perform work on technical and biological reclamation of lands upon completion of the deposit development. Reclamation will prevent the negative impact of disturbed lands on the environment and unwanted soil erosion while restoring natural vegetation. After rehabilitation, the territories will be transferred to land users, the Kalar Municipal Administration and the Chara forestry of the state Forestry Administration of the Zabaikalye Region.

* For more details see [2020 Sustainability Report](#), p. 114.
 ** For more details see Biodiversity Conservation.
 *** In accordance with regulations and Chara forestry practice guidelines.

ENVIRONMENTAL PROTECTION INVESTMENT

Udokan Copper regularly invests in environmental initiatives and equipment thus improving the Company's environmental performance. The total investment amounted to 34.9 million rubles.

ENVIRONMENTAL PROTECTION INVESTMENT, million rubles



Energy consumption and climate program

Already at the construction stage, while getting ready for the launch of production Udokan Copper has been developing and implementing programs aimed at reducing energy consumption and minimizing environmental impact.

Every year, the Company discusses energy consumption plans and key results achieved against the set targets. In 2021, the Company held a large number of regular meetings to discuss particularly important issues associated with improving energy efficiency. Topics considered and discussed at such meetings include the following:

- Increasing reliability of the enterprise power supply scheme
- Monitoring construction and installation works of technological complex facilities and infrastructure
- Providing the enterprise with energy resources
- Budgeting and ensuring control over budgetary funds spent

PERFORMANCE ON 2021 GOALS



GOAL: TO REDUCE ELECTRIC POWER DISSIPATION IN POWER GRIDS BY 3-4 PERCENT ANNUALLY

The Company made a significant progress in reducing electricity losses in the grids. For the pilot plant, the ratio of electricity consumption for production, economic needs and losses to the total electricity consumption decreased by 7.5 percent compared to the previous year. At Udokan MMP construction site, the figure decreased by 6 percent.



GOAL: TO MODERNIZE THE HEATING SYSTEM AT THE PILOT PLANT

Opted out of the heating of the return water supply system pipe following the modernization of the pilot plant heat supply system; installed frequency control systems on asynchronous electric motors. Installed a variable frequency drive (VFD) on the boiler blowing fans, tightened coal accounting, performed a thermal imaging survey of the pilot plant building to identify damage to the thermal circuit of the building. Issued an updated fuel metering regulation.



GOAL: TO BRING IN AN AUTOMATED SYSTEM FOR UTILITY METERING AT THE ENTERPRISE

Implemented an automated information and metering system for energy consumption from remote facilities. Created a for monitoring and analyzing the profile of energy consumption by electric energy metering devices.



GOAL: TO ANALYZE THE CONSUMPTION PROFILE, IN PARTICULAR THE VALUES OF PEAK-LOAD PERIOD, AND TO ASSESS CAPABILITIES FOR DEMAND RESPONSE

Developed form for monitoring and analyzing the consumption profile enabling the Company to compare data on peak hours of power consumption in the Zabaikalye Region. Developed form for monitoring and analyzing the consumption profile of individual power consuming units.



GOAL: TO ESTIMATE THE EFFICIENCY OF RENEWABLE ENERGY SOURCES FOR PARTIAL COVERAGE OF THE ELECTRICITY CONSUMPTION BY UDOKAN MMP

In the reporting year, preliminary estimates of the cost of creating own power generation based on renewable energy sources were made as part of the Climate Program development. Further analysis is planned to be continued during the program implementation.





CONTROL AND REDUCTION OF ELECTRIC POWER DISSIPATION IN POWER GRIDS

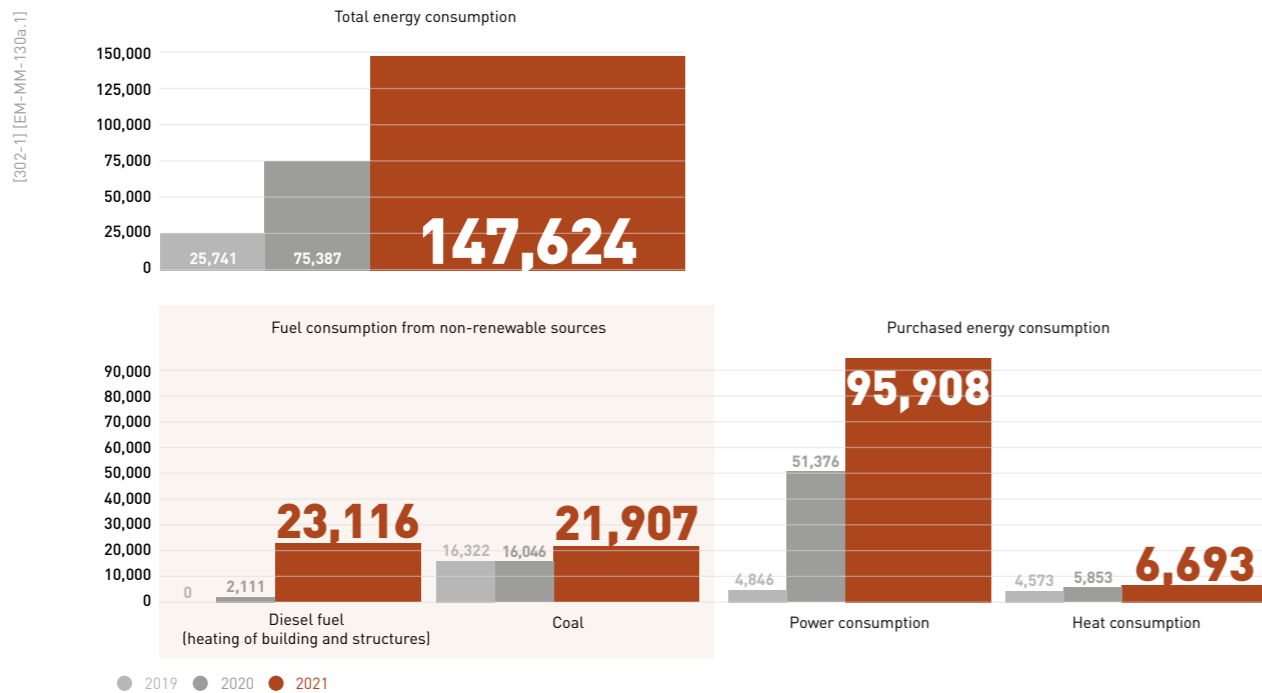
In 2021, Udokan Copper implemented a number of measures to monitor and reduce electric power dissipation in power grids:

- Installed electricity meters with enabled remote data collection;
- Introduced voltage regulation through transformer with on-load tap changing capability;
- Installed LED lamps as part of the pilot plant modernization;
- Used the frequency control system on asynchronous electric motors: Installed VFD on WIL0 pumps at Klyukvenny water intake;
- Implemented automated information and metering system for energy consumption from remote facilities;
- Performed thermal imaging inspection of electricity-generating equipment to identify heated areas (heating losses due to poor contact);
- Performed regular measurements and tests of electrical equipment to detect leakages and losses in contact joints.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

The Chief Power Engineer Service is in charge of the Company's energy consumption management. The Service comprises divisions that manage the operation of power assets associated with heat and water supply, ventilation and dust collection, Plant Control System and instrumentation.

ENERGY CONSUMPTION WITHIN THE COMPANY, GJ*



The main reason for increased total amount of energy consumed in the reporting period is the increased number of construction projects.

* For the existing facilities, the calculations were made based on the actual energy consumption. For facilities under construction, the calculation of energy consumption was made from the installed capacity specified in the design documents taking into account the utilization factor and the number of hours in operation. The methodology is valid for all periods.

Udokan Copper accounts for energy consumption by the following lines:

- Power consumption
- Heat consumption
 - Thermal energy obtained by burning coal at the pilot plant boiler with a capacity of 5 MW (property of Udokan copper LLC)
 - Thermal energy received from the district heating system of Teplovodokanal JSC

The key changes in energy consumption that took place in 2021 include modernization of the pilot plant and increase of the Chief Power Engineer Service staff.

In the reporting year, implemented efforts designed to improve energy efficiency included the following:

- Analysis of the automated information and measuring system for commercial accounting of electric energy
- Energy inspections (thermal imaging control, measurements of electrical parameters and quality of electrical energy)
- Development of a reconstruction project for the heat metering unit

CLIMATE PROGRAM

Udokan Copper realizes the need to limit the climate impact brought by the Company's business. Therefore, even before the start of its operations, it sets the ground for complying with the principles of responsible production and monitoring its activities. Through energy optimization programs, the Company seeks to minimize its carbon footprint and the impact on the unique nature of Zabaikalye Region.

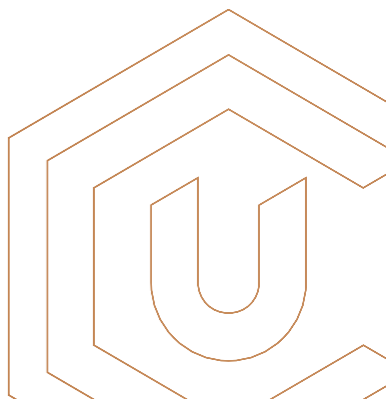
In 2021, the Company developed its Climate Program that includes an assessment of the impact of production activities on the climate and possible scenarios for reducing emissions both in absolute and specific terms. The climate program will also become a key tool for controlling GHG emissions.

Udokan Copper performed an inventory of GHG emissions identifying the following sources of GHG emissions:

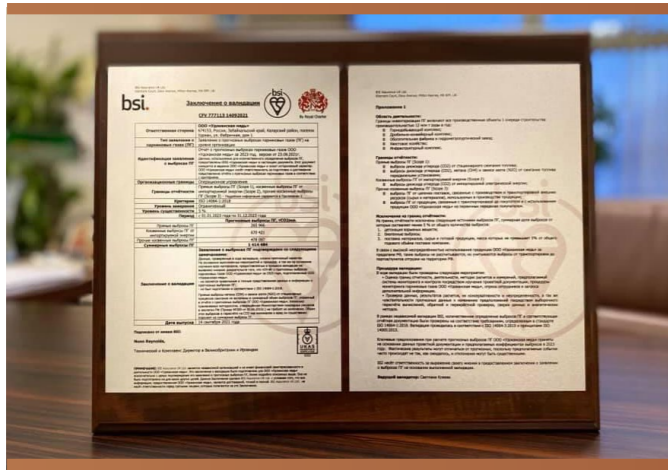
- Direct emissions (Scope 1): Stationary fuel combustion at the boiler house and mobile fuel combustion by quarry equipment
- Indirect GHG emissions (Scope 2): Purchased energy
- Other indirect emissions (Scope 3): upstream — purchased materials and supplies (mainly lime, sulfuric acid, and steel balls), and downstream — the sale of copper concentrate

The following initiatives are expected to be implemented under the Climate Program:

- Full assessment of GHG emissions for all scopes (Scope 1, 2, and 3)
- Industry benchmarking of carbon intensity indicators
- Identification of opportunities to reduce GHG emissions in absolute and specific terms through the implementation of decarbonization measures, including reducing GHG intensity generated by purchased electricity, using less carbon-intensive fuel to generate heat, purchasing offsets (carbon units), and implementing climate projects for emission compensation



Calculations on planned GHG emissions for the first stage of the project were confirmed by an independent expert examination performed by BSI (British Standards Institution). To conduct a full climate assessment and quantify GHG emissions, Udokan Copper calculated indirect GHG emissions associated with the purchase of electricity (scope 2) and other indirect emissions (scope 3). The assessment was made on the basis of the following documents:



- ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals;
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard;
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories;
- Ministry of Natural Resources and Environment Order No.300 of 30 June 2015

In 2022, Udokan Copper plans to continue developing the Climate Program and start testing tools for decarbonizing purchased electricity through the conclusion of non-regulated bilateral agreements. Moreover, the Company is going to study the potential use of renewable energy sources (solar and wind) at its site.

As part of the Climate Program, Udokan Copper will continue to manage the risks associated with carbon regulation taking measures to reduce GHG emissions and the carbon intensity of its products.



Udokan Copper became the first Russian company to have grounding in assessing projected emissions against ISO 14064-1:2018.

Air emissions

The Company seeks to minimize the negative impact brought by air emissions by using modern methods of environmental control.

The Company will operate in Kalar Municipality that has a severely continental climate with diverse microclimatic conditions. In this regard, atmospheric emissions is a significant environmental aspect and is closely monitored by Udokan MMP. Air emission monitoring comprises two processes:

- **ENVIRONMENTAL MONITORING** allows tracking emissions of substances with maximum concentrations (nitrogen dioxide and suspended solids) at control points.
- **PRODUCTION CONTROL** allows monitoring vehicle and construction equipment compliance with regulations on pollutants in exhaust gases before starting work by checking for a valid certificate and monitoring their technical condition.



In 2021, as part of industrial environmental monitoring, instrumental measurements of pollutant air emissions and the efficiency of gas cleaning equipment were carried out. It was found that pollutant emissions comply with the standards and do not exceed the maximum allowable values.

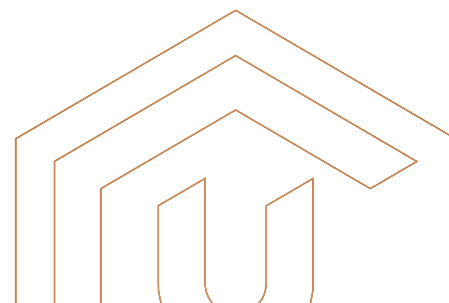
Thus, the Company manages to monitor the volume of emissions and prevent exceeding the approved maximum allowable concentrations. The assessment of the impact on the atmosphere showed that the consequences of the construction and operation of Udokan MMP will be insignificant due to the local scale and low level of emissions; the impact on the atmosphere is acceptable.

Quantification of pollutant emissions into the atmosphere is determined by the Draft Standards for Allowable Air Emissions for each source of emissions based on the counts. Pollutant emissions are calculated using the formulas of the relevant guidelines approved and agreed upon by the regulatory agencies. Emission calculations are based on the Atmospheric Pollutant Emission Permit issued to the Company by Rosprirodnadzor. The emission source factors used are consistent with Russian environmental legislation including reporting standards and methodologies.



In connection with the commissioning of temporary facilities of the Udokan MMP, i.e. the machine repair shops (MRS), ready-mix station (RMS), and crushing and screening unit (CSU), the Company developed in 2021 Draft Standards for Allowable Air Emissions; a positive Sanitary and Epidemiological Conclusion of Rospotrebnadzor Office for Zabaikalye Region was obtained for the project.

In 2021, pollutant emissions from the Company's operating facilities amounted to 1,416.663 tons. An eight-fold increase in pollutant emissions was due to the commissioning of Udokan MMP facilities (MRS, RMS, and CSU) as well as modernization of the pilot plant. 98.4 percent of all emissions are attributable to solid substances (inorganic dust, abrasive dust, soot) generated at production sites, in boiler house operation, crushing and grinding operations, and pilot plant tests.



In 2021, gaseous and liquid components of industrial emissions* totaled 22.228 tons.

Udokan Copper current operations do not generate emissions of hazardous air pollutants, mercury, lead, and ozone-depleting substances.

In the reporting year, the maximum allowable emissions were exceeded by the pilot plant. The excess is due to the stock counts of stationary sources and emissions of pollutants into the air.



In 2021, in connection with the modernization of the pilot plant, the Company developed Draft Standards for Allowable Air Emissions; a positive Sanitary and Epidemiological Conclusion of Rospotrebnadzor Office for Zabaikalye Region was obtained for the project. A project has also been developed to obtain a new document on the approval of waste generation standards and limits on their disposal.

The pollutants data are calculated based on the following documents:

- Order of the Federal State Statistics Service No. 661 of 8 November 2018, Report on form 2-TP (air) for 2019, 2020.

Regarding Negative Environmental Impact (NEI) of the Pilot Plant:

- Federal Law No. 7-FZ On Environmental Protection of 10 January 2002,
- Federal Law No. 96-FZ On Air Protection of 4 May 1999,
- Guidance on Calculation, Regulatory Actions and Control of Pollution Emissions (St. Petersburg; Atmosphere Research Institute, 2012),
- Dispersion Calculation Methods for Air Pollutants (MPR-2017), agreed by Order of the Ministry of Natural Resources of the Russian Federation No. 273 of 6 June 2017,
- National State Standard GOST 17.2.3.02-78 Nature Protection. Atmosphere. Rules to Fix Permitted Emissions of Harmful Substances by Industrial Enterprises (Moscow, 1987).

EMISSION OF AIR POLLUTANTS**, tons

Substance Type	2019	2020	2021
Nitrogen oxides (NOx)	1.989	3.246	6.058
SOx (sulfur dioxide)***	2.698	10.964	4.314
Persistent organic pollutants (POP)	9.858	13.681	11.562
Volatile organic compounds	0.008	0.008	0.152
Solid particles	143.104	143.104	1,394.435
Other standard air emission categories specified in respective regulations	0.089	0.089	0.142
Total:	157.746	171.092	1,416.663

Moreover, emissions from the operating facilities of the enterprise comprise such specific substances as sulfuric acid, copper oxide, and gasoline (petroleum, low sulfur). There are also traces of benzo (a) pyrene. The total volume of emissions of specific pollutants amounted to 1,394.729 tons. A significant increase compared to the previous year was mainly due to an increase in inorganic dust emissions by 10 times**** resulting from commissioning of a temporary crushing and screening facility.

* The gaseous and liquid components of industrial emissions in this case include nitrogen dioxide, nitrogen oxide, sulfuric acid, sulfur dioxide (sulfur dioxide), carbon oxide, fluorine gaseous compounds.

** The Company does not generate emissions of mercury (Hg) and Lead (Pb)

*** The calculation methodology remains unchanged compared to 2020, for details see the [2020 Sustainability Report](#), the Air Emissions section, page 124

**** The emission calculations are done as agreed by the Atmospheric Pollutant Emission Permit (radioactive emissions are excluded), issued by Zabaikalye Interregional Directorate of Rospotrebnadzor.

EMISSION OF AIR POLLUTANTS BY SUBSTANCE TYPE*, tons

Substance Type	2020	2021
Benzo (a) pyrene (3,4-Benzpyrene)	0.0000005	0.00001
Sulfuric acid	0.088	0.138
Carbon (soot)	2.163	1.383
Copper oxide (in copper equivalent)	1.126	0.377
Gasoline (petroleum, low-sulfur) (carbon equivalent)	0.001	0
Inorganic dust: 70-20 percent silicon dioxide (SiO2)	138.825	1,360.652
Manganese and manganese compounds (in terms of Manganese(IV) oxide)	0.0008	0.001
Chrome (in Chrome (VI) oxide equivalent)	0	0.002
Gaseous fluorides	0.0004	0
Formaldehyde	0.00007	0.000017
Other specific substances	0.997	32.176
Total:	143.201	1,394.729

Udokan Copper aims to reduce emissions of pollutants. During the operation of Udokan MMP, emission sources and pollutants will change in accordance with the specifics of the main processes and operations. Therefore, the Company is going to use the best available technologies to cut down emissions at various stages of the technological process:



REDUCING EMISSIONS FROM DRILLING AND BLASTING OPERATIONS:

- Equipping drilling equipment with dust suppression and dust collection options;
- Irrigating dustfall zones.



REDUCING AND PREVENTING GENERATION OF SOLID PARTICLES (DUST) AND SUSPENDED SOLIDS EMISSIONS INTO THE ATMOSPHERE:

- Using cloth filters to remove fine and ultrafine particles.



REDUCING EMISSIONS DURING STORAGE, RELOAD AND TRANSPORTATION OF RAW MATERIALS:

- Reducing the number of reloads using open belt conveyors;
- Streamlining storage, loading and unloading operations and transportation of raw materials, aimed, among other things, at reducing dust emissions.



IRRIGATING DUSTY SURFACES:

- Practicing dust suppression with water using watering machines, installations, or sprayers.

Currently, the Company uses gas cleaning equipment and diesel generators with an exhaust gas aftertreatment system and a reduced level of emissions. The use of serviceable and well-set equipment, its scheduled maintenance and repair also contributes to reducing the negative impact.

* The emission calculations are done as agreed by the Atmospheric Pollutant Emission Permit (radioactive emissions are excluded), issued by Zabaikalye Interregional Directorate of the Federal Service for the Supervision of Use of Natural Resources.

Water consumption and wastewater management

PERFORMANCE ON 2021 GOALS

GOAL: TO DESIGN HOUSEHOLD WASTE WATER AND SURFACE WATER TREATMENT FACILITIES, EXTERNAL SEWAGE NETWORKS FOR TREATED WASTEWATER

The project of treatment facilities for domestic wastewater, surface runoff and external sewerage networks for treated wastewater into Bluzhdayushchy brook was awarded with a positive conclusion from a nongovernmental expert review.

GOAL: TO CONSTRUCT THE SPECIFIED GROUNDWATER INTAKE AT THE INGAMAKIT WATER DEPOSIT (on the right bank of the Nizhniy Ingamakit river) WITH A CAPACITY OF 10,500 M³/DAY

The designed water intake at the Ingamakit water intake was put into development of the 1st stage of water intake on the basis of operational water intake wells No. 17-1, No. 17-3.

WASTEWATER DISCHARGE AND WATER INTAKE MANAGEMENT

The Company seeks to ensure a careful and responsible attitude to the use of water resources realizing that the quality and availability of water affect the well-being of residents in the regions where it operates.

Water intake and water consumption issues in the Company are managed by the Chief Power Engineer Service whose area of responsibility includes:

- Daily monitoring of the correct functioning of drinking water supply systems at the enterprise and the technical condition of internal water supply networks
- Daily monitoring of the serviceability of hot water systems
- Quarterly control over the organization and management in the territory along water mains
- Annual control (and ad hoc control after the elimination of water supply emergencies) over flushing and disinfection of the distribution network of the drinking water supply

Also, the Chief Power Engineer Service is responsible for arranging water consumption accounting and water consumption measurement. Water consumption accounting is carried out by measuring instruments (flow meters) recorded in the State Register of Measurements.

The environmental control service ensures the in-process control of water quality, including:

- Visual monitoring over the territories of the first line of the sanitary protection zone (for underground water intake wells of water supply facilities)
- Regular laboratory testing of water withdrawn sources, drinking water before it is supplied to the distribution network and drinking water from the distribution water supply network for microbiological, organoleptical, chemical, and radiological properties. Testing is performed by certified laboratories. Sampling procedure and frequency complies with the requirements of the effective sanitary regulations and other applicable regulatory documents

Drinking water quality meets the requirements stipulated in sanitary regulations. In the reporting year, no incidents of water quality non-compliance with laws and regulations were recorded.

In the reporting year, elements of effectiveness assessment regarding water intake and wastewater discharge management systems were absent as there were no discharges and the project was at the construction stage.

RESPONSIBLE WATER CONSUMPTION

[303-1]

Udokan MMP requires water resources for its operations*. At the current stage, water is used for technological support, drinking and household needs.

The company draws water from water-well holes; in particular, a key source of water is Klyukvennoye underground water deposit located in the Kalar Municipality of the Zabaikalye Region**. Water intake from Klyukvennoye underground water deposit is carried out both by the Company and by its contractor. For the pilot plant, water is supplied centrally from the Klyukvennoye underground water deposit. The Company does not draw water from surface waters, nor does it take water in regions with observed water shortage.

The Unified State Register of Real Estate includes information on sanitary protection zones of water supply sources and drinking water pipelines of the water intake of the Udokan pilot plant located at the Klyukvennoye underground water deposit and the designed water intake for water supply of the Udokan MMP (construction stage 1) located at the Ingamakit water supply.



* Udokan Copper does not have information on water intake and water consumption by contractors.

** The water intake is carried out by the Company by virtue of license CHIT 04328 VE giving the right to use Klyukvennoye underground water deposit by extracting groundwater for industrial and domestic water supply.



In 2021, the well water intake based on the Klyukvennoye underground water deposit was put on state registration in the federal state register of objects having a negative impact on the environment under category III.

The water intake consists of two wells equipped with electric submersible pumps. Underground water is supplied by submersible pumps through two conduits to water reservoirs located at the pilot plant site and then to the production building for industrial and household needs. After the commissioning of the designed water intake located at Ingamakit underground water deposit (as expected, construction will be completed in May 2022), the water intake for the needs of Udokan MMP construction will be carried out from the new underground water deposit. In the reporting period, water supply to Udokan MMP construction site is carried out by supplying water withdrawn from Klyukvennoye underground water deposit.

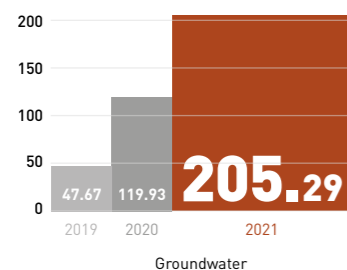
In accordance with the design solutions, the main source of domestic and drinking water supply and technological supply of Udokan MMP facilities will be the designed water intake located at the Ingamakit underground water deposit. In 2021, a decision was made to adjust the design documentation of the Vodozabor facility to double its productivity (from 10,000 m³/day up to 20 thousand m³/day) in connection with the estimated water consumption required for Udokan MMP operations. Groundwater extraction at the Ingamakit groundwater deposit will be carried out in accordance with the approved balance reserves of groundwater in the amount of 207.4 thousand m³ per day in category B + C2 and the license for subsoil use. Provided all applicable environmental legislation requirements and sanitary standards are met, an increase in groundwater abstraction within the limits of the approved reserves and prescribed environmental protection measures will be acceptable and will not affect the environment.

The water consumption increased by 71.2 percent as compared to 2020, and made up 205.29 thousand m³. This was due to the increased scale of Udokan MMP construction. The allowable limit of water abstraction was not exceeded.



[303-3] [EM-MM-140a.1]

TOTAL WATER INTAKE FOR THE COMPANY'S NEEDS, thousand m³



Groundwater

[303-2] [303-4] [EM-MM-140a.1]

The Company did not discharge wastewater into surface water bodies in 2021. Wastewater totaling 12.085 thousand m³ was transferred to the municipal treatment facilities of JSC Teplvodokanal*.

The Company seeks to ensure sustainable water consumption in the future and, therefore, the Udokan MMP construction project envisages treatment facilities that will allow the reuse treated water in the process flow. The recycling water supply system of the process plant will involve the construction of hydraulic structures linking the concentrator, the hydrometallurgy plant, and Udokan MMP tailings storage facility.

* Udokan Copper has no information on wastewater discharge management by contractors.

Waste management

PERFORMANCE ON 2021 GOALS



GOAL: TO ENSURE REGISTRATION OF WASTE PLACEMENT SITES AT THE STATE REGISTER OF WASTE PLACEMENT FACILITIES

An application to register waste placement sites "Severny talining dump" and "Yuzhny tailing dump" in the state register of waste placement facilities was submitted to Zabaikalye Interregional Directorate of the Federal Service for the Supervision of Use of Natural Resources.

WASTE MANAGEMENT MATTERS

At Udokan Copper, we take a responsible approach to our environmental footprint through controlling the amount of waste we place. We manage the waste generated by our operations in accordance with the requirements of Russian legislation.

Each division has a responsible officer in charge of production waste management. The responsible officers submit data on the actual amount of waste generated, utilized (used), and placed to the Environmental Safety Service. The collected data is consolidated in the waste movement log as required by Order of the Ministry of Natural Resources and Environment of Russia No. 1028 of 8 December 2020. Given that the Company had no operations in the reporting year and the amount of hazardous waste was insignificant, no practices were implemented to assess waste management efficiency.

Contractors carrying out work at the Udokan MMP construction site are responsible for managing the waste generated by their activities. When entering into contracts with licensed organizations for waste management, they consider the provisions of contractor agreements and Udokan Copper's internal regulations. Udokan MMP monitors the contractors' compliance with these regulations.

As part of the pilot plant upgrade in 2021, draft standards for waste generation and limits for waste placement were developed. In 2021, draft Waste Generation and Waste Placement Limits were developed for the RMM, BRU, DSK, and OPK sites.

The development of the Udokan deposit inevitably involves the generation of copper ore processing waste (tailings). At the stage of construction the tailings are generated as part of the pilot plant operations. This kind of waste requires special handling, therefore the Company places it at the tailings storage facility of the plant. The Company takes all the necessary actions to ensure the safety of the tailings storage facility in accordance with the requirements of the Russian legislation. The Tailings Shop Floor Manager is responsible for the safety of the tailings storage facility. In the course of construction, the Company also adjusts the design of the tailings storage facility and develops additional areas to accommodate the tailings from the concentrator.

WASTE GENERATION AND MANAGEMENT

Given the specifics of the current construction stage that involves the generation of a limited amount of production waste, the Company did not take any measures to minimize the generation of waste. The Company generates waste from the following activities:

- Mining and processing of copper ores and auxiliary production support of the pilot plant
- Activities of machine repair shop ready-mix station, road construction facility, and administrative facility, maintenance of rotation camps

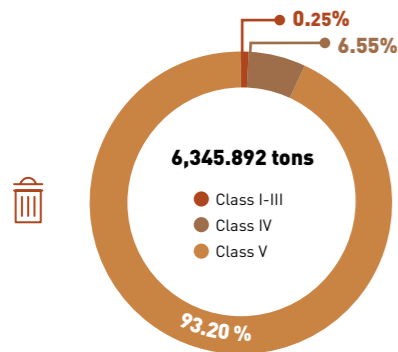
[306-3] [EM-MM-150a-4] [EM-MM-150a-6] [EM-MM-150a-7] [EM-MM-150a-10]

In 2021, Udokan Copper* generated about 6,345.892 tons of waste (more than five times higher compared to 2020), with 93 percent of it being Hazard Class V waste (virtually non-hazardous waste). Such a dramatic increase is attributable to the pilot plant's productivity growth, the generation of copper ore processing waste (tailings) (virtually non-hazardous waste), and an increase in staff.

WASTE GENERATED BY THE COMPANY**, tons

Type of waste	2019	2020	2021
Total amount of generated waste	1,117.568	1,173.515	6,345.892
Mining and processing waste***	827	834	5,729
Waste other than mining and processing waste	290.568	338.515	616.892
Hazardous waste	13.658	19.147	16.266
Mercury, quartz-mercury, and fluorescent lamps that are no longer usable (Class I)	0.037	0.004	0.075
Undamaged used lead batteries containing electrolyte (Class II)	0.625	0.215	1.166
Waste (Class III), including: Mineral blend motor oils Halogen-free hydraulic mineral blend oils Industrial mineral blend oils Halogen-free mineral blend transformer oils Filters for oil and fuel purification	12.996	18.928	15.025
Non-hazardous waste	276.910	319.368	600.626
Unsorted garbage from office and household premises and organizations. Used pneumatic automobile tires (Class IV)	118.760	149.264	415.400
Packaging waste, ash and slag from coal combustion virtually non-hazardous (Class V)	158.150	170.104	185.226****

WASTE GENERATED IN 2021 by type



All waste generated by the Company is transferred to licensed production and consumption waste management organizations; no other waste management methods were used in the reporting period.

[EM-MM-150a-5] Udokan Copper LLC uses hydraulic structures of the tailings storage facility at the pilot plant, where Hazard Class V copper ore processing waste (tailings) is placed. In the reporting year, the Company generated 5,729 tons of tailings. Udokan MMP has another tailings storage facility under construction.

[306-2] [306-4] The Company has made recycling (reuse) of waste an indisputable priority in its waste management activities. In 2021, a total of 111.4 tons of waste was recycled including 108.5 tons of ash and slag that was reused. Ash and slag waste from coal combustion is non-hazardous and is used for road gritting.

In the reporting year, Udokan Copper and Udokan MMP sites continued sorting waste. In 2021, a total of 449 tons of solid household waste was transferred to the Regional Operator.

* Udokan Copper has no information on the volumes of waste from contractors engaged in the Udokan MMP construction for the reporting year.

** In 2021, the as part of CMO the Company extracted 810.1 thousand tons of associated copper ore and 2.4 million m³ of balanced solid rock overburden. The solid rock overburden is registered in the State Balance of Mineral Resources (Minutes No. 4551 of the State Reserves Committee of Rosnedra of 26 June 2016). In the reporting period, the Company fully utilized the solid rock overburden during the quarry infrastructure construction.

*** Including processing tailings (Class V) of 5,729 tons

**** Including other waste with a total weight of 76.726 tons

Biodiversity conservation

PERFORMANCE ON 2021 GOALS



GOAL: TO CARRY OUT RESEARCH AND A COMPREHENSIVE SURVEY OF REGIONALLY SIGNIFICANT NATURAL LANDMARKS (CHARSKY HOT SPRING NATURAL BOUNDARY AND LAKE ARBAKALIR IN KALAR MUNICIPALITY) AND HOLD HEARINGS WITH THE LOCAL COMMUNITY ON THE R&D RESULTS.

Udokan Copper, with the support of INREC SB RAS, carried out a comprehensive survey of regionally significant nature landmarks Charsky Hot Key and Lake Arbakalir in the Kalar Municipality, which included studying a wide range of ecosystem components of the two landmarks. Based on the results of this scientific and technological work, the Company prepared recommendations for their use and landscaping. The total investment amounted to 2.4 million rubles.

During the first work stage, the Company conducted socio-economic research, including a survey of local residents and an analysis of documents in the administration of Chara and Chapo-Ologo settlement. This survey, that covered 90 local residents, shows that the residents of the Kalar Municipality are positive about the tourist and recreation development progress and support further improvements.

PRESERVING BIODIVERSITY

[304-1]

Udokan Copper monitors its impact on the environment and strives to protect the well-being of established ecosystems. To this end, the Company assesses its impact on biodiversity in the areas adjacent to its production sites at Udokan settlement.

[304-2] [304-3]

The Company engages a contractor, INREC SB RAS, to assess its direct and indirect impact on biodiversity. The environmental situation in 2021 has not changed significantly and remains within the standards documented in the Udokan deposit development project. According to expert conclusions, the Company has no impact on biodiversity during the construction stage.



EXPERT OPINIONS ON THE ENVIRONMENTAL IMPACT OF THE COMPANY'S OPERATIONS

As it follows from a comparative analysis of the monitoring data obtained in 2021-2022 and 2012-2020, as well as engineering and environmental surveys held by INREC SB RAS in 2011, the environmental situation in the area adjacent to Udokan copper deposit hasn't changed. No negative environmental impact from Udokan Copper LLC's activities was detected.

KEY FINDINGS:

- Sound pollution levels is **not exceeded**.
- Hydrochemical situation in the waterways is **favorable**.
- There is **no microbiological pollution** in water intake facilities and water supply systems, however, some standard indicators were exceeded.
- The impact on the soil cover of the territory is **minor**.
- Changes in the soil-vegetation cover are of local scale and **do not disturb** the general vegetation cover processes.
- There is **no significant threat** to the populations of rare and protected plant species from Udokan MMP.
- Wild animals are **displaced** to adjacent, undisturbed or slightly disturbed, areas around the Udokan MMP and infrastructure construction sites.
- There is a **degradation** of lichen and cedar shrub vegetation due to dust exposure along the roads periphery and the construction area.

[EM-MM-1.60a.3]
[304-1] [304-3] [304-4]

There are no specially protected natural areas within Udokan field limit and the construction area of the Udokan MMP facilities. The Company has no impact on species of living organisms included in the IUCN Red List and the national list of protected species.

The yellow-browed bunting (a protected bird species listed in the Red Book of Zabaikalye Region) is occasionally encountered in the riverine forests of the Nizhny Ingamakit River. The company has no impact on the species. In 2021, there were no encounters of the species in the area.



RHODODENDRON AUREUM TRANSLOCATION

Supported by the Institute of Natural Resources, Ecology and Cryology of the SB RAS, Udokan Copper is fulfilling mitigation activities on the translocation of the Red Book species of the Rhododendron aureum from the MMP tailings storage facility towards an area free from construction. In 2019 and 2020, 960 plants were relocated.

At the planting sites, the Company monitors the survival index of the plants on new soils developing recommendations on rehabilitation of disturbed habitat. As at August 2021, the survival ability of Rhododendron aureum amounted to 92.9 percent which is slightly lower compared to the previous year yet still higher than average.

As a result of the work, draft measures to preserve populations of Rhododendron aureum was developed and agreed with the Ministry of Natural Resources of Zabaikalye Region.



Udokan copper contributes to the assignment of a special status to certain territories that will enable application of special protection measures. The Company has already started implementation and approval of a fish-breeding biological justification for carrying out measures to compensate for damage to aquatic biological resources during the construction of the Udokan MMP and related infrastructure. With the engagement of IPREC SB RAS, Udokan Copper plans to amend the recommendations on the maximum allowable volumes of release of juvenile aquatic biological resources in order to form annual plans for activities for the artificial reproduction of aquatic biological resources in the Lena basin of Zabaikalye Region. Investment in the initiative have already reached approx. 1 million rubles.

Plans for 2022



ENVIRONMENTAL MANAGEMENT

- Obtain permits for the pilot plant modernization and for Udokan MMP
- Ensure the state registration of facilities associated with negative environmental impact



ENERGY CONSUMPTION AND CLIMATE PROGRAM

- Maintain the actual volume of energy consumption without exceeding the planned targets for the reporting period
- Complete transition to energy supply from an independent power supply company KMA-Energosbyt JSC to reduce the tariff burden on the enterprise operating budget
- Reduce electric power dissipation in power grids by 3-4 percent annually



WATER CONSUMPTION AND WASTEWATER MANAGEMENT

- Obtain a Water Use Agreement for the right to use Nirungnakan River to withdraw technical water for Udokan MMP construction needs
- Draft standards for allowable discharges of substances (other than radioactive substances) into water bodies for Udokan MMP. Construction stage I with a capacity of 12.0 million tons of ore per year. To register the decisions to use of water bodies (the Nirungnakan River, the Bluzhdayushchy Brook) for sewage and domestic wastewater discharge



WASTE MANAGEMENT

- Ensure registration of waste placement sites at the state register of waste placement facilities
- Register a license for management of production and consumer waste
- Approve MMP waste generation standards and limits on their disposal
- Test samples of industrial waste (overburden) to confirm waste hazard class using biotesting



BIODIVERSITY CONSERVATION

- Approve the fish-breeding and biological justification report to implement mitigation measures in respect of damage to aquatic biological resources during the construction of Udokan MMP (Stage 1) at Baikalskiy
- Submit materials to the biological section of VNIRO (Russian Federal Research Institute Of Fisheries and Oceanography) Academic Council and obtain an extract from the minutes of its meeting
- Arrange monitoring of translocated plants at the Company territory and assessment of the technical conditions for the implementation of compensatory measures, coordinating translocation with the earthworks plan and Udokan MMP construction schedule

LOCAL COMMUNITY RELATIONS

OUR APPROACH

Udokan Copper is substantially engaged in the region of its presence on environmental and social agenda. Improving the well-being of local residents is an important aspect of the Company's operations: Udokan Copper extensively invests in the regional projects and infrastructure and supports an open dialog with stakeholders. On top of that, the Company develops and implements programs aimed at maintaining long-term effective engagement of indigenous peoples without bringing a negative impact on their traditional way of life.

Local communities and social responsibility management

Starting from the first stages of production planning, the unique nature of the region and the community of local residents living in the harsh conditions have been in the Company's focus. The Company takes a responsible approaches to its social and economic projects and investment programs in the region aiming to preserve the traditional culture of local communities and help improve the well-being of those living in the Kalar Municipality of Zabaikalye Region.



Since the start of the Company's operations, investments in the development of the territory of presence totaled **1.7 billion rubles**



In its business, the Company employs a systemic approach and implements social, economic, partnership, and charity programs with the Government of Zabaikalye Region and Kalar Municipal Administration.

At 2021 St. Petersburg International Economic Forum, the Company entered into an agreement on social and economic cooperation totaling 400 million rubles. The document was signed by Alexander Osipov, the Governor of Zabaikalye Region, and Valery Kazikaev, the Chairman of the Board of Directors of Udokan Copper LLC.

The agreement sets forth three key areas within the Company's social agenda:

- A comprehensive long-term development program for Kalar Municipality
- A comprehensive program to support indigenous peoples of the North
- Social investment in Chita and settlements of the Kalar Municipality of Zabaikalye Region



Alexander Osipov, the Governor of Zabaikalye Region, and Valery Kazikaev, the Chairman of the Board of Directors of Udokan Copper LLC.

In each area, the Company hosts regular meetings with stakeholders to identify their opinion regarding regional social and development projects. Following the meetings, the Company identifies its priority areas to be included in its Social and economic cooperation program. The program comprises an annual plan specifying the defined goals and a list of activities for each area. At the year end, stakeholders are surveyed to assess the effect of the implemented activities.



In 2021, the Company signed a new agreement on social and economic cooperation for a total amount **400 million rubles**

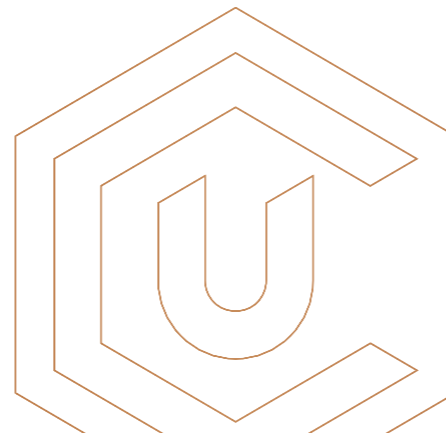


The Company has developed a project to renovate the Chara airport, a critical transport infrastructure facility for the region. The work will commence in 2022.

CORPORATE GOVERNANCE OF REGIONAL SOCIAL PROGRAMS

Social and economic cooperation programs are implemented by Udokan Copper Directorate for External Relations lead by the Deputy CEO for Sustainable Development and Corporate Affairs. In 2021, the Directorate for External Relations introduced the position of a head of social and economic cooperation programs with a mandate covering implementation of charitable incentives.

THE CHART OF REGIONAL SOCIAL PROGRAMS MANAGEMENT STRUCTURE



Udokan Copper recognizes the importance of stakeholder communications aimed at updating them on program implementation stages and establishing feedback channels. Regulations developed in this area in 2021 include the Local Community Engagement Policy setting forth the basics and mechanisms of local community engagement*.

Moreover, the Company developed Stakeholder Engagement Regulations** defining key communication areas and methods for each stakeholder. The Company also developed a Procedure for filing and reviewing appeals listing options to be used to submit appeals and a description of their resolution procedures. The document was created taking into account availability of application submission options for locals including indigenous peoples of the North.

All documents are to be approved in 2022.



IN 2021, THE COMMUNITY ENGAGEMENT POLICY WAS APPROVED TO DEFINE THE BASIC PRINCIPLES AND MECHANISMS FOR PROMOTING SUSTAINABLE DEVELOPMENT OF LOCAL COMMUNITIES



A famous Russian sculptor and distinguished artist of the Russian Federation Dashi Namdakov visited Chara in 2021. In his works, the artist uses a variety of materials but prefers to work with bronze, copper, and tin alloy.

* The document is to be approved and implemented in 2022.
 ** The document is to be approved and implemented in 2022.

The Company's contribution to development of the region where it operates

[203-1]

Every year, the Company develops social and economic initiatives in the region of its presence seeking to contribute to the well-being of the residents of Kalar Municipality in the Zabaikalye Region. Udokan Copper has a strategic approach to building long-term trusted relationships while identifying the most important areas of the social agenda for government authorities, regional public organizations, and the local community.

The trilateral agreement includes provisions on the Company's participation in investment programs and social and economic development projects of Kalar Municipality in the Zabaikalye Region as a whole. The agreement envisages the following:

- Designing new infrastructure facilities and landscaping development
- Holding inclusive events as well as education, culture, art and sports events
- Providing social support for remote and core settlements of Kalar Municipality
- Assisting the Association of Indigenous Peoples of the North, Siberia and the Far East, etc.
- Supporting socially disadvantaged families and families in difficult life situations



The Company continued to increase its social investment in the development of the region: in the reporting year it amounted to 729 million rubles. In 2021, the Company became the winner in the Strategic Development nomination of the Star of the Far East contest*.



THE COMPANY WAS NAMED THE BEST STRATEGIC INVESTOR IN THE FAR EAST

* <https://www.udokancopper.ru/press-center/1109/>

INVESTMENTS IN THE REGION WHERE THE COMPANY OPERATES

[203-1]

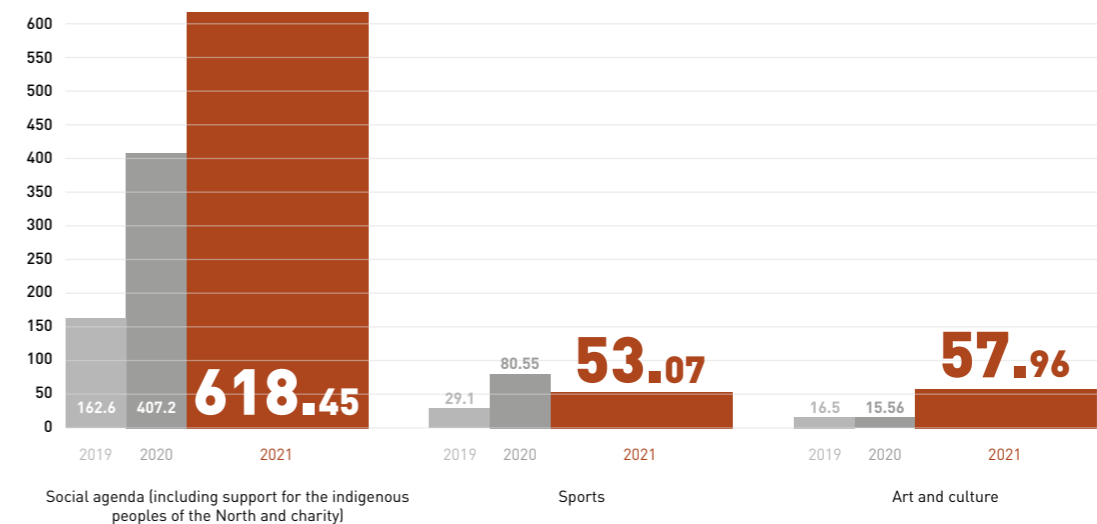
In the reporting period, apart from supporting the social agenda, culture, arts and education, sports and promoting the sustainable development of the indigenous peoples of the North, the Company significantly expanded its charitable activities. Significant charitable projects included procurement of Zolgensma to treat spinal muscular atrophy in a two-year-old resident of Chita, Kostya Gepalov.

Apart from that, as part of its charitable efforts, the Company allocated funds for the purchase of a medical linear accelerator for cancer treatment to be used by residents of Zabaikalye Region. At present, the Regional Cancer Center operates only one device of the kind which is not enough to provide assistance to all those in need of radiation therapy. The purchased equipment including a radiotherapy system and a set of instruments for dosimetry and radiotherapy quality control during radiotherapy procedures will provide significant support to the center allowing it to use modern methods of radiotherapy and radiosurgery. The total cost of the equipment amounted to 198 million rubles.



»» **729 million rubles**: total social investments of Udokan Copper in the region in 2021

INVESTMENTS IN THE REGION WHERE THE COMPANY OPERATES, million rubles





[413-1]

In 2021, Udokan Copper held the Vershina (Top) annual grant competition for social and business projects increasing its prize fund to 2 million rubles. 65 applications were submitted from public, charitable and non-profit organizations, and young entrepreneurs in the region. The company awarded grants of 300 thousand and 200 thousand rubles to projects-winners in four categories:

- **CULTURE:** Cultural Heritage of Zabaikalye, Children's scientific and creative laboratory "Hey, Science!", and Media Volunteer School PRODobro75 projects
- **ENVIRONMENT:** Eco-Games and Chita in Bloom projects
- **EDUCATION:** "Flash" School Media Cluster and Interactive Museum complex projects
- **HEALTH:** At one with the North project to be implemented in Kalar Municipality



COVID-19 RESPONSE

In 2021, the Company continued to assist in the fight against the spread of COVID-19 in Zabaikalye Region and provide support to regional medical institutions. Chita City Clinical Hospital No. 1 was equipped with a new cryogenic gasifier ensuring a continuous supply of gaseous highly purified oxygen. The medical institution expanded its bed capacity to serve over 100 patients in serious condition. The equipment significantly reduced the need for medical oxygen for patients with COVID-19.

Moreover, the Company is actively involved in promoting the vaccination program among local residents. Udokan Copper donated 6.5 thousand doses of the Sputnik Light single-component vaccine to Kalar Municipality.



To promote vaccination and increase collective immunity, the Company ran the Protect yourself and your family campaign with a lottery draw of 20 TV sets among the residents of the district. The number of vaccinated people during the campaign increased by more than 10 percent. 204 people were vaccinated with the first component of the vaccine, 121 residents of the Kalar Municipality underwent revaccination. Following the positive results of the initiative, the Company is going to repeat the event in 2022.

Oksana Nemakina, Head of the regional Ministry of Health, emphasized that such actions of socially oriented business contribute to increased vaccination coverage.



Oksana Nemakina, Head of the regional Ministry of Health



"Kalar Municipality is one of the leaders in terms of primary vaccination. The efforts made by the municipality with the support of Udokan Copper strengthen the municipality position in the rating. This is not the first time the company has provided support to Zabaikalye health care system and cooperation will continue in the future."

Oksana Nemakina, Head of the Regional Ministry of Health

SUPPORT FOR THE HEALTH CARE



Udokan Copper seeks to make a significant contribution to improving the health care system in the region. A fully staffed localized system for the detection and treatment of infectious diseases was created on the basis of the Kalar Central District Hospital supported by procurement of new medical equipment and ongoing supply of medicines. With the assistance of the Company, a new infectious module for 24 patients was launched in the hospital. The module is equipped with state-of-the-art medical devices (more than 200 units) and includes two intensive care units with ventilators and a PCR laboratory. The Company assisted with attracting specialists to the region to improve the quality of medical care provided.

With the direct involvement of the Company, timely PCR testing is carried out at the central district hospital without the need to send the biomaterials to Chita.

In the reporting period, the Company supported construction of a comfortable residence housing for medical staff that facilitated attraction of qualified medical personnel to Kalar Municipality.



SOCIAL INFRASTRUCTURE DEVELOPMENT

In 2021, work began on the preparation of design and estimate documentation for a new settlement type in Novaya Chara. Documentation comprises plans for a sports and recreation complex, a cultural and leisure center, residential infrastructure facilities for Udokan Copper employees and employees of future social infrastructure facilities as well as residents relocating from substandard and hazardous dwelling. The design and estimate documentation of the sports and recreation complex has already passed the state expert review.

In the reporting period, the Company supported construction and repair of a number of social infrastructure facilities:

- Performed total refurbishment of Udokan sports and recreation complex in Chita to equip gyms for rhythmic gymnastics, boxing, Thai boxing, and wrestling



- Built four modern playgrounds meeting safety and environmental standards in Novaya Chara. The playgrounds include climbing nets, slides, rocking chairs, swings and carousels. Each element of the series is made of modern durable materials
- Assembled an indoor hockey ground with an area of 1800 m² in Novaya Chara
- Repaired children's and youth sports school, Rucheyok kindergarten in Chara, and the culture center in Kyust Kemda;
- Opened choreography class in Ikabya village, assembled playgrounds and sports grounds in Udokan, Chapo-Ologo, and Ikabya (Kalar Municipality)
- Constructed gym and art room on the basis of the Novocharskaya secondary school No. 2 in Novaya Chara
- Completed landscaping of Kalar Central Regional Hospital territory including a concrete access road, sidewalks, and grounds



Udokan sports complex in Chita is an example of the largest social project of public importance in the sports sector in Zabaikalye Region, implemented from 2019 to 2021. The Company financed the reconstruction of the building and sports infrastructure: rhythmic gymnastics and aerial gymnastics areas, boxing and Thai boxing gym halls including Chita's first freestyle wrestling hall with an area of over 100 m². Work performed included repair of the roof, installation of a ventilation system, fire alarm, overhaul the first and second floors of buildings, facade and surrounding area improvements. The sports venue is designed to be used by over 500 children and teenagers who will be able to practice various sports that were not previously available in this format. After completion of repair work and the official opening of the Udokan Sports Complex, even more residents of Chita and Zabaikalye Region as a whole will have the opportunity to attend classes and hold major sports events of regional importance.



[203-2]

Chara airport is the only transport facility in the North of Zabaikalye Region that provides year-round travel between Udokan copper development site and the regional center, Chita. The airport is of critical importance for the residents of the Kalar Municipality. Udokan Copper financed the development of design and estimate documentation for the Chara airport reconstruction. In 2020, a positive conclusion was obtained from Glavgosekspertiza of Russia. In 2022, Zabaikalye Region Government launched the first stage of reconstruction funded from the federal budget.

SUPPORT FOR EDUCATION

Udokan Copper provides support to educational institutions to develop the potential of talented youth and train qualified specialists in the region. Together with the State Autonomous Vocational Educational Institution Zabaikalye Mining College, the Company developed the PERSPECTIVE MINING Professional Excellence Competition. A competition focusing on rational work techniques and methods will help support talented students boosting the image of secondary vocational education. The winners will be awarded with a excursion trip to Udokan MMP.

In addition, with the support of the Company, a regional Sirius educational center for gifted children will be established in Chita.

SPORTS AND CULTURAL EVENTS

Development of sports in the region is one of the Company's social policy priorities. In 2021, Udokan Copper assisted the region in hosting the All-Russian Class A boxing tournament named after the world champion among professionals, master of sports of international class Alexander Bakhtin. Udokan Copper Cup in Muay Thai held in early 2022 became another unique event for the region.



TO DEVELOP CHILDREN'S SPORTS, A CHILDREN'S AND YOUTH HOCKEY TEAM UDOKAN BEARS WAS CREATED



In December 2021, the Udokan Bears opened the season. The team played a debut match at the Novaya Chara ice rink, the first indoor hockey court in the Kalar Municipality. The court is open both for the team's practices and for all citizens.

Udokan Copper specifically focuses on supporting children from the Kalar Municipality:

- Building an ice village for the New Year in Novaya Chara
- Organizing a New Year show with gifts for all children in Kalar Municipality
- Purchasing gift sets for newborns to help families in Kalar Municipality
- Arranging a travel to Timurovets children's camp and tours to St. Petersburg and Novosibirsk during the winter holidays for children of Kalar Municipality



Udokan Copper contributes to promotion of volunteering in the region: in the reporting year, a volunteer group Heart of Udokan was organized.

CONTRIBUTION TO INCLUSIVE CULTURE

The Company continues to support an inclusive culture in Zabaikalye Region. Udokan Copper helped to open a modern center for children with health limitations and disabilities under secondary school No. 2 in Novaya Chara. The center is equipped with interactive equipment and daily classes are held by an educational psychologist and a speech therapist. The center serves 11 children with disabilities and 36 children with health limitations on an ongoing basis.

Udokan Copper aims to draw attention to inclusion agenda and promote community engagement in relevant projects. In September 2021, an inclusion event Inclusive Culture, Environment, and Tourism hosted by ANO Belaya Trost and the Institute of Management Design and Competitive Strategies was held in Chita and Novaya Chara. The main goal of the event was to create a roadmap for developing an inclusive culture in tourism and environmental projects in Zabaikalye Region. The event program included strategic sessions, workshops, and business games. Apart from that, everyone was invited to take part in inclusive gymnastics classes.



In 2021, in order to promote the sustainable social and economic development of Zabaikalye Region, including Kalar Municipality, the Company implemented about 100 events in the areas of healthcare, science, art, culture, sports, and social support for local communities.

Indigenous ethnic groups engagement

Udokan Copper seeks to build long-term relationships with indigenous peoples living in the Kalar municipality of Zabaikalye Region to promote sustainable development and preserve traditional use of natural resources.

Although there are no indigenous settlements in the area where the Company plans to operate, Udokan Copper strives to ensure that there is no negative impact on the traditional way of life of the indigenous peoples of the North*. In 2021, the Company developed the Indigenous Peoples' Rights Policy** stipulating the main principles that guide the Company in its relations with the indigenous peoples.

[4.11-1] [4.13-1] [EM-MM-2] [Ob-1]

In 2021, the Company developed a Policy to respect the rights of indigenous peoples

The Company implements a comprehensive program to support the Indigenous peoples of the North. The program goals and events are updated every year jointly with representatives of the Indigenous Peoples of the North Association and Zabaikalye Region Administration on the basis of an agreement on social and economic cooperation with regional and municipal authorities.



* For more details on environmental impact assessment, including obtaining IEPs and NEIs, see the Environmental Management section.
 ** The Policy is expected to be approved and implemented in 2022.

In 2021, the following measures were implemented to support Evenk communities:

- Providing a compensation for increasing and maintaining the breeding stock of domestic reindeer
- Providing support to pensioners and students during their studies from indigenous peoples families
- Supporting families of indigenous peoples of the North engaged in traditional economic activities
- Organizing and hosting events of social importance for the indigenous peoples of the North: Organizing summer holidays for children and the Evenki New Year
- Supporting the activities of the Zabaikalye regional public organization Association of Indigenous Peoples of the North
- Carrying out a special accounting of the number of reindeer
- Organizing an international exhibition fair Treasures of the North. Masters and Artists of Russia
- Organizing a language lab to study the Evenk language in Kalar Municipality in the Zabaikalye Region
- Constructing a new slaughter unit in Kyust-Kemda village (Kalar Municipality in the Zabaikalye Region)
- Organizing a winter holidays travel for children of Kuanda care home
- Providing a compensation to hunters for preying a wolf and purchasing a snowmobile



Plans for 2022

As part of its social and economic cooperation program for 2022, Udokan Copper will continue to focus on projects prioritizing development of social infrastructure, health care, education, culture, and sports



PLANS FOR 2022 INCLUDE THE FOLLOWING EVENTS:

- Installing a medical linear accelerator (LINAC) for cancer treatment in the state health care institution Zabaikalsky Regional Oncological Hospital in Chita
- Kicking off design of a new complex of Kalar Central District Hospital in Novaya Chara settlement. The complex will meet all modern requirements in terms of availability of the necessary equipment for the provision of high quality medical services
- Procuring a mammography device to provide high quality medical care in the Kalar Central District Hospital
- Completing construction of the central stadium in Novaya Chara, a school playground, a climbing wall and an outdoor sports ground
- Supporting regional sports federations (swimming, boxing, and Thai boxing) including supporting participation of children in national level competitions
- Supporting Russian National Boxing Championship in Chita and a master tournament in Thai boxing (Udokan Copper Cup)
- Hosting events to support inclusive culture as well as cultural events in honor of the Day of the Geologist, the Day of the Metallurgist, the Day of Education in Kalar Municipality
- Providing support to Kalar Municipality educational institutions, opening in Chara village a special center children with disabilities
- Organizing and hosting Zabaikalye International Film Festival in Chita designed to highlight the unique culture, traditions, and ethnography of Zabaikalye Region
- Supporting Sokur festival of creative young people from Siberia, the North, and the Far East



In 2022, Udokan Copper is going to support over 50 cultural, festive, sports, and tourist events in Kalar Municipality and Chita



[411-1] [413-1]

Establishing sustainable communication with Evenk communities engaged in economic activities in the region is a priority area in building effective communication with indigenous peoples. In 2021, a number of meetings with local residents were held in settlements of Kalar Municipality. The meetings offered a platform to discuss topical issues of concern to the indigenous peoples of the North including those related to the Company's business. All proposals made by representatives of indigenous peoples were documented to allow further consideration.

In the reporting period, there were no complaints from representatives of the indigenous peoples of the North about violations by the Company*.

* For more details on the Complaints and Appeals Tools see the Business Ethics and Anti-Corruption section.

SCHEDULES

About the Report

REPORTING PRINCIPLES

In its third annual sustainability report, Udokan Copper 2021 Sustainability Report (the "Report") presents key information on the Company's actions and activities on sustainability agenda*. Udokan Copper Sustainability Report is truly unique: The Company discloses non-financial data and its contribution to UN SDGs already at construction stage before commencement of business operations.

Udokan Copper is committed to transparency, therefore the Report is prepared in accordance with the key principles of GRI Standards. The Company sticks to GRI Standards core options. Every year, Udokan Copper expands the list of disclosed indexes and indicators and improves its approach to their disclosure. In addition, this is the first sustainability report written in accordance with the SASB Standards (2021) for the metals and mining industry.

The Company strives to build and maintain an open dialog with all stakeholders and conform to social and environmental standards to increase its contribution to sustainable development. All data under the disclosed indicators presented in the GRI index table and in SASB indicators are verified by an external independent auditor**.

The Report contains an overview of all sustainable development aspects currently available in the Company. The main approach to identifying and presenting information about Udokan Copper business relies on the balance and materiality of details disclosed in the report. Performance results presented in the report are targeted for a wide range of stakeholders.

THE SCOPE OF THE REPORT

The report discloses information on operations of all Udokan Copper divisions in the period from 1 January 2021 to 31 December 2021 and includes the Company's plans for 2022. To visualize the dynamics, most of the indicators are shown for three years, from 2019 to 2021. Where necessary, explanations are provided for the dynamics of indicators for 2021 compared to 2020.

The report covers Udokan Copper operations carried out only on the territory of the Russian Federation. All Company employees are located on the territory of the Russian Federation.

Material topics affect operations of the entire Company, unless otherwise indicated.

There were no significant changes in the methods used to measure and present data in the reporting year other than the approach to calculating staff turnover***, basic wages****, and data on air emissions*****.

* Other reports are available at the Company's website in the Sustainable Development section: www.udokancopper.ru/sustainability/
 ** For more details see the Report assurance section
 *** For more detail see the Human Capital section
 **** For more detail see the Incentives and Remuneration section
 ***** For more detail see the Air Emissions section

GRI Index Table

Indicator	Description	Reference	Page	Note	Focus SDGs
GRI 102: General Disclosures 2016					
1. Organizational profile					
102-1	Name of the organization	Contact details	138		
102-2	Activities, brands, products, and services	Company profile	15		
102-3	Location of headquarters	Company profile Contact details	17 138		
102-4	Location of operations	Company profile	17		
102-5	Ownership and legal form	Company profile Contact details	15 138		
102-6	Markets served			In 2021, the Company had no operating business and no sales of its main products. For construction purposes, goods and materials (mainly diesel fuel) were sold to contractors (domestic sales only).	
102-7	Scale of the organization	Key events and results Company profile Human capital	9 15 56	The project envisages an annual output of 12 million tons of ore per year, with a potential to increase to 15 million tons of after the project reaches its design capacity.	8, 9
102-8	Information on employees and other workers	Human capital	56	The Company discloses information on all staff employees as at the end of 2021. The Company has data on the percentage of work performed by contractors' employees; such data is not available due to the complexity of calculations associated with the specifics of the construction phase.	8
102-9	Supply chain	Sustainable supply chain	32	No significant changes in the supply chain occurred in reporting period*	
102-10	Significant changes to the organization and its supply chain	Sustainable supply chain	32	In the reporting period, there were no significant changes in the supplier structure.**	
102-11	Precautionary approach			The Company shares the precautionary approach (Principle 15) set out in Rio Declaration on Environment and Development adopted in 1992	
102-12	External initiatives	Approach to sustainable development management Contribution to UN SDGs	40 42		17
102-13	Membership in associations			As at 31 December 2021 the Company was not a member of any associations	
2. Strategy					
102-14	Statement from senior decision-maker	Statement from the Chairman of the Board of Directors Statement from the CEO	4 6		
3. Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior	Company profile Approach to sustainable development management	15, 16 40		
102-17	Mechanisms for advice and concerns about ethics	Business ethics and anti-corruption	28		

* 2020 Sustainability Report, p. 62
 ** 2020 Sustainability Report, p. 62

Indicator	Description	Reference	Page	Note	Focus SDGs
4. Corporate governance					
102-18	Governance structure	Corporate governance	23, 24		
102-19	Delegating authority	Corporate governance	23, 25		
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate governance	23, 25		
102-21	Consulting stakeholders on ESG-agenda	Stakeholder engagement	46		17
102-23	Chair of the supreme governance body			The Chairman of the Board of Directors is not an executive director	
102-25	Conflicts of interest	Business ethics and anti-corruption	26		
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate governance	25		
102-30	Effectiveness of risk management processes	Corporate governance	25		
102-31	Review of economic, environmental, and social topics	Corporate governance	23, 24		
102-32	Highest governance body's role in sustainability reporting			In 2021, the Board of Directors took part in a survey to identify significant sustainability matters for 2020, and members of the Board of Directors reviewed the final version of 2020 Sustainability Report.	
5. Stakeholder engagement					
102-40	List of stakeholder groups	Stakeholder engagement	46		8
102-41	Collective agreements	Talent training and development	68		8
102-42	Identifying and selecting stakeholders	Stakeholder engagement	44		8
102-43	Approach to stakeholder engagement	Stakeholder engagement	46		8, 17
102-44	Key topics and concerns raised by stakeholders	Stakeholder engagement	46		8, 17
6. Reporting					
102-45	Entities included in the consolidated financial statements			The index is not applicable to the Company as at 31 December 2021. In 2021, the Company had no subsidiaries.	
102-46	Defining report content and topic boundaries	Approach to identifying material topics About the Report	38 124		
102-47	List of material topics	Approach to identifying material topics	39		
102-48	Restatements	Human capital Incentives and remuneration About the Report	58 65 124		

Indicator	Description	Reference	Page	Note	Focus SDGs
102-49	Changes in reporting	About the Report	124		
102-50	Reporting period	About the Report	124		
102-51	Date of the most recent report	-		1 October 2021	
102-52	Reporting cycle	About the Report	124	The Company prepares sustainability reports annually.	
102-53	Contact point for questions regarding the report	Contacts	138		
102-54	Statement of compliance with GRI standards	About the Report	124		
102-55	GRI content index	GRI Index Table	125		
102-56	External assurance	About the Report Report assurance	124 135		
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundaries	Approach to identifying material topics	38		
103-2	The management approach and its components	Business ethics and anti-corruption Approach to occupational health and safety Emergency preparedness Water extraction and wastewater management Waste management	26 71 80 100 103		8
103-3	Evaluation of the management approach	Business ethics and anti-corruption Approach to occupational health and safety Emergency preparedness Water extraction and wastewater management Waste management	26 71 80 100 103		
GRI 200: Economic					
GRI-201: Economic Performance 2016					
201-3	Defined benefit plan obligations and other retirement plans	Talent training and development	68	Udokan Copper has no obligations other than social contributions for obligatory pension insurance. There is no special fund for pension benefit payment.	
GRI 202: Market presence 2016					
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Incentives and remuneration	65	The Company does not have information on remuneration of contractors' employees.	8
202-2	Proportion of senior management hired from the local community	Human capital	58		

Indicator	Description	Reference	Page	Note	Focus SDGs
GRI 203: Indirect Economic Impacts 2016					
203-1	Infrastructure investments and services supported	The Company's contribution to development of the region where it operates	112, 113		8, 9
203-2	Significant indirect economic impacts	The Company's contribution to development of the region where it operates	118		
GRI 205: Anti-corruption 2016					
205-1	Operations assessed for risks related to corruption	Business ethics and anti-corruption	27		
205-2	Communication and training about anti-corruption policies and procedures	Business ethics and anti-corruption	26, 27		
205-3	Confirmed incidents of corruption and actions taken	Business ethics and anti-corruption	26, 27		
GRI 300: Environmental					
GRI 302: Energy 2016					
302-1	Energy consumption within the organization	Energy consumption and climate program	94	Udokan Copper does not consume energy from renewable energy sources nor is it involved in the sale of power and heat.	
GRI 303: Water and effluents 2018					
303-1	Responsible water consumption	Water consumption and wastewater management	101	In the current reporting year, the Company does not set goals and KPIs with regard to its impact on water resources. KPIs for each of the ESG aspects will be established as part of sustainable development strategy approval and implementation in 2022.	
303-2	Management of water discharge-related impacts	Water consumption and wastewater management	102	The company has not developed standards and regulations governing wastewater discharge into surface water bodies as it does not discharge wastewater	
303-3	Water recycled and reused	Water consumption and wastewater management	102	Disclosed without a breakdown into fresh and other water	
303-4	Water discharge	Water consumption and wastewater management	102	Disclosed without a breakdown into fresh and other water	
GRI 304: Biodiversity 2016					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity conservation	105, 106		
304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity conservation	105		
304-3	Habitats protected or restored	Biodiversity conservation	105, 106		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity conservation	106		

Indicator	Description	Reference	Page	Note	Focus SDGs
GRI 305: Emissions 2016					
305-6	Emissions of ozone-depleting substances (ODS)	Air emissions	98	No significant/material emissions of ozone-depleting substances were recorded in the reporting period.	3
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Air emissions	98		3
GRI 306: Waste 2020					
306-1	Waste generation and significant waste-related impacts	Waste management	103		
306-2	Management of waste-related impacts	Waste management	103, 104		
306-3	Total weight of waste generated	Waste management	104		
306-4	Waste diverted from disposal	Waste management	104	Partial disclosure	
GRI 307: Non-compliance with environmental laws and regulations					
307-1	Non-compliance with environmental laws and regulations	Environmental management	89		
GRI 400: Social					
GRI 401: Employment 2016					
401-1	New employee hires and employee turnover	Human capital	57, 58	Partially disclosed in breakdown of the employee turnover rate for the reporting period by age group and gender.	8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee engagement	59		8
GRI 402: Labor/Management Relations 2016					
402-1	Minimum notice periods regarding operational changes			The Company complies with the Labor Code of the Russian Federation that sets forth the minimum notice periods regarding significant changes in the company's operations (at least a 2 months' notice or, if headcount reductions may lead to mass layoffs, at least 3 months' notice prior to the beginning of such measures).	8
GRI 403: Occupational health and safety 2018					
403-1	Occupational health and safety management system	Approach to occupational health and safety	71		8
403-2	Hazard identification, risk assessment, and incident investigation	Approach to occupational health and safety Prevention of occupational injuries and diseases	73 75		8
403-3	Occupational health services	Prevention of occupational injuries and diseases	78		3, 8
403-4	Worker participation, consultation, and communication on occupational health and safety	Approach to occupational health and safety Prevention of occupational injuries and diseases	73 74, 75	Information on contractor engagement is presented in 2020 Sustainability Report , p. 97	8

Indicator	Description	Reference	Page	Note	Focus SDGs
403-5	Worker training on occupational health and safety	Prevention of occupational injuries and diseases	76		8
403-6	Promotion of worker health	Prevention of occupational injuries and diseases	78		3, 8
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Approach to occupational health and safety	71, 74		3, 8
		Prevention of occupational injuries and diseases	78		
403-9	Work-related injuries	Approach to occupational health and safety	73, 74		3, 8
		Prevention of occupational injuries and diseases	77		
		Emergency preparedness	80		
GRI 404: Training and education 2016					
404-2	Programs for upgrading employee skills and transition assistance programs	Talent training and development	66	Udokan Copper does not offer any continued professional growth programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	8
GRI 405: Diversity and Equal Opportunity 2016					
405-1	Diversity of governance bodies and employees	Human capital	56	Partial disclosure for personal information protection reasons	
405-2	Ratio of basic salary and remuneration of women to men	Incentives and remuneration	65	Partial disclosure The Company makes no distinction in the remuneration of men and women: employees of the same profession and the same wage rate receive equal remuneration regardless of their gender.	
GRI 406: Non-discrimination 2016					
406-1	Incidents of discrimination and corrective actions taken			No discrimination incidents were recorded in the Company in the reporting year.	
GRI 407: Freedom of association and collective bargaining 2016					
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk			The right to freedom of association and collective bargaining is enjoyed by all employees and suppliers of the Company and is not subject to significant risks	8
GRI 408: Child Labor:					
408-1	Operations and suppliers at significant risk for incidents of child labor	Human rights	51		
GRI 409: Forced or compulsory labor					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human rights	51		
GRI 411: Rights of indigenous peoples 2016					
411-1	Total number of incidents of violations involving rights of indigenous peoples	Indigenous ethnic groups engagement	121, 122		

Indicator	Description	Reference	Page	Note	Focus SDGs
GRI 413: Local Communities 2016					
413-1	Operations with local community engagement, impact assessments, and development programs	The Company's contribution to development of the region where it operates	114		8
		Indigenous ethnic groups engagement	121, 122		
GRI 415: Public Policy 2016					
415-1	Monetary value of financial and in-kind political contributions			The Company does not support the political activities of any person. Udokan Copper does not fund political parties and individuals.	
GRI 419: Socioeconomic compliance 2016					
419-1	Non-compliance with laws and regulations in the social and economic area			No violations of social and economic legislation were recorded in the reporting year.	

SASB indexes

Index	Description	Reference	Page	Note
Air Quality				
EM-MM-120a.1	Air emissions of the following pollutants: (1) CO (2) NOx (excluding N2O) (3) SOx (4) Particulate matter (5) Mercury (Hg) (6) Lead (Pb) (7) Volatile organic compounds (VOCs)	Air emissions	98	
Energy consumption management				
EM-MM-130a.1	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Energy consumption and climate program	94	
Water consumption				
EM-MM-140a.1	(1) Total fresh water withdrawn (2) Total fresh water consumed, percentage of each in regions with high or extremely high baseline water stress	Water extraction and wastewater management	102	Disclosed without a breakdown into fresh and other water
EM-MM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Water extraction and wastewater management	100	
Waste & Hazardous Materials Management				
EM-MM-150a.4	Total weight of non-mineral waste	Waste management	104	
EM-MM-150a.5	Total weight of tailings produced	Waste management	104	
EM-MM-150a.6	Total weight of waste rock generated	Waste management	104	
EM-MM-150a.7	Total weight of hazardous waste generated	Waste management	104	

Index	Description	Reference	Page	Note
EM-MM-150a.9	Number of significant incidents associated with hazardous materials and waste management			In the reporting year, there were no incidents related to the handling of hazardous materials and waste.
EM-MM-150a.10	Description of waste and hazardous materials management policies and procedures for active and inactive operations	Waste management	103, 104	Partial disclosure
Impact of biodiversity				
EM-MM-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Biodiversity conservation	106	Not applicable
Local community relations				
EM-MM-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	Indigenous ethnic groups engagement	121	The policy is based on IFC Performance Standard (IFC) 7. Indigenous Peoples and Declaration on the Rights of Indigenous Peoples
EM-MM-210b.2	Number and duration of non-technical delays			There were no non-technical delays in the reporting period.
Employment				
EM-MM-310a.1	Percentage of active workforce covered under collective bargaining agreements, broken down by Russian and foreign employees	Talent training and development	68	
EM-MM-310a.2	Number and duration of strikes and lockouts			No strikes or lockouts were recorded in the reporting year.
Occupational health and safety				
EM-MM-320a.1	(1) MSHA all-incident rate, (2) fatality rate, (3) near miss frequency rate (NMFR) and (4) average hours of health, safety, and emergency response training for (a) full-time employees and (b) contract employees	Prevention of occupational injuries and diseases	77	Partial disclosure
Business Ethics & Transparency				
EM-MM-510a.1	Description of the management system for prevention of corruption and bribery throughout the value chain	Business ethics and anti-corruption Sustainable supply chain	26 34	
EM-MM-510a.2	Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index			N/a
Management of tailings storage facilities				
EM-MM-540a.2	Summary of tailings management systems and governance structure used to monitor and maintain the stability of tailings storage facilities	Waste management	103	Partial disclosure
Activity metrics				
EM-MM-000.A	Production of (1) metal ores and (2) finished metal products			In 2021, the Company had no operating business and no production of its main products.
EM-MM-000.B	Total number of employees, percentage contractors	Human capital	56	

Glossary of terms

Term / abbreviation	Description
COVID-19 (COronaVirus Disease 2019)	Coronavirus disease 2019
Enterprise Resource Planning (ERP)	Enterprise resource planning is an organizational strategy for integrating production and operations, talent, financial, and asset management to ensure continuous balancing and streamlining of enterprise resources through a specialized integrated application software package that supports a common data and process model for all operational areas.
ESG (Ecological, Social and Governance)	Environmental impact, social impact, and corporate governance related to the company's operations
Greenfield project	A new project that is created from scratch and lacks constraints imposed by prior work.
Benchmarking	Comparison of the company's performance indicators vs benchmarks in order to improve them.
Overburden	A waste rock that covers mineral deposits and is removed during open pit
Mine allotment	Part of the licensed subsoil area at the stage of industrial development and limited by spatial coordinates, including depth
Decantation	Mechanical separation of the solid phase of a dispersed system from the liquid by draining the solution from the sediment
Stakeholders	A person, a group or a legal entity that has an interest in the company, can either affect or be affected or perceive as being affected by the decision, operation or project results.
Cybersecurity	A set of tools, policies, processes, and methods designed to protect networks, computers, programs, and data from hacking, damage, or unauthorized access
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The code sets minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves in Australasia.
Contracting Party (Party to a Contract)	On the grounds of Udokan copper LLC Anti-Corruption Policy any Russian or foreign legal entity or any individual entering into a contractual relationship with the Company, except manpower management.
Concentrate	A product of ore dressing provided that the content of its one or several valuable components and its general mineralogical composition meet the requirements of further metallurgical or other processing.
Best available technology (BAT)	The technology of production of goods, performance of work, provision of services, defined on the basis of achievements in modern science and technology and the best combination criteria for pursuing environmental protection goals, if its application is technically feasible.
Pilot plant	Industrial cycle model for ore processing. At the plant, various options for Udokan deposit ore processing were worked out and the target parameters were confirmed.
Approved admissible concentration limits	A value characterizing the maximum amount of a pollutant that can be on the object under inspection at a time without harm to living organisms.
PCR-test	Polymerase chain reaction - method of molecular biology, which results in specifying the presence of disease agents at low concentrations in the body.
Reclamation	A set of efforts for the ecological and economic restoration of lands, the fertility of which has decreased as a result of human activity.
Sanitary protection zones of the (SPZ)	A special-use area established around objects and industries that are a public health hazard and produce negative impacts on the environment. The sanitary protection zone makes it possible to mitigate air pollution (chemical, biological, physical) to the values set by hygienic standards.
Stakeholders	Stakeholders include groups of individuals or legal entities that has an interest in the company or expectations of its operations and performance, and can directly or indirectly affect its operations.
Tailings storage facility	A number of specialized facilities for the storage and disposal of mineral dressing waste.
Electrolysis	A physical and chemical process releasing constituents of dissolved substances or other substances on the electrodes that are the result of secondary reactions on the electrodes occurring when an electric current passes through an electrolyte solution or melt

List of abbreviations

Abbreviation	Term / abbreviation
RMS	Ready-mix station
UN GC	United Nations Global Compact
CMO	Capital mining operations
VHI	Voluntary health insurance
CSU	Crushing and screening unit
LR	Local regulations
IPN	Indigenous peoples of the North
KPIs	Key performance indicators
Municipality	Municipality
M&E	Materials and equipment
P&S	Procurement and supply
HL	Health limitations
CM	Common minerals
PP	Pilot plant
HSE	Health, Safety, and Environment
DSW	Design and survey work
PCW	Pre-commissioning work
MRS	Machine repair shops
Managers and office employees	Management, professional and administrative staff
CAW	Construction and assembling work
EDMS	Electronic document flow system
Bank of Russia	Central Bank of Russia
UN SDGs	United Nations Sustainable Development Goals
EDF	Electronic document flow
B2B	Business to business

[102-56]

Report assurance

INDEPENDENT LIMITED ASSURANCE REPORT

To the Board of Directors and the participant of Limited Liability Company «Udokan copper»



INTRODUCTION

We have been engaged by the Management of Limited Liability Company «Udokan copper» (hereinafter — the “Company”) to provide limited assurance on the selected information described below and included in the Sustainability Report of the Company for the year ended 31 December 2021 (hereinafter — the “Sustainability Report”).



SELECTED INFORMATION

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability Report and referred to or included in the GRI content index and the SASB content index (hereinafter — the “Selected Information”). The Selected Information has been prepared in accordance with:

- GRI Sustainability Reporting Standards (Core option), including GRI G4 Mining and Metals Sector Disclosures, (hereinafter — the “GRI Standards”) published by the Global Reporting Initiative (GRI), and
- Metals & Mining Sustainability Accounting Standard (hereinafter — the “SASB Standard”) published by the Sustainability Accounting Standards Board (SASB), respectively.

The scope of our assurance procedures was limited to the Selected Information for the year ended 31 December 2021. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.



REPORTING CRITERIA

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards and the SASB Standard (hereinafter — the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.



RESPONSIBILITIES OF THE COMPANY’S MANAGEMENT

The Management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

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Joint-Stock Company “Technologies of Trust – Audit” is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

[102-1] [102-3] [102-5] [102-53]

Contact details

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Udokan copper LLC, Separate business unit in Moscow city: 28, Rublyovskoye Shosse (highway), Moscow city, Russia, 121609.

Separate business unit in Chita city: 15 A, n.a. Nikolay Ostrovskiy Str., Chita city, Russia, 672039.

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