



POLYMETAL
INTERNATIONAL PLC

Sustainability at the core

Sustainability Report 2013/2014
www.polymetalinternational.com

Sustainability at the core

At Polymetal, our core objective is to create sustainable returns for shareholders while fulfilling our corporate responsibilities to society and the environment.

We strive to meet our commercial goals by ensuring our precious metals exploration, mining and production business processes operate safely and efficiently. In addition, we are equally committed to the long-term economic development of the regions in which we operate.

In this way, we balance our business interests with the interests of our people, suppliers, investors, local communities and other stakeholders. And it is this balance which ensures the long-term success and sustainability of our operations.

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Chairman's introduction

Aiming beyond our obligations

In recent years Polymetal has made significant progress in its development as a leading precious metals company. Building on strong operational and financial performance, we are also emerging as an industry leader in sustainability.



Throughout the year we continued to carry out risk assessments and incident reviews to ensure we successfully address health and safety issues across our operations. To promote good safety behaviours among our workforce, we increased the level of training and the use of safety aids and communications, helping to refocus our efforts on keeping our people safe and well.

We firmly believe in 'doing well by doing good', and during 2013/14 our values continued to deliver value to a broad range of stakeholders. Despite a generally challenging year in the natural resources sector worldwide, with persistent low commodities prices and increasing geopolitical tensions, we delivered a strong financial and operational performance. We also delivered a range of social and environmental programmes that went way beyond our regulatory commitments and obligations. A prime example is our new memorandum of social and economic cooperation in East Kazakhstan, where we will be providing community support, educational opportunities and financial aid to the local people in the area of our flagship Kyzyl project.

As a business, Polymetal is dispersed across Russia and the CIS. Operating complex processes in remote areas with extreme weather conditions, we have had to create much of our own infrastructure. For this reason, the development of robust management systems is critical to ensuring we maintain the highest standards of employee safety, community partnership and environmental stewardship. In 2013/14, we launched a new Group-wide Environmental Management System to help us address our environmental risks and enhance our overall sustainability performance. We also made plans to recruit a Chief Sustainability Officer – a newly created position which reflects the importance we place on sustainable development.

In this way, the expansion of our operations means the expansion of social and environmental progress and development. Indeed, for as long as we are delivering sustainable value to those who matter most to our business, we will continue to invest in new systems and initiatives designed to meet their needs.

Bobby Godsell
Chairman of the Board of Directors

About this report

Taking sustainability reporting to the next level

GRI G4-17; G4-18; G4-23

This report is a milestone on our sustainability journey. Adopting GRI G4 guidelines, it is an expression of our commitment to transparent and effective reporting processes.

This report is the fourth summary of our sustainability performance, covering the calendar years 2013 and 2014. In addition to regular updates on our corporate website, www.polymetalinternational.com, it is our primary means of communication regarding our sustainability programmes and developments.

The scope of this report covers all of our wholly-owned operating mines and processing sites in Russia and Kazakhstan (Dukat, Omolon, Amursk, Albazino, Mayskoye, Khakanja, Voro and Varvara), our headquarters in St. Petersburg and our subsidiary companies. We own and operate all of these entities and have direct control over their policies, procedures and performance.

We have structured this report around our economic, environmental, health and safety, employee and community-focused activities. Within this structure we have sought to address those issues that are deemed important by the Board through its risk assessment function, those that are subject to legal obligation, and those that are most important, or 'material', to our stakeholders.

GRI G4

This report has been prepared in line with a set of reporting parameters designed to give stakeholders a clear view of our sustainability performance. It marks our first step towards the adoption of the Global Reporting Initiative's (GRI's) G4 Sustainability Reporting Guidelines.

In our previous Sustainability Report (2011/12) we followed the GRI G3.1 framework (level B) – but this year we are going further and reporting to be 'In Accordance' – Core with the GRI G4 guidelines, and with the Mining and Metals Supplement.

The main focus of the G4 Guidelines is 'materiality', which means those 'Aspects' or topics are most relevant to our operations. The method by which we have determined our 'material Aspects' and related focus areas are described in detail on page 18.

While the measurement indicators we use are consistent with GRI guidelines, some are being reported in this 2013/14 report for the first time. Some have been included in our previous reports, and some also relate to third-party suppliers. In all cases we have presented the data in units consistent with GRI guidelines, and, where possible, included data for 2012, 2013 and 2014.

Our values

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

An interview with the Group Chief Executive Officer

Ensuring that we remain firmly focused on building a sustainable future

Within the mining industry, we conduct our business responsibly and honour our commitments to sustainability. Here, our Group Chief Executive Officer, Vitaly Nesis, answers questions about Polymetal's sustainability performance in 2013/14.



What's new for Polymetal from a sustainability perspective?

This report, which covers our Group-wide performance in 2013/14, represents a milestone on our sustainability journey. It is the second time we have applied the Global Reporting Initiative (GRI) sustainability reporting guidelines. The first time, in 2011/12, we prepared our Sustainability Report in line with GRI G3.1 (level B); this year, we are adopting the most recent version of the GRI framework, G4, the main focus of which is 'materiality' – in other words, those issues that matter most to our business and our stakeholders. Compliance with G4 does not become mandatory until the end of 2015, so we are making this transition ahead of schedule. I believe this decision is a sign of our commitment to continuous improvement and best practice, and demonstrates our willingness to engage with clear and accountable reporting practices.

What were the major sustainability achievements for Polymetal in 2013/14?

I am pleased to report that during 2013/14, we achieved outstanding operational and financial performances despite a challenging market environment in which the price of gold fell significantly. Throughout this period, we expanded production, delivered regular dividend payments to shareholders, and engaged in numerous mergers and acquisitions. At the same time, sustainable development was central to our progress in all areas, and we successfully balanced our business interests with our sustainability commitments.

Our main sustainability achievements included the development and implementation of a Group-wide Environmental Management System, which will help us manage environmental risks by focusing on resource and energy efficiency, emissions reduction and employee engagement. We also continued our positive and highly productive interaction with local communities in the regions where we operate, including indigenous peoples in the northern territories. Personal highlights for me in this area were the numerous awards we won for our community engagement programme, and the letters of thanks we continued to receive from people living near our production sites.

Elsewhere, we developed new internal programmes designed to enhance communication with employees, including a new online training hub. The aim of the hub is to train our people more effectively in all internal IT processes and systems, and to explore training opportunities that can meet their individual requirements (see page 35-36, 39 for more info). We also, in October 2014, signed a memorandum of social and economic cooperation in East Kazakhstan where we have acquired deposits for a mining project in Kyzyl. These documents set out the main areas of cooperation within a long-term social partnership, which will focus in particular on the needs of children, families and vulnerable local people.

What does 'sustainability' mean to Polymetal?

At Polymetal, we are truly focused on delivering value to our shareholders. However, we have always cared equally about delivering value to our wider stakeholders – our employees, local communities, contractors, business partners, government agencies and NGOs – and about minimising the impact of our operations on the natural environment. In this way, sustainability goes to the heart of our business and our way of thinking. To us, sustainability means pursuing our commercial and operational goals in a way that does not compromise the future wellbeing of other people or the planet that we share.



To us, sustainability means pursuing our commercial and operational goals in a way that does not compromise the future wellbeing of other people or the planet that we share."

What are the main sustainability challenges that Polymetal currently faces?

We operate complex mine facilities in often hostile and remote environments, and safety remains a challenge for Polymetal. We continually strive to improve safety management across the Group and to comply with best practice in this area. However, despite our many achievements in 2013/14, I regret to report that there were three fatal accidents at our facilities and one workplace fatality at a contractor's operations during 2014, and an employee was sadly fatally injured in 2013. I would personally like to extend my heart-felt condolences to the families and friends of the five men who lost their lives in these tragic incidents.

We have conducted rigorous investigations into these events and have already taken remedial action to ensure they do not happen again. These investigations show that the lapse in safety performance was in part due to the increased scope of underground mining in complex geo-technical

conditions at these operations. Safety remains our number one priority and we are currently doing all we can to make sure we improve our performance and achieve zero fatalities across all our sites and facilities.

What are the Company's plans for the future?

When it comes to sustainable development, our plans for the future will be driven by our stakeholders and those issues that are most material to them. Our adoption of the GRI G4 reporting framework has helped us to identify these issues, which in turn will help to shape and inform our sustainability focus areas. One of the priorities is a full-scale environmental and social impact assessment (ESIA) of the Kyzyl project which will allow us to take into account all stakeholders interests.

Looking ahead, we will continue to focus on delivering value to our shareholders and wider stakeholders while preparing the Company for the next stage of growth.

And finally, in 2015 we will be recruiting for our newly-created position of Chief Sustainability Officer. This dedicated sustainability role will involve coordinating our diverse sustainability initiatives and activities and ensuring better transparency for investors and other stakeholders. I believe this development, along with our new GRI G4 reporting commitments, are clear signs of the progress we are making on our sustainability journey.

I am proud to introduce Polymetal's Sustainability Report which shows the progress we made in 2013-14.

Vitaly Nesis
Group Chief Executive Officer

Awards for excellence



Awards

During 2013/14, we received numerous awards and citations from local groups, NGOs, IMN Groups and local authorities. These include:

Mining Excellence Award in the Mining Project of the Year category at MINEX Russia 2014 for the successful commissioning of the Amursk POX plant in Russia.

Mining Excellence Award in the Mining Project of the Year category at MINEX Russia 2013 for the successful commissioning of the Mayskoye mine in Russia.

Best Socially Responsible Company of the Year in the 'Large-scale enterprises' category in the national competition 'Paryz', Kazakhstan.



Prizes

Sixth place in the Top-10 Best Corporate Communications and Relations in Russia by TOP-COMM 2014.

First Prize in the Magadan Regional Stage of the all-Russian 'high social efficiency' contest for social development and corporate donations.

First Prize in the first regional contest of Best employers for young professionals mentoring in Magadan.

Our senior managers were ranked top in the 'Best managers' lists compiled by different agencies.



Honours

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



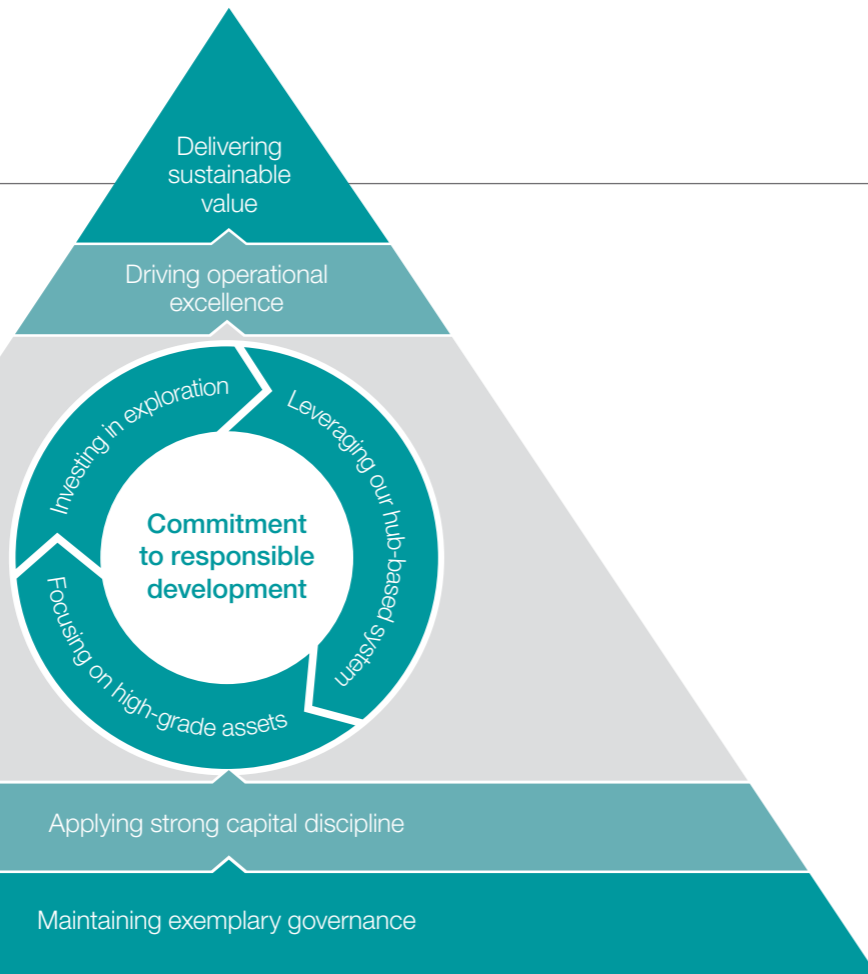
Letters of gratitude

We received **70 letters** of gratitude from local community groups, NGOs, IMN groups and local authorities in the regions where we operate.

Polymetal at a glance

Delivering sustainable value

Our business model is the key to our success and, ultimately, enables us to deliver sustainable value to our stakeholders.



Our strategy

- 01 Ensure robust operating and financial performance at our operating mines
- 02 Develop third generation growth projects
- 03 Maintain capital discipline to deliver superior free cash flow and substantial dividends
- 04 Remain opportunistic on the M&A arena combined with own exploration efforts
- 05 Maintain high standards of corporate governance and sustainable development

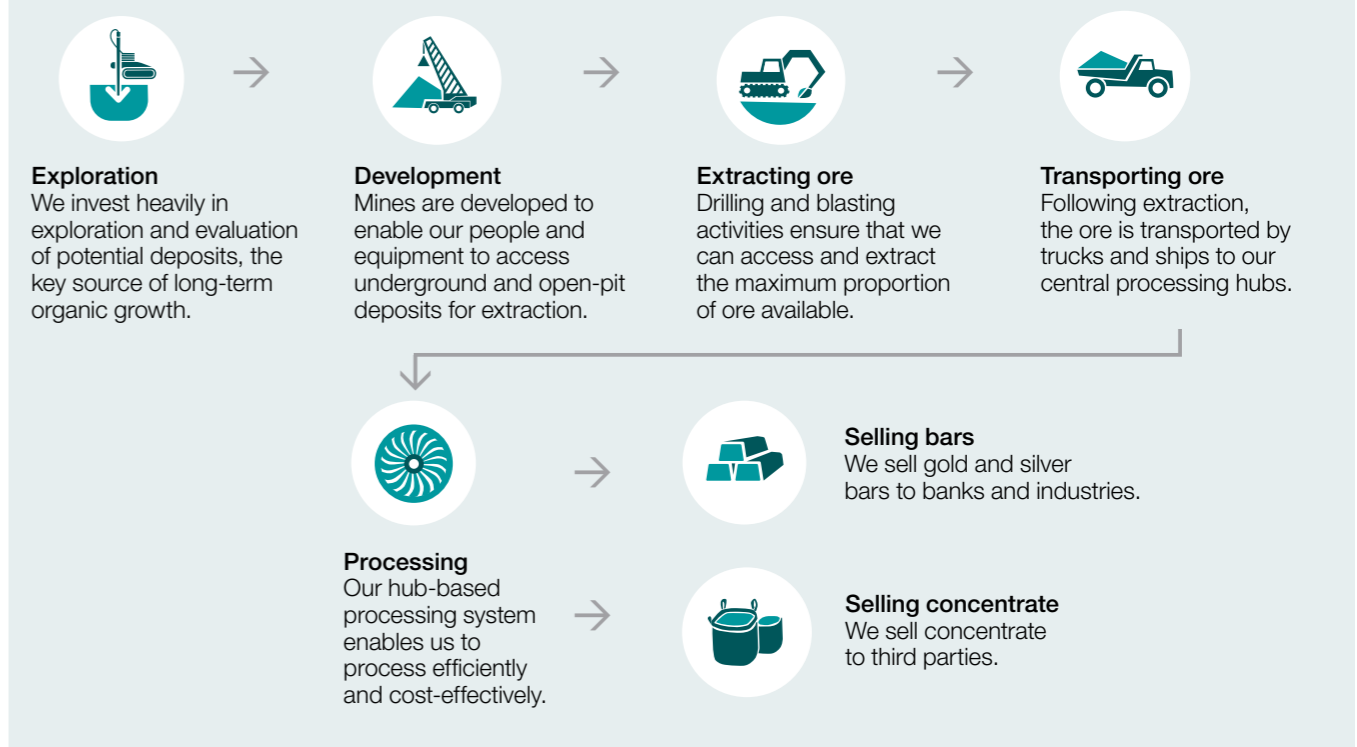
Our key competitive advantages

- High-grade assets
- Proven operating track record: delivering and exceeding expectations
- Capital discipline: strong free cash flow and substantial dividends
- Pipeline of quality growth projects

Key facts

8 Mining operations	21.6 Moz Ore reserves (GE oz)	1.43 Moz GE production +12% year-on-year
9,180 Employees	14.6 Moz Mineral resources (GE oz)	1,690 US\$m Sales revenue

Production chain



2014 sustainability highlights

During 2014 we delivered a robust economic performance with good cash generation and production growth. This helps to ensure that our business is commercially sustainable, and gives us the financial resources we need to continue our operations long into the future.

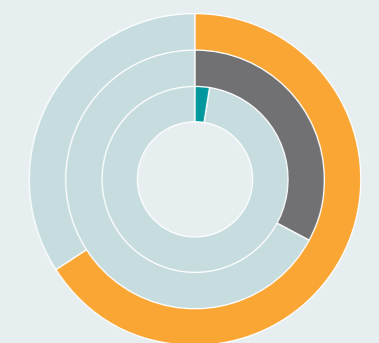
Throughout the year we continued to meet our commitments to developing local communities in the regions where we operate. We extended the scope of our community programme and by the end of 2014 we had 18 local cooperation agreements in place, up from 11 in 2010, encompassing new territories such as Kyzyl.

We also rolled out our certified Group-wide Environmental Management System (EMS). The new EMS will help us monitor our environmental performance and manage environmental risks, with a renewed focus on resource and energy efficiency, emissions reduction and employee engagement.

We continued to invest in our people's wellbeing and development, reinforcing our commitment to being an employer of choice. However, our Health and Safety performance was wholly unsatisfactory in 2013/14. As is reported on page 43 of this report, there were three fatalities across the Group during the year, and one workplace fatality at a contractor's site. We are doing everything we can to ensure that these tragic incidents are not repeated.

Elsewhere we focused on managing our supply chain to ensure our commitments and beliefs are upheld by our suppliers. We also continued our policy of commissioning local services to help stimulate local economies and supply chains.

Production in 2014 (%)



Gold	66
Silver	33
Copper	1

Where we operate

Setting ourselves apart through maintaining high-quality assets

GRI G4-17

Map key

- Hub
- Operating mine
- Development project
- Head office
- + City/town
- ✶ Seaport

Varvara

Strong operations in Kazakhstan delivering a stable contribution

4.2 Mtpa

Float + Leach

Operating mine

Varvara

Key exploration project

Tarutin

Kyzyl project

Developing a world-class asset

Bakyrchik and Bolshevik deposits

6.7 Moz

Gold reserves

7.5 g/t Au

Average reserve grade

Voro

Sustaining high performance and margins

950 Ktpa

CIP

900 Ktpa

HL

Operating mine

Voro

Key exploration project

North Kaluga

Mayskoye

Bringing our newest mine up to speed

850 Ktpa

Concentrator

Operating mine

Mayskoye

GRI G4-17

Khakanja hub

Focusing on mine-life extension

600 Ktpa

Merrill-Crowe plant

Operating mines

Khakanja, Avlayakan, Ozerny

Development project

Svetloye

Albazino

Extending life-of-mine by adding underground reserves

1.6 Mtpa

Concentrator

Omolon hub

Transitioning underground

850 Ktpa

Kubaka CIP and Merrill-Crowe

Operating mines

Birkachan, Sopka, Tsokol, Dalneye

Development projects

Oroch, Burgali

Key exploration project

Yolochka

Dukat hub

Targeting reliable resource-to-reserve conversion

1.6 Mtpa

Dukat concentrator

400 Ktpa

Lunnoye Merrill-Crowe plant

Operating mines

Dukat, Goltsovoye, Lunnoye, Arylakh

Development projects

Olcha

Key exploration project

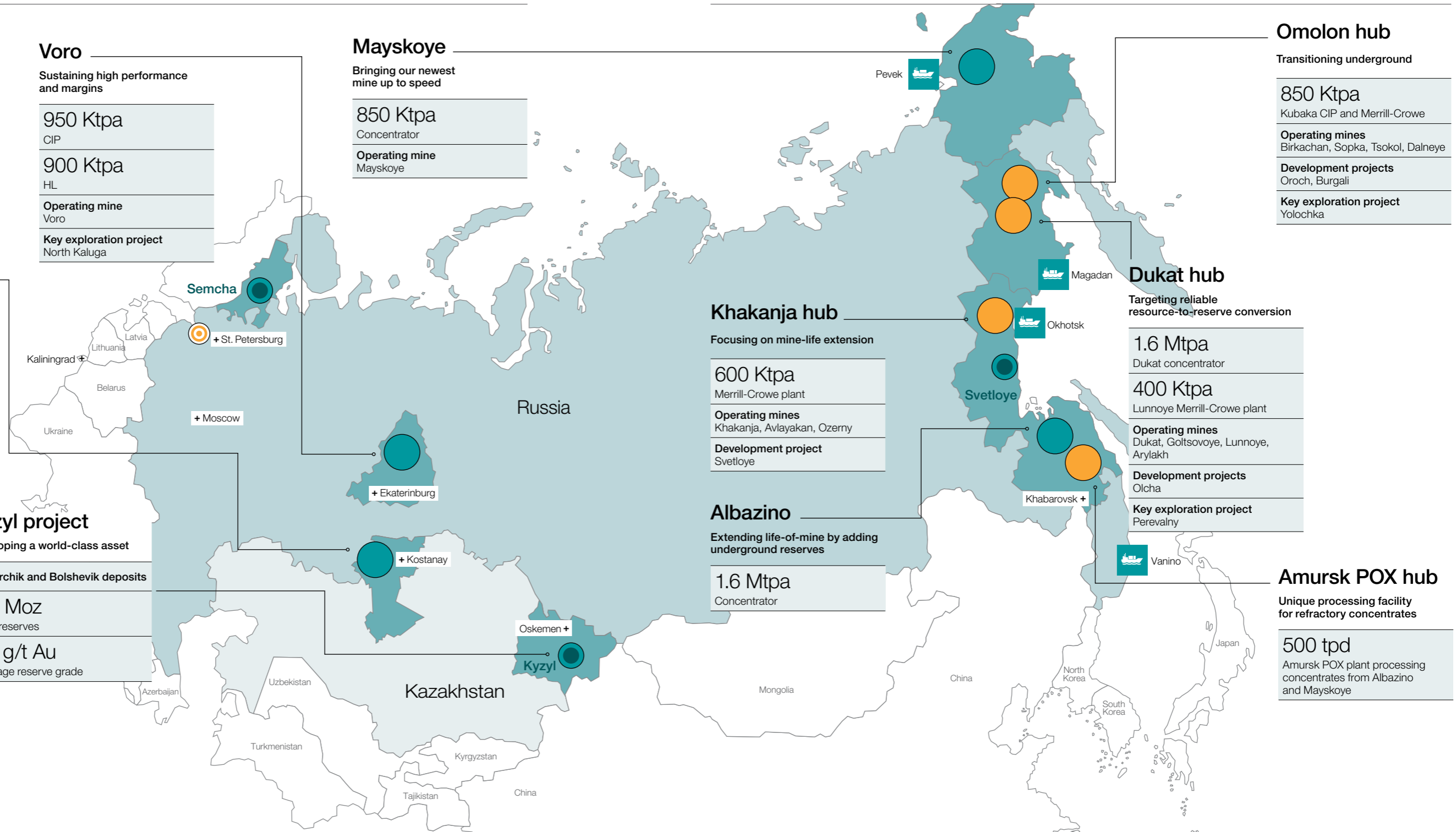
Perevalny

Amursk POX hub

Unique processing facility for refractory concentrates

500 tpd

Amursk POX plant processing concentrates from Albazino and Mayskoye



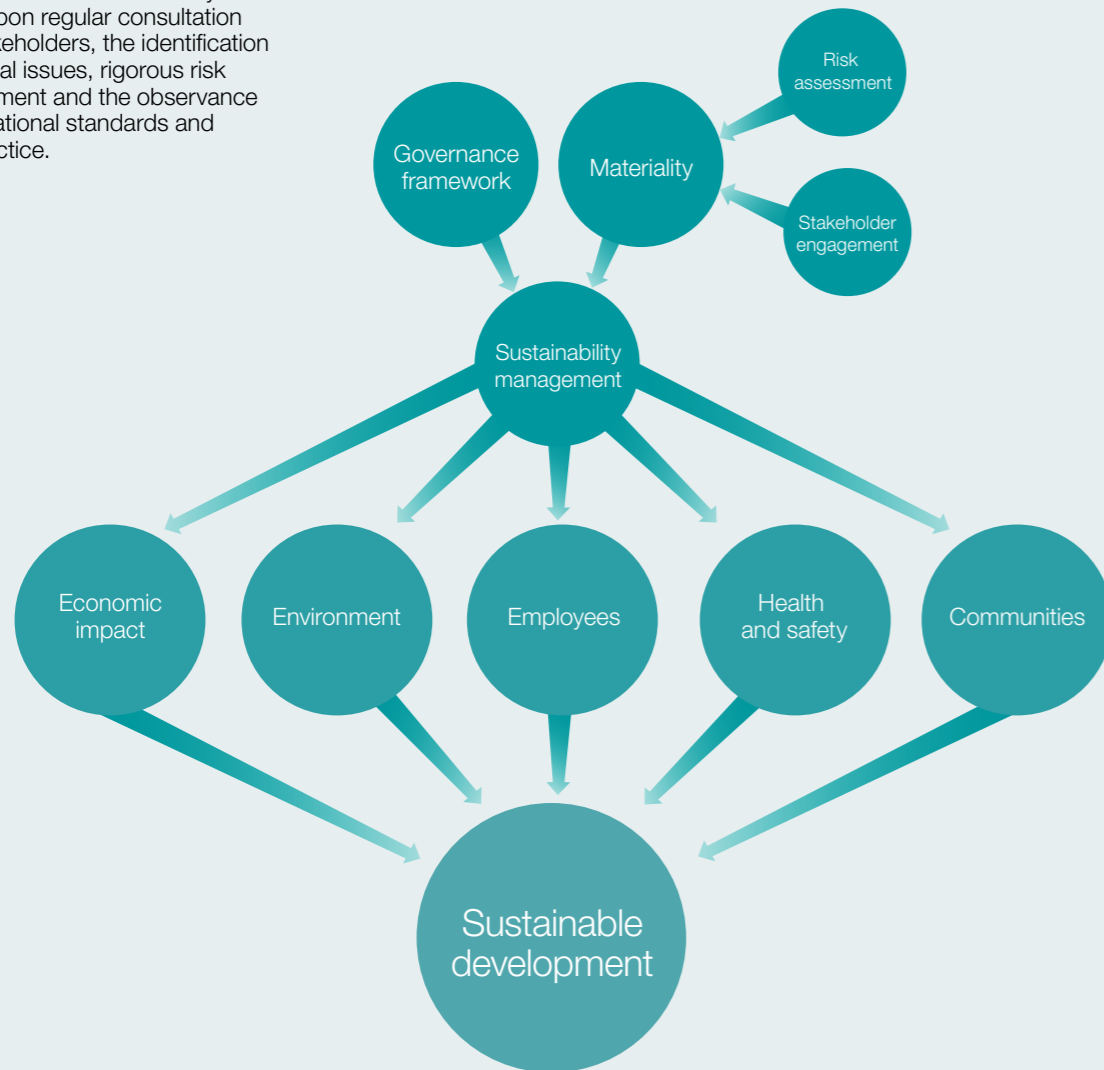
Our approach to sustainability

Building on our commitment to developing a long-term business

GRI G4-18; G4-23

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

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



GRI G4-18; G4-23

Standards, codes and compacts

Polymetal's overall approach to sustainability is guided by the UN Global Compact, to which the Company has been a signatory since 2009. Our strategy is designed to meet the requirements of this voluntary international standard and ensure compliance with its ten principles in the areas of human rights, labour, environment and anti-corruption. We are also an active member of the UK Global Compact Network Russia.

The UN Global Compact and our corporate values – dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness – shape the focus of our more detailed sustainability policies and associated management systems. These policies are defined at Group level and implemented through our head office and subsidiary companies. Through ongoing monitoring and auditing, we ensure that our performance is measured against all relevant regulatory and internal requirements.

Stakeholder engagement and material issues

In our approach to sustainability, we want to address the issues that matter most to our business and to our stakeholders. To this end, we follow the principles of materiality and stakeholder inclusiveness that are set out within the Global Reporting Initiative's (GRI) G4 prioritisation guidelines. We carry out regular stakeholder mapping exercises to determine the various stakeholder groups on which Polymetal has the biggest impact (see pages 16-17 for more information). Once identified, we then engage with these stakeholders and collate all ensuing dialogue; this enables us to understand the issues most material to each group, and to incorporate their opinions and priorities into our decision making and policy development. Central to this process is an in-depth materiality analysis, which we conduct each year to determine the key aspects we need to address in our sustainability programmes and reporting (see pages 18-19 for more information).

Sustainability risk management

Our approach to sustainability is also underpinned by rigorous risk management policies and procedures. Informed by our interaction with stakeholders, we work to identify, manage and mitigate the sustainability risks we face (see page 15 for more information). This process is overseen by the Audit and Risk Committee of the Board, reflecting the importance we place on sustainability within the Company.

Focus areas

Through our stakeholder engagement and materiality mapping activities, we have been able to identify our core sustainability focus areas. The areas we identified for 2013/14 are shown below.

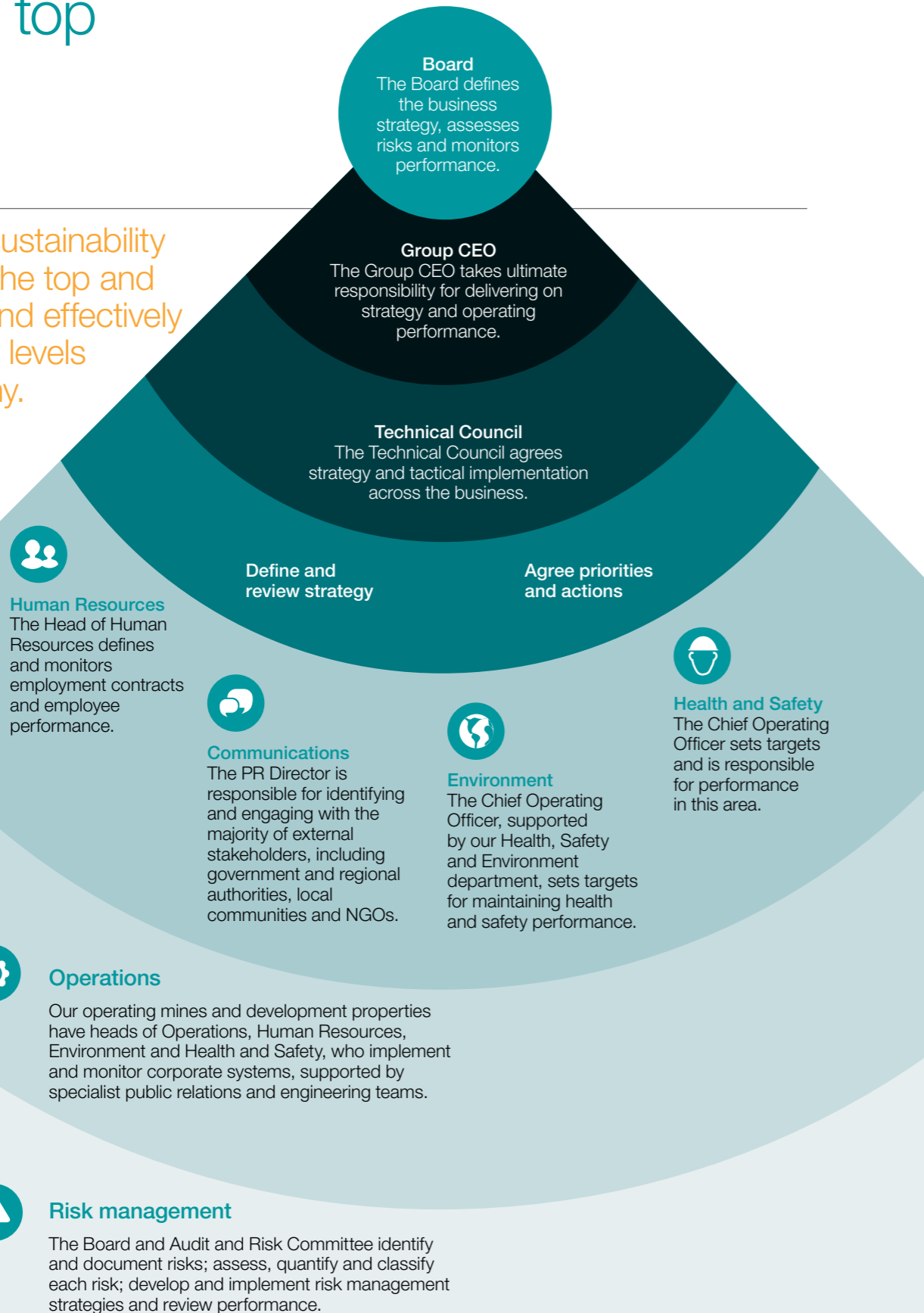
Our sustainability focus areas

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

How we manage sustainability

Driving sustainability from the top

At Polymetal, sustainability is driven from the top and is thoroughly and effectively managed at all levels of the Company.



Sustainability leadership

The Board of Directors has prime responsibility for sustainability leadership at Polymetal. Group CEO, Vitaly Nesis, is responsible for ensuring that the Company successfully implements and makes necessary changes in this area; he and the Board ensure that focus on sustainability is maintained across the Group.

To support our Group CEO in his sustainability leadership, a Technical Council meets monthly to monitor the Company's performance against its sustainability priorities and to assess the implementation of associated policies. Our Heads of Departments report to the Technical Council, facilitating dialogue among senior management on a range of sustainability issues, including employees, community outreach, health and safety and environmental management.

The Board as a whole is responsible for decision-making on social, economic and environmental impacts and plays an active role in shaping our strategies and goals in these areas. Every Board meeting at which quarterly operational results are considered starts with an overview of health, safety and environmental performance. Additionally, the Board reviews and approves our Sustainability Reports prior to their publication.

Board composition

The Company fully complies with the UK Code of Corporate Governance, including election and composition of the Board. The Code stipulates that all Board Directors are subject to annual re-election and that shareholders have the authority to remove or appoint individual directors.

Our Board is comprised of the non-executive Chairman, Group CEO and seven non-executive directors, four of whom are independent. The role of the Chairman and non-executive directors is to scrutinise the Company's performance and management, review the integrity of financial information and assess internal controls and risk management processes. Directors' interests are disclosed annually and the Company Secretary is notified of any changes to those interests.

All current Board Directors were appointed in September 2011 except for Ms Coignard, who joined in July 2014. At the time of this report's publication, 22% of our Board members are women; three directors represent significant Company shareholders. Full information on our Board members can be found in the Governance section of our Annual Report.

Committees of the Board

The Nomination Committee has the responsibility for making recommendations on the composition of the Board and its committees. Before any appointment is made, the Nomination Committee evaluates the balance of skills, knowledge, experience, independence and diversity of the Board, and in the light of this evaluation prepares a description of the role and capabilities required.

Directors and chairmen of the Board's committees receive regular updates on changes to corporate governance and regulation, as well as any changes within the social, economic or environmental landscape that may impact the Company. In the event of an emergency, the Board is advised immediately by way of electronic communication. Investigations are carried out, corrective action is taken, and reports are then made to the Board at its next general meeting.

Each year, the Board undergoes a rigorous self-evaluation during which it assesses the performance of its Chairman, committees and each individual Director. In accordance with the UK Code, every three years this evaluation process is externally facilitated, and the Board commits to undertake steps designed to enhance its overall performance.

[Read more](#) in our Annual Report 2014

Board of Directors



Chairman Bobby Godsell	N	Independent non-executive Directors Christine Coignard	A R N
Group CEO Vitaly Nesis		Russel Skirrow	A
Non-executive Directors Konstantin Yanakov		Jonathan Best	A R
Jean-Pascal Duvieusart		Leonard Homeniuk	R N
Marina Grönberg			

Committees
 A Audit and Risk Committee
 R Remuneration Committee
 N Nomination Committee

How we manage sustainability

Driving sustainability from the top

continued

Remuneration

Polymetal's remuneration policy remains a key element in providing a clear framework to motivate, incentivise and retain our senior management team. Our remuneration structure is both straightforward and aligned with the shareholders' interests. The Company has been fully compliant with the new remuneration disclosure requirements since their introduction in 2013. Remuneration policy is discussed with shareholders and put to a vote every three years, while the remuneration report is voted on annually; the remuneration policy and remuneration report received 99.8% support at the AGM held in May 2014.

When setting pay levels and bonuses for our Group CEO and other senior management, we take corporate and individual performances into account including, among other things, our health and safety performance. These levels are then reviewed each year and benchmarked externally every three years to ensure they are in line with those of our industry peers and other London-listed companies.

Changes in remuneration are calculated so that salary increases are broadly consistent across all levels of the organisation.

Remuneration details can be found in the Company's Annual Report.

Code of Conduct

Polymetal's Code of Conduct, formally adopted in December 2011, is approved by the Board of Directors. It is communicated to all employees as a statement of the principles and expectations that guide ethical behaviour across the Company.

The Code covers employees' conduct towards their colleagues and customers, business partners, state authorities and society as a whole. It focuses on equality, health and safety, environmental

protection, government and community relations, competition, data protection and transparency. It also promotes zero tolerance of bullying, drug use, conflicts of interest and bribery. All employees must comply with the Code and associated policies; all documents and guidance are available through the Company's information system.

The UN Global Compact

Polymetal's overall approach to sustainability is guided by the UN Global Compact, to which the Company has been a signatory since 2009. Our strategy is designed to meet the requirements of this voluntary international standard and ensure compliance with its ten principles in the areas of human rights, labour, environment and anti-corruption. We are also an active member of the UK Global Compact Network Russia.

The UN Global Compact and our corporate values – dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness – shape the focus of our more detailed sustainability policies and associated management systems. These policies are defined at Group level and implemented through our head office and subsidiary companies. Through ongoing monitoring and auditing, we ensure that our performance is measured against all relevant regulatory and internal requirements.

Managing and monitoring behaviour

While all employees understand the standards of behaviour expected of them, we are mindful of the need to systematically monitor commercial actions and decisions. Our Internal Audit Department (IAD) takes responsibility for this process, operating under the auspices of an annual work plan approved by the Audit and Risk Committee of the Board of Directors. It conducts random audits of stock and assets such as fuel and equipment, checks on the performance of building

and assembly contracts and reviews decisions in relation to major construction work. The IAD produced 53 reports on targeted audits in 2013 and 46 reports in 2014, with recommendations for improvements. During 2013/2014, all of our main operating sites were audited.

In addition to these measures, we have been running regular training sessions on bribery and corruption since 2011. These sessions were conducted by our internal security team at each of our main operating sites. For more information on our anti-corruption policy and practices, see page 33.

The Company also aims to ensure that all its activities are adequately controlled. The system of internal controls is designed to manage and minimise risk, and to achieve the Company's business objectives while bringing residual risk to an acceptable level. It can therefore only provide reasonable, rather than absolute, assurance against material misstatement or loss. The head of IAD reports to the Group CEO and, through the Audit and Risk Committee, to the Board of Directors.

Managing our risks

The rigorous management of risk is a vital part of our overall sustainability programme. Through regular stakeholder engagement, we work hard to identify, manage and mitigate the sustainability risks we face. In this way, we are committed to minimising any threats to our people, communities and the environment, and to the long-term success and sustainability of our Company.

Our Group CEO, Board of Directors and Technical Council, aided by the Internal Audit Department, identify risks to the business and associated management operations. In doing so, they are informed by interaction with government agencies, the financial community, employees, local communities, NGOs, customers and suppliers. Our risk management process is then defined and monitored by the Audit and Risk Committee of the Board.

Our risk management process

- 01 Identify and document risks
- 02 Assess, quantify and classify each risk
- 03 Develop and implement risk mitigation strategies
- 04 Monitor, report and review risk



Risk management system

Our risk management system supports our strategic goals and is designed to effectively identify, assess and mitigate our sustainability and business risks. The key personnel/teams within this system, and their primary risk management responsibilities, are as follows:

Board of Directors, Audit and Risk Committee of the Board	Monitoring and control of risk management efficiency, approving risk management policies and guidelines, reviewing risk management strategy and risk reports, taking responsibility for key risk identification
Group CEO and Technical Council	Identifying risks to the business and associated management operationsw
Internal Audit Department	Defining and monitoring the risk management process and mitigation tools and actions, preparing risk reports
Operational managers	Identifying and evaluating everyday risks and reporting them, implementing risk mitigation programs

Key sustainability risks

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

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



Stakeholder engagement

A vibrant and growing stakeholder engagement program

GRI G4-24; G4-25; G4-26

As part of Polymetal's commitment to good governance and sustainability, we engage regularly with our stakeholders in an open and transparent way.

By communicating with our stakeholders via a range of channels, we are able to understand and address the issues that matter most to them.

Stakeholders	Investors and shareholders	Employees
Why they are important to us?	<p>As a company, Polymetal exists to create sustainable value for shareholders.</p> <p>In turn, our shareholders and investors provide us with the capital we need to develop and expand our operations.</p>	<p>Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skill.</p> <p>We hire the most talented staff and invest significantly in their training and development.</p>
Who is responsible within Polymetal?	<ul style="list-style-type: none"> Board Group CEO IR team 	<ul style="list-style-type: none"> Group CEO Chief Financial Officer Human Resource team Health and safety team Communications team Operations directors and chief engineers
Channels of engagement	<ul style="list-style-type: none"> AGM/GM Annual and Sustainability Reports Investor conferences and one-to-one meetings Presentations/conference calls Site visits Direct correspondence 	<ul style="list-style-type: none"> Employee opinion polls and questionnaires Workers' councils Internal hotline, website, suggestion boxes and grievance mechanisms Meetings and face-to-face communication with management Performance reviews Annual direct line with the Group CEO
Material issues	<ul style="list-style-type: none"> Financial, operational and sustainability performance Dividends Regulation, economics and politics Mergers and acquisitions Labour Health and safety Compliance with international environmental standards 	<ul style="list-style-type: none"> Wages, benefits and social packages Working and living conditions Health and safety Career progression and opportunities Social needs Training, development and education
More info	<p> Read more in our Annual Report 2014</p>	<p> Read more in the Employee section pages 32-47</p>

GRI G4-24; G4-25; G4-26

Suppliers and contractors	Government, industry authorities	Communities and NGOs
Why they are important to us?	<p>Our suppliers and contractors make a significant contribution to our business. We build stable, long-term relationships with them, enabling us to achieve mutually beneficial terms of contract and uninterrupted supply.</p> <p>In collaboration with our contract partners, we work to ensure compliance with environmental and safety standards across the Polymetal supply chain.</p>	<p>We maintain good relations with the national and local governments under whose jurisdictions we operate.</p> <p>We abide by all laws and regulations that apply to our business, and we enter into open and transparent dialogue with industry authorities. In particular, we engage with authorities on issues relating to improvements in mining legislation.</p>
Who is responsible within Polymetal?	<ul style="list-style-type: none"> All operational departments Legal team Procurement team 	<ul style="list-style-type: none"> GR team Communications team Legal team
Channels of engagement	<ul style="list-style-type: none"> Direct correspondence Contractual relationships Meetings Compliance with Polymetal's requirements (for example, health and safety) 	<ul style="list-style-type: none"> Working groups Meetings Direct correspondence Industry conferences
Material issues	<ul style="list-style-type: none"> Contract specifications Tenders Account management relationships Health and safety Regulation 	<ul style="list-style-type: none"> Regulatory compliance Taxes Labour issues Health and safety Environmental protection Infrastructure and local development
More info	<p> Read more in the Economic section pages 58-59</p>	<p> Read more pages 4, 11, 14, 21, 37, 41, 49-50, 55</p>

How we identify our priorities

Ensuring that materiality is central to sustainability

GRI G4-18; G4-19; G4-20; G4-21; G4-23

As part of our efforts to address sustainability issues that matter most to our business and our stakeholders, and as part of our commitment to the GRI G4 reporting process, in 2014 we conducted a full-scale materiality assessment.

The assessment was conducted by a working group of Polymetal's managers who are responsible for those areas of activity that correlate with relevant GRI reporting Categories and Aspects.¹ Firstly, the working group devised a questionnaire to elicit stakeholders' opinions on these Aspects and their degree of importance (low, medium or high). From the results of the questionnaire, the working group then created a list of Aspects for inclusion in the 2013/14 Sustainability Report. The working group also analysed our interaction with various stakeholders on certain issues, while the Company's management reviewed the selected Aspects. From these assessments, we were able to establish final materiality scores for all Aspects and issues, which were then approved by the Group CEO. The results of this process are presented in the table opposite. For the purposes of this report, we cover all Aspects listed in the dark green zone.

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

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

Identifying material issues

ECONOMIC

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

ENVIRONMENTAL

- 05. Materials ✓
- 06. Energy ✓
- 07. Water ✓
- 08. Biodiversity ✓
- 09. Emissions ✓
- 10. Effluents and waste ✓
- 11. Products and services ✓
- 12. Environmental compliance ✓
- 13. Transport ✓
- 14. Overall ✓
- 15. Supplier environmental assessment ✓
- 16. Environmental grievance mechanisms ✓

SOCIETY

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

MINING AND METALS

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

LABOUR PRACTICES AND DECENT WORK

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

HUMAN RIGHTS

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

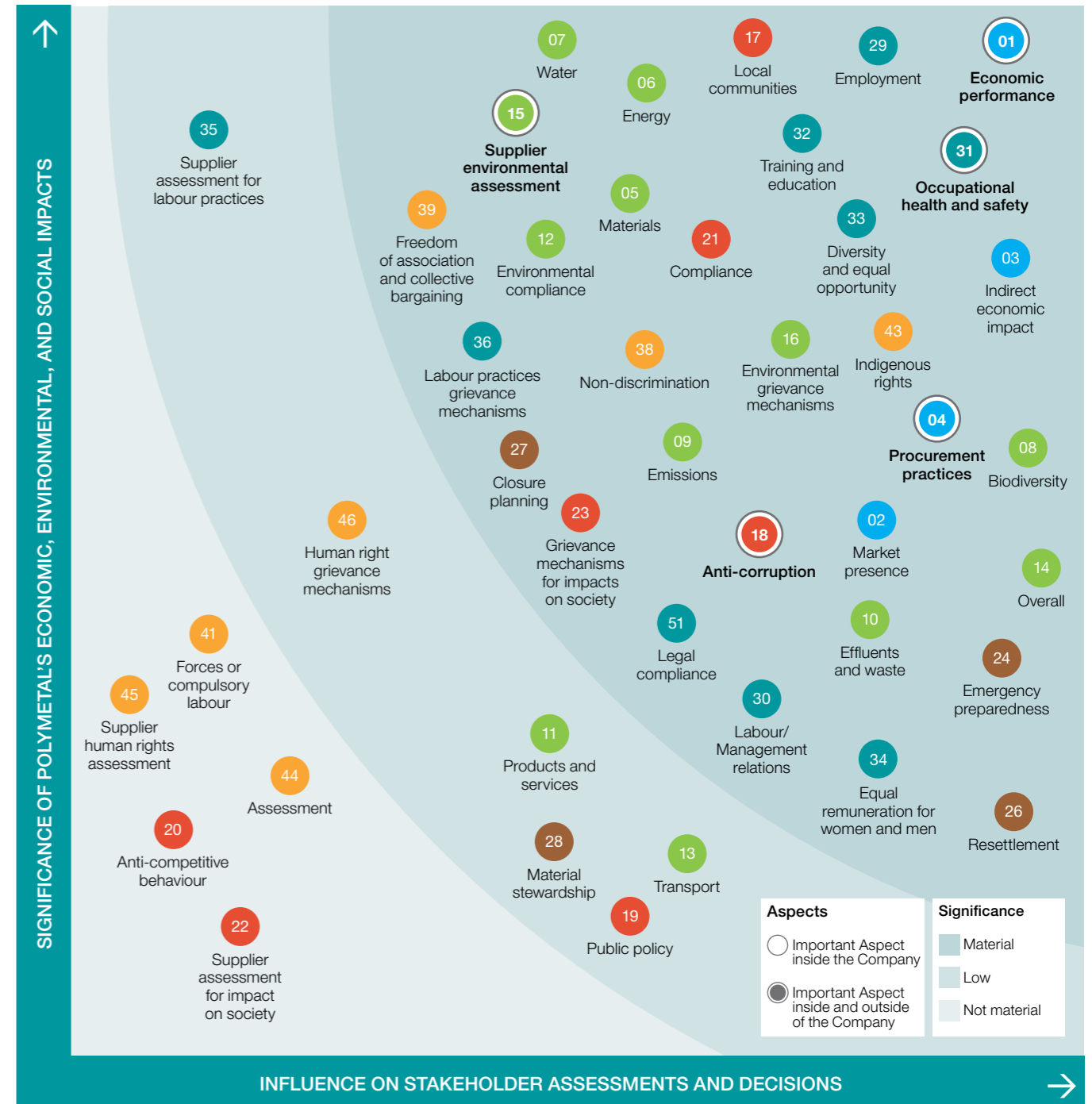
PRODUCT RESPONSIBILITY

- 47. Customer health and safety*
- 48. Product and service labelling*
- 49. Marketing communications*
- 50. Customer privacy*
- 51. Legal compliance ✓

¹ The GRI defines relevant Aspects as those that 'may reasonably be considered important for reflecting an organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders'. 'Materiality' is the threshold 'at which Aspects become sufficiently important that they should be reported' (source: <https://g4.globalreporting.org/how-you-should-report/reporting-principles/principles-for-defining-report-content/materiality/Pages/default.aspx>).

✓ Aspects material to Polymetal
 ✓ Important Aspects inside and outside the Company
 * Indicators not applicable to Polymetal

GRI G4-18; G4-20; G4-21; G4-23



Environment

Successfully managing our environmental performance

GRI G4-24

We are committed to ensuring environmental progress by minimising the footprint of our operations and achieving greater efficiencies across our sites and facilities.



Who is responsible?	What guidelines do we follow?	Stakeholders	Priorities
Group CEO, Chief Operating Officer, HSE Director, Head of Environment, regional environmental managers, managing directors, chief engineers and heads of environmental departments at our operations	UN Global Compact, Group Code of Conduct, Group Environmental Management Policy, ISO 14001:2001	Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs	Certify our environmental management system, complete ESIA, control and manage cyanide and tailings, improve energy efficiency, improve GHG emissions measurement process, efficient use of water and reductions in waste water

Material Aspects

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

GRI G4-24; G4-26

Our policies and processes are designed to ensure that as our business expands, we are able to manage and mitigate our risks and grow in a way that does not significantly damage the natural environment.

Our approach

Polymetal, as a typical mining business, operates complex processes on a large scale in remote locations. These processes produce a range of waste materials and use toxic substances, such as cyanide. Like any other mining company, we also produce significant quantities of emissions and carry out processes that can have potentially negative environmental impacts.

To control these risks we have developed a robust environmental management system (EMS) that complies with increasingly sophisticated national and international standards and regulations. This system is overseen by dedicated environmental teams, and focuses on resource and energy efficiency, pollution prevention, use of modern equipment and technologies and employee engagement.

Our Group-wide EMS is planned and coordinated by our Chief Operating Officer from our Russian headquarters in St. Petersburg. The system is based on international best practice and complies with relevant Russian and Kazakh legislation. As a result of our work in this area, in March 2013 we were awarded ISO 14001 certification following an external audit by Bureau Veritas, an independent environmental assurance agency. Additionally, our EMS is subject to regular internal review.

At the heart of the management system is our environmental policy, which can be viewed at www.polymetalinternational.com. It focuses on the use of best practice, continuous improvement, risk reduction, compliance and management of specific environmental issues. It also focuses strongly on incident and emergency control, the use of environmentally friendly materials and resource efficiency.

Each of our subsidiary companies has its own environmental team. These teams contribute to the running and monitoring of the EMS and provide quarterly performance reports to the Group. Air quality, surface water and ground water samples collected through the system are analysed at laboratories certified to international standards. Meanwhile our in-house engineering operation, Polymetal Engineering, employs more than 100 specialists in the design and construction of mines and processing facilities. All ecological aspects are taken into account during the new facility design stage.

Auditing and compliance

Across the Group, we incorporate regular auditing and monitoring activities into the environmental management system. We also comply with the requirements of relevant Russian and Kazakh legislation and ISO 14001. External audits are regularly undertaken by state supervisory authorities such as the Russian Federal Service for Supervision of Natural Resource Usage, while audits conducted by service providers (such as Bureau Veritas) help us to improve our internal environmental management and performance.

During the reporting period, we received no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

Supplier environmental assessment

All of our suppliers comply with applicable laws and regulations. In our formal contractual agreements, we insist that our suppliers meet their compliance requirements. However, beyond these stipulations we do not conduct formal supplier assessments or audits for environmental compliance or best practice procedures.

Environmental grievance mechanisms

We comply with stringent environmental impact assessment procedures which include public hearings and adequate mechanisms to enable stakeholders to share their grievances. Our ongoing stakeholder engagement activities also provide forums for stakeholders to voice concerns, and we maintain a record book at each of our operations in which we log any comments from the public. In 2013/14, there were no new major grievances filed about our environmental impacts; all minor issues raised at local level were addressed and resolved through formal grievance mechanisms.

Environmental training

Each year, our Human Resources department reviews environmental training opportunities at national and international level. We also supplement ongoing professional development with site visits and conferences – for example, our environmental managers regularly attend the annual All-Russian Industrial Ecologists’ Seminar for an update on environmental legislation. Specific courses attended by our staff include those covering environmental management systems, hazardous waste, land reclamation, water quality assessment and environmental security.

Environment

Measurable progress and a strong pipeline of ongoing initiatives

Investment in environmental protection

Our overall investment in environmental protection during the reporting period was US\$13.5 million, a slight increase from US\$13.4 million in 2011/12. Of this total 51% went into the protection of water resources, 32% into land reclamation, and 17% into the reduction of atmospheric emissions.

However, investment in 2014 decreased to US\$5 million in comparison with US\$7.1 million in 2013, partially due to the completion of construction and ramp-up of the environmental protection facilities at Polymetal's new operations and partially due to currency devaluation.

The balance comprises quarterly payments we make to governments in the regions we operate for the negative impact on the environment caused by our

business. The amounts of these payments are governed by environmental law and are defined by specialised government agencies through the audits they conduct regularly at our operation sites.

Kyzyl environmental assessment

Two top international environment and social consultants are currently undertaking a detailed review of the environmental and social issues related to the Kyzyl gold project in East Kazakhstan, and will be issuing a formal ESIA report along with the project feasibility study in Q4 2015. The purpose of this report is to outline priority action areas and to benchmark the project and the embedded environmental programme so that the environmental and social impacts are addressed in line with international best practice, namely the International Finance Corporation

Performance Standards and World Bank Environmental Health and Safety Guidelines.

Five key environmental management projects completed in 2013-15

In addition to our action plan, we have identified five key environmental management projects for the period 2013-2015. These projects, and the progress we have made within them, are set out here:

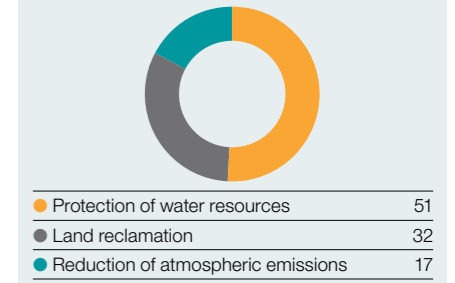
1. Construction of advanced storm-water and waste-water purification units at Amursk.
Status: emergency and storm wastewater purification station has been built. Polymetal has obtained a permit for wastewater discharge; discharge in the Medvezhy Creek now complies with relevant standards.
2. Completion of mine site rehabilitation at Yurievskoye.
Status: Yurievskoye deposit has been rehabilitated.
3. Start of waste oil combustion.
Status: used industrial oils are being burnt at Albazino, Mayskoye and the Omolon hub to heat on-site buildings and spaces.
4. Full-capacity performance for the water purification plant at Lunnoye.
Status: re-equipping of the water cleaning station is nearly complete; Polymetal is in the process of aligning waste discharge into the Bulur River with relevant standards and obtaining the requisite discharge permit.
5. Improvement of water treatment efficiency and reduction of water consumption at Voro.
Status: measures designed to improve treatment efficiency and reduce water consumption are currently being implemented.

Progress against goals within our action plan 2013-15

Our action plan for 2013-15 is geared towards the continuous improvement of our environmental management system. Our action plan targets, and the progress we have made within them, are set out here:

We said...	We did...
We would certify our environmental management system to the ISO 14001 standard (2013).	Commissioned Bureau Veritas to undertake planned audits, covering all Polymetal operations and sites; ISO 14001 certification was achieved in March 2013.
We would commission a comprehensive GHG emissions survey and harmonise GHG reporting with UK and international standards (2013).	Changed our GHG calculation methodology to align with UK standards; our methodology now extends to GHGs produced during the generation of power purchased from third-party suppliers and is reported fully in line with London Stock Exchange requirements.
We would introduce a monitoring and measuring system at each production site that meets ongoing compliance and addresses five priority issues, depending on the nature and location of the operation.	Implemented a new system to calculate negative impact indicators; the system is in operation at all Polymetal sites.
We would integrate EMS decision-making into standard operating procedures at each production unit. This will give employees much greater input into identifying significant environmental impacts and determining methods of reduction.	Implemented our EMS across all Company operations; EMS is now a part of the Polymetal Corporate Management System.

Breakdown of our environmental investments 2013-2014 (%)



Performance

During 2013/14, we made good progress in our environmental management programmes.

The major projects carried out in this period included land rehabilitation, environmental monitoring, industrial waste recycling, the construction of waste storage areas, the repair and replacement of gas purification and exhaust systems, and the control of dust emissions.

GHG emissions (CO ₂ equivalent tonnes per 10 Kt of ore processed)	Due to the remote locations of our operations, we rely heavily on diesel fuel for power generation. These diesel generators, plus the use of natural gas and coal for heating and fuel for vehicles, account for the bulk of GHG emissions. The significant drop in emissions per unit for 2014 is evidence of our increasing carbon efficiency.	
Total air emissions (tonnes per 10 Kt of ore mined)	Stripping, mined waste storage, ore processing and energy use generate air emissions. These emissions include non-organic dust, carbon dioxide and nitrogen and sulphur oxides.	
Major waste components (tonnes per tonne of ore mined) ¹	Overburden and tailings are the primary waste materials arising from our operational activities. We operate against a set of procedures that are designed to maximise volumes of recycled materials and minimise our potential impacts on people and the environment.	
Discharges to surface water (thousand cubic metres per 10 Kt of ore processed)	Across our operations we aim to reduce discharge intensity, improve the quality of water discharged, enhance the efficiency of water use and increase recycling. Any increase are due to growth of incoming waters in our open pits.	
Energy intensity (gigajoules per 10 Kt of ore processed) ²	Polymetal's remote subsidiaries must generate their own sources of electricity and heat, which currently necessitates significant use of diesel. However, we are constantly reviewing costs, environmental impacts and alternatives, and the increase in 2014 is the result of the change from diesel to electricity-powered equipment.	

¹ In our 2011/12 Sustainability Report, there was a typographical error due to the difference between Russian and British numerical formats. Please divide the figures given in the 2011/12 report by 1,000 when making comparisons with the figures given above.

² In the 2011/12 Sustainability Report energy intensity was calculated for tonnes of ore mined whereas in the current report we calculate energy use for tonnes of ore processed.

Read more about the performance in each of these areas further on the next pages.

Environment

Managing our waste profile and water use actively and responsibly

Materials, waste and tailings

Across our production processes, we primarily use ore and energy. During 2014, we mined 13,706 Kt of ore and processed 11,300 Kt. Overall, our operations are energy intensive (for information on energy use, see pages 26-27 and generate specific waste materials. In 2013/14, our total operations generated 160,576 Kt of 'production and consumption waste': 81,141 Kt in 2013 and 79,435 Kt in 2014, compared to 82,857 Kt in 2012.

We consume a range of materials in our processing facilities. In an effort to limit associated financial and environmental impacts, we use these materials effectively and continually monitor related costs within the production process. Once the ore is processed, the final products produced at our sites include Doré bars, zinc precipitate, flotation and gravity concentrates.

The table on this page shows the quantity of basic consumable materials used across the Group's production sites, although we have not included materials used in the construction of processing hubs or maintenance. All materials are purchased from our contractors (see page 58 for more on procurement).

Overburden and tailings

The most significant waste streams linked to our operations are overburden and tailings, which account for more than 99% of total arisings by volume. The former is material extracted to uncover ore deposits, and the latter is a by-product of ore processing.

In 2013/14, we produced a total of 139 million tonnes of overburden, and 20 million tonnes of tailings.

Recycled materials

Wherever possible we try to recycle the waste we produce. However, between 2012 and 2014 the proportion of recycled materials used across our operations as a percentage of total waste produced decreased from 25.2% to 19.9%.

Materials 2013-2014 (t)

	2014	2013	% change
Cement	12,350	14,500	-15%
Burnt lime	18,553	10,956	69%
Grinding balls	16,033	11,251	43%
Sodium cyanide	7,497	7,904	-5%
Diesel fuel for drying	1,514	2,808	-46%
Soda	1,388	893	55%
Caustic soda	815	483	69%
Sulphate of copper	797	783	2%
Butyl xanthate	721	627	15%
Perhydrol	559	4,590	-88%
Flocculant + flotation reagents	462	421	10%
Zinc powder	303	464	-35%
Activated carbon	285	193	48%
Acetate or lead nitrate	255	194	32%
Perlite, diatomaceous soil	228	191	19%
Hydrochloric acid	97	121	-20%
Chlorinated lime	87	31	185%
Sulfamic acid	56	68	-17%
Trilon B	41	39	6%
Magnesium sulfate	40	40	0%
Foaming agent	36	38	-5%
Hex	15	12	25%
Borax (sodium tetraborate)	12	19	-37%
Sulfuric acid	0	2201	-100%
Big bags, FIBC (units)	159,351	157,351	1%
Filtrate (units)	1250	1250	0%

This slight decline was the result of reduced levels of road construction and repair work carried out in this period, which meant less demand for overburden as a recycled waste material.

Waste management

Across our operations we are committed to responsible waste management. We operate systems and procedures that are designed to maximise the amounts we recycle and minimise potential impacts on people and the environment.

Internally, our audit teams conduct regular checks and assess our compliance with relevant regional and national standards relating to the treatment of overburden, tailings and other waste. This process is supplemented by environmental performance spot-checks by specialist government agencies.

We deal with the production and consumption wastes we generate by reutilising them in our own production processes, outsourcing them to specialist companies, and disposing of them within our own waste facilities. Since 2012, the

amount of production and consumption waste we have treated in these ways is as shown in the Waste treatment table on this page.

Our tailings storage facilities are built in full compliance with Russian and Kazakh environmental requirements relating to the prevention of soil and water contamination. They also take into account detailed engineering and geological studies. For each storage facility, the underlying geology must be characterised by minimal surface or ground water filtration rates. We also use impervious polyethylene waterproof screens linked to sophisticated drainage systems. This approach means material can be held in situ, preventing contamination of the surrounding area.

Cyanide and hazardous waste management

Cyanide is one of the more harmful consumables which generate hazardous waste components during the recovery of gold from the ore we process. In 2014 we used 8,002 tonnes of cyanide, compared to 7,369 tonnes in 2013 and 7,089 tonnes in 2012.

Due to its hazardous nature, we pay particular attention to the way we manage and monitor this material. Our approach involves:

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

Total waste in 2012-2014 (Kt)

	2014	2013	2012
Total waste generated	79,435	81,141	82,857
– transferred and neutralised	42	42	42
– stored	63,624	60,288	61,978
– reused	15,779	20,811	20,837
Reused of total waste (%)	20	26	25

Overburden and tailings (Kt)

	2014	2013	2012
Overburden	67,944	71,404	72,914
Tailings	10,707	8,925	9,114

Recycled materials

	2014	2013	2012
Total mass of reused/recycled materials (Kt)	15,811	20,853	20,897
Proportion of recycled materials used by Polymetal as a percentage of the total mass of waste materials (%)	19.9	25.7	25.2

Waste treatment (Kt)

	2014	2013	2012
Waste used (utilised, detoxified) including by outsourced specialist contractors	20,879	20,853	15,811
Waste disposed of in own waste disposal facilities	61,978	60,288	63,624

Cyanide and hazardous waste management

	Hazardous and non-hazardous waste					
	2014 Kt	2014 %	2013 Kt	2013 %	2012 Kt	2012 %
Hazardous waste	79	0.1	81	0.1	83	0.1
Non-hazardous waste	79,356	99.9	81,060	99.9	82,774	99.9

Additionally, when we use cyanide we use 100% of the volumes purchased to ensure there is no waste element. Cyanide also exists in our processes as a chemical compound found in gas, water and in solids, which we later purify.

In line with our commitments in this area, we take a rigorous approach to the transportation of hazardous materials. In 2013/14, we did not transport, import or export any waste deemed hazardous under the terms of the Basel Convention 2, Annex I, II, III and VIII.

Environment

Striving for greater efficiency and minimising negative impact

Water

We withdraw significant volumes of water for use across our business. All water is re-used, treated and discharged as effluent to surface water, or is treated and stored in tailings dams. We capture all water consumption and discharge data using water meters, flow meters and indirect measuring.

We have consent from local and state authorities to withdraw water from a wide range of sources adjacent to our operating sites. Due to the wide geographical spread of our operations, we are able to ensure that our usage does not place undue demands on any one water source, and always remains within acceptable withdrawal limits. We also withdraw very little from surface water bodies such as rivers or springs. Indeed, around 90% of our water sources are underground, and our annual average volume of water withdrawn from surface bodies does not exceed 10%. Those surface sources we do use are located away from environmentally sensitive areas, or those areas where water sources are of high value to local communities and indigenous peoples.

Regardless of location, our overarching aim is to reduce the amount of water we use per unit of output. In addition, we aim to reduce to the absolute minimum the volume and impact of liquids discharged into watercourses, while maximising the safety of our tailings dams.

During 2013/14, the total amount of ore mined by Polymetal increased year-on-year by 32%, meaning the total amount of water used across our operations also increased.

Over the past three years, the volume of water re-used by all Group companies has averaged 87% of the total withdrawn. The remaining proportion is treated and discharged to surface water, in accordance with the requirements of Russian and Kazakh environmental legislation. We have discharge permits

Total water withdrawn by source (thousand cubic metres per annum)

	2014	2013	2012
Total water withdrawn by source	9,498	7,306	7,756
Surface water	950	731	776
Ground water	8,548	6,575	6,980

Percentage and total volume of water recycled and reused (% and thousand cubic metres per annum)

	2014	2013	2012
Water recycled and reused	8,263	6,210	6,980
Percentage of water withdrawal – recycled and reused (%)	87	85	90

Total water discharged by the Company's operations (thousand cubic metres per annum)

	2014	2013	2012
Total water discharge	5,945	4,620	4,270

and agreements in place, and the quality of our discharge water complies with target indicators.

Energy

Due to the nature of our industry, Polymetal's mining operations are energy intensive. Additionally, the dispersed nature of our business means our operating units are often based in remote locations, where lack of grid power and extreme weather make us reliant on diesel fuel. This diesel, plus gas purchased from third-party suppliers, accounts for the majority of our total direct energy consumption, mainly for heating, powering equipment and vehicles. We also derive energy from coal which we mine at our production sites.

Energy efficiency

Balancing our energy requirements with the need for efficiency is a challenge. As well as ensuring we can develop and maintain our operations' power infrastructure, our objectives are to promote energy efficiency and savings across our operations, while also pursuing strategic options for renewable energy use.

However, as part of our commitment to sustainability we are determined to improve our energy efficiency performance wherever possible. To this end, we:

- carefully plan the amount of power resources we need to achieve operational reliability and effectiveness;
- provide our operations with the requisite amount of fuel within a set period of time;
- sign contracts with power suppliers;
- monitor power supply and consumption against approved budgets and energy efficiency targets;
- conduct regular energy efficiency audits across our operations; and
- appoint external agencies to inspect our operations and resolve power supply issues.
- across our sites we have installed new, modern equipment to improve operational efficiencies – for example, through better insulation, enhanced layout and relay protection. In addition to these measures, we have also:
- installed Digital Control Systems (DCS) and Automated Metering Systems (AMS) so we can manage operational processes online;

- created optimal power backup systems;
- optimised headcount;
- outsourced non-core aspects of power infrastructure;
- introduced energy efficiency indicators to key stages of production, such as mining, processing, transportation, storage and power generation; and
- upgraded energy-intensive equipment.

Energy savings

As part of our sustainable energy programme, we have also implemented numerous energy saving initiatives across our sites. For example, we have:

- introduced fuel and energy resource metering;
- introduced preventative equipment maintenance;
- installed LED lighting;
- installed frequency control drives and soft starters;
- started using heat from compressors to warm production buildings;
- carried out feasibility studies for a range of new energy products and technologies;
- conducted annual competitions for best ideas for energy saving; and
- introduced Group-wide energy audits on a five-year basis.

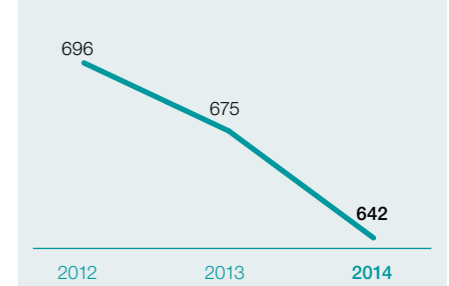
As a result of this work, in 2013 we saved 2,116 kWh of power and 34.8 tonnes of diesel fuel, and in 2014 we saved 1,495 tonnes of diesel.

Air emissions

Greenhouse gas emissions

Our operations produce direct greenhouse gas (GHG) emissions through the generation of heat and electricity from diesel generators, the burning of natural gas and coal, and the use of industrial and household landfills.

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



Direct energy consumption (thousand gigajoule)

	2014	2013	2012
Diesel (transport and mobile machinery)	3,361	2,687	2,358
Diesel power plants	2,093	2,106	1,813
Electricity generated	774	735	697
Heat	455	559	566
Coal	414	371	358
Natural gas	227	243	262
Petrol for transport	36	32	33
Total	7,360	6,734	6,088

Indirect energy consumption (thousand gigajoule)

	2014	2013	2012
Purchased electricity	1,580	1,489	1,211
Energy intensity (gigajoules per Kt of ore processed)	791	765	744
Ore processed (Kt)	11,300	10,749	9,809

Greenhouse gas emissions¹

	2014	2013	2012
Total GHG emissions (t)	725,226	725,366	682,531
– direct GHG emissions ² (t)	304,248	327,222	345,130
– indirect GHG emissions ³ (t)	420,978	398,144	337,401

	2014	2013	2012
GHG emissions intensity (CO ₂ eq, t/10 Kt of ore processed)	642	675	696
GHG emissions intensity (CO ₂ eq, t/Koz GE)	507	566	642

Other pollutants (t)

	2014	2013	2012
Sulphur dioxide (SO _x)	304	276	174
NO _x , (Nitrogen oxide + dioxide)	1,493	1,358	925
Inorganic dust (solid particles)	4,125	3,750	3,148
Carbon monoxide (CO)	1,852	1,684	1,387

¹ From 1 January 2013, the Group began calculating CO₂ emissions according to the reference book 'International Greenhouse Gases Emissions Inventory Methodology' developed by A. Zinchenko from the scientific and production corporation Atmosphere in St. Petersburg in 2003.

² Direct emissions include: CO₂-equivalent emissions produced by combustion of fuel (diesel fuel, petrol, gas, coal) and use of electric power when operating own power-generating facilities, automobile transport, main and auxiliary mining equipment.

³ Indirect emissions include: CO₂-equivalent emissions that relate to the generation of power purchased (imported) by the Company's operations.

Environment

Ensuring a consistent programme of environmental initiatives

We use established international methodology to calculate our CO₂ emissions. Direct CO₂ emissions resulting from our operations continued to fall, down to 304 Kt in 2014, compared to 327 Kt in 2013 and 345 Kt in 2012.

Indirect emissions and other pollutants released during production processes are shown in the table on page 27.

The increase in emissions of other pollutants between 2012 and 2014 is linked to the expansion of mining activities and energy use across our operations. However, during 2013/14, Polymetal emitted no ozone depleting substances, and overall Polymetal became much more efficient as an organisation. We aim to minimise emissions by ensuring that all vehicles and mining equipment we use are modern, feature the latest technology, and comply with European quality standards.

Biodiversity management

We make concerted efforts to minimise our impact on flora and fauna in the regions where we operate. We therefore do not operate in or adjacent to protected or vulnerable areas of land or bodies of water. We also do not operate on or adjacent to land that is identified as having natural, historical or cultural value for Indigenous Minorities of the North (IMN).

The majority of our operational sites are located in extreme northern territories which are low in conservational and biodiversity value. As a result, there are

no major biodiversity impacts arising from our operations. However, some of our production sites do extend to the forest and tundra areas of Russia's Far East, which are sparsely populated and home to certain rare and endangered species of plants and animals. Of the 11 mineral fields that we are currently developing, seven are situated in such areas, where the potential impacts of our operations on local biodiversity are:

- temporary extraction of land for mining and construction of facilities;
- temporary change in conditions necessary to support flora and fauna; and
- temporary change in conditions necessary to support invertebrates.

However, at all seven of these sites, and indeed at all of our fields, we operate a system designed to protect biodiversity. This involves baseline pre-development monitoring and the creation of protection and buffer zones away from key extraction, transport and construction activity.

All those working on a site, including contractors, undergo a programme of environmental, health and safety awareness training. This requires individuals to take personal responsibility for complying with procedures intended to minimise damage to flora and fauna. Additionally, once an extraction area has been worked out, we implement a comprehensive programme of land rehabilitation to reverse any environmental degradation that may have been caused.

To offset the water intensive nature of our operation, we have programmes in place to help sustain local fish populations.

At Mayskoye we have launched a project to help restore fisheries in neighbouring Kamchatka region. Mayskoye has signed a contract with the Federal State Agency of Fisheries and Water Bio Resources to compensate for damage done by the Company to aquatic bioresources and habitats. Under the terms of the contract, Mayskoye will invest in breeding and releasing over 7,000 chum salmon yearlings into the Zelenovsky Creek and Avacha River basin surface water streams in summer 2015.

At Varvara we are also using pit water to create new environments for fish stocks.

Planning for mine closures

Since all mines will eventually fully exploit their mineral resources and ore reserves and cease operating, closure planning is integrated into the development every one of our operating mines and development projects. An assessment of potential closure liabilities is undertaken once we start developing a project and is updated regularly.

Polymetal's long-term remediation obligations include decommissioning and restoration liabilities in compliance with the regulatory requirements in place in the countries where we operate. Suspension or abandonment costs are borne by the Company or, in the case of joint ventures or associates, are funded by Polymetal

and its partners, with the scope of assessment, legal and rehabilitation costs proportional to the share of ownership and determined by the relevant national laws.

The Company regularly assesses the financial liability related to abandonment or suspension at each site and ensures financial provisions are available to cover these costs. Geological, surveying and repair works ensure that once a mine is suspended or abandoned that shafts, drilling sites and buildings are not hazardous or dangerous, and environmental rehabilitation is also undertaken.

Five key environmental management projects for 2015-17

We have also identified five key environmental management projects for the period 2015-2017. These are:

- ➔ **Rehabilitation**
Rehabilitation of the pits in the Ozerny area.
- ➔ **Reconstruction**
Reconstruction of the dump facility for solid domestic and industrial waste in Lunnoye.
- ➔ **Wastewater purification**
Increased throughput of the emergency and storm wastewater purification station at Voro.
- ➔ **Sewage collector**
Construction of a sewage collector from the Amursk POX plant to a mechanical sewage purification station.
- ➔ **Recycling**
Recycling of industrial waste in Mayskoye.



Disturbed and rehabilitated land (hectares)

	2014	2013	2012
Amount of leased and owned land, total	13,224	11,762	11,443
Land disturbed as of 1 January	8,433 ¹	7,411	7,052
Land newly disturbed for the year	790	744	783
Land newly rehabilitated for the year	(42)	(18)	(424)
Remaining disturbed and not yet rehabilitated land as of 31 December	9,182	8,136 ¹	7,411

¹ The difference in land disturbed figures as at 31 December 2013 and 1 January 2014 is due to the acquisition of Kyzyl and the issue of associated land use planning permission, which was effective from 1 January 2014.

Case study

Minimising environmental impacts at Amursk POX

At Polymetal's Amursk POX, our management team has undertaken a range of measures to reduce environmental risks and ensure the ecological wellbeing of the local area.

The new state-of-the-art plant was built from scratch on a clean site in accordance with national and international standards. At the heart of the plant's impact-minimisation programme is the most technologically-advanced processing facility in Russia. This facility enables us to significantly reduce the dust emissions associated with traditional methods of open transportation and ore crushing. Flotation concentrate arrives at the plant ready to use, while consumables are delivered in tight packages to protect the contents from interaction with the environment. Furthermore, semi-dry tailings impoundment significantly reduces onsite water consumption and minimises the risk of ecological contamination.

In addition to these measures, a bespoke system of environmental monitoring has been developed at Amursk to protect staff and the environment from the various chemical compounds that are necessary for production. Monitoring is conducted by the plant's own laboratory, which is fully accredited, equipped with modern technology and staffed by qualified specialists. Monitoring is conducted on key indicators and takes into account impacts on air, water and subterranean material. Across the plant, air conditions are also regularly assessed within production zone parameters, with samples assessed three times a month at each territorial control point.

As part of the monitoring system, all plant employees are required to observe strict safety regulations and operate to exacting ecological standards. Our onsite ecologists also exercise special control over all types of production and household waste. The plant's main waste product is 'mineral cake', and at the cake warehouse the team uses waterproof film to prevent the transfer of substances into ground waters, plus hydrological wells to enable the monitoring of ground waters at depths of up to ten meters.

Water purification is another major component of the sustainability programme at Amursk. Across the site, four systems of reverse water supply are installed which allow for the water used in production to be purified and then reused. Quality control of 'technical' water is also carried out regularly within the production process. In addition, the plant purifies all types of storm and household sewage. After purifying, some of the plant's surface waste water is responsibly discharged into the Medvezhiy Stream which flows into the Padali Lake and the Amur River.



The efficiency of our monitoring is ensured by the versatility of research conducted and the accurate execution of the sampling schedule. Our plant water and air analysis is carried out monthly at six separate control points. Samples are measured for the content of calcium, nitrogen dioxide, nitrogen oxide, sulphur dioxide and dust, while monthly noise measurements are carried out in a sanitary zone. It is a robust system that enables us to accurately monitor and minimise our impact on the local environment."

Andrey Panishev
Head of Environmental Protection,
Amursk POX Plant



Case study

Promoting ecological safety: waste oil storage at Sopka

Soil pollution from waste oil leakage can present a major ecological challenge for mining companies. To address this issue at the Sopka mine site, in 2013 we created a special storage platform at the Omolon hub with a waterproof layer made from polymeric film. The 1.5mm-thick supersolid film forms a protective barrier which adheres to the strictest modern requirements for ecological safety and prevents harmful substances from filtering into the soil.

Wooden pallets with side fences and metal waterproofing were also constructed to hold and enclose the oil barrels on the platform. Combined, these measures ensure there is zero contact between the waste oil and any surrounding natural materials, with protection against soil pollution guaranteed for many years to come.

Previously, ecological safeguards at mine sites included the use of oiled sawdust and sand for the localisation and recovery of contaminants. However, the new sorbent film is much more effective and offers far greater protection in the event of an oil spill or leakage. Additionally, at Sopka, as at other Polymetal sites, employees receive rigorous training in oil spill prevention, elimination and recovery. Plant ecologists also hold regular meetings with third-party organisations to ensure all suppliers and contractors are up-to-speed with our policies and practices in relation to health, safety and environmental protection.



Soil surface can become easily contaminated at mine sites. Large concentrations of various chemical compounds in the soil can harm soil organism activity and reduce soil fertility. In turn, the polluted soils are a source of contamination of underground and surface waters during rain and snowmelt. But at Sopka, thanks to our special platforms, there are no oil waste stains or spills. Rigorous monitoring and testing have also confirmed the efficiency of our protective measures. These efforts to promote environmental safety at Sopka confirm Polymetal's commitment to sustainability."

Tatyana Klimenko
Head of the Department of
Environment Protection and
Industrial Hygiene at the Omolon hub

Investing in our people

Continuing to build on our dedicated commitment to our employees

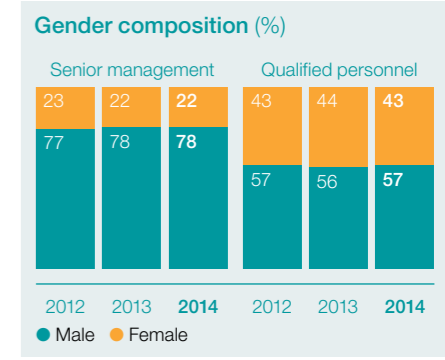
GRI G4-24

We invest significantly in the training, development and wellbeing of our employees. This investment is part of our commitment to them as people and professionals, and part of our commitment to the future success and sustainability of our business.



Who is responsible?	What guidelines do we follow?	Stakeholders	Priorities
Group CEO, HR Director and his team, managing directors and HR teams at our operations	UN Global Compact, Group Code of Conduct, National Labour Code, Standard Regulation on Social Conditions and Service Quality Control, Human Resources policies, Collective Agreements	Employees, specialised agencies, suppliers	Recruit and retain engaged and motivated employees, develop career pathways, improve communications with employees

Material Aspects			
<ul style="list-style-type: none"> • Employment • Labour/management relations • Training and education 	<ul style="list-style-type: none"> • Diversity and equal opportunity • Equal remuneration for women and men 	<ul style="list-style-type: none"> • Labour practices grievance mechanisms • Occupational health and safety • Non-discrimination 	<ul style="list-style-type: none"> • Freedom of association and collective bargaining • Human rights



As we expand our operations, we are looking to develop our stable, loyal and motivated employee base. Each year we deepen our internal Talent Pool, increasing the scope of our employees' expertise and building our leadership capabilities for the future. We also pay competitive salaries and provide equal terms of recruitment, employment and promotion, making Polymetal a highly attractive place to work.

Indeed, we believe that by providing an environment in which our employees feel well looked after, rewarded and listened to, we can continue to build the workforce we need to meet our long-term business goals.

Our approach

In our approach to human resource development, we aim to attract and retain the very best professionals by providing an inclusive, fair and enabling working environment. An environment in which good performance is rewarded, talent is developed and health and safety are protected.

Indeed, as a key stakeholder group, our employees expect a certain standard of behaviour from us. We aim to provide a high-quality workplace, career development opportunities and direction. In return, our employees are expected to adhere to our Company Code of Conduct.

The Polymetal Code of Conduct is supported by specific policies on recruitment and equality, professional development, appraisal, training, resources and skills, organisational design, productivity, motivation and reward.

The Code also communicates our position on harassment and bullying, drugs, conflicts of interest, bribery, entertainment/gifts, government relations, anti-trust and anti-competition laws, community relations, insider dealing, data protection, transparency/disclosure and environmental protection. By listening to our employees and ensuring they abide by our codes and policies, we aim to build a corporate culture based on mutual respect and understanding.

Employment policies

In line with the UN Global Compact and International Labour Organisation Principles, our main employment objectives are to build a workforce that is motivated to achieve our organisational targets, and create working conditions and a system of incentives that improve safety. We also seek to supply Company operations with appropriately skilled personnel, and operate a continuous employee skills improvement programme.

To ensure that we meet these objectives, we have developed a range of corporate policies and procedures which frame the Company's employment principles. These are coordinated by our Group Head of Human Resources from our Russian headquarters in St. Petersburg. They are implemented by our Human Resources Committee and the Managing Directors of our operating subsidiaries in collaboration with their HR teams.

Our core employment policies cover:

Workforce diversity and anti-discrimination
We believe that workforce diversity is a strength and we are deeply committed to equal opportunities and terms of employment. We actively recruit people on merit, eliminating any discrimination on the grounds of race, skin colour, gender, religion, political opinions, nationality or social origin. In particular, we aim to create the conditions for the greater inclusion of women within our workforce and leadership.

In support of these efforts, we also comply with Russian constitutional and international standards on staff and management equality, ensuring that our employees work in a fair and respectful environment.

In 2013/14, no cases of discrimination were reported within the Company.

Investing in our people

Training, motivation and reward at the core of our activities

1.2 US\$m

investment in training 2013/14 for almost 10,000 employees

GRI G4-27

→ **Anti-corruption**

We educate our employees on preventing corruption and its potential impact on our business. We also implement a range of measures designed to prevent corrupt practices and fraudulent transactions among our workforce, our contractors and our suppliers.

In 2013/14, we continued our training curriculum on all aspects of corruption; 66 seminars on anti-corruption measures were attended by 3,000 Polymetal employees, including all regional managing directors.

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

→ **Motivation**

We take great pride in the high levels of motivation and engagement within our workforce. By inspiring our employees and recognising their achievements, we aim to strengthen their commitment and performance.

Our core motivation measures include competitive levels of pay, output-linked remuneration, fair social benefits and effective feedback mechanisms.

→ **Induction**

It is essential that new employees are immersed in our Company culture and codes of conduct. By successfully integrating new recruits into the Company, we ensure that our mission, vision and values are upheld and reflected across our operations.

→ **Training and education**

We invest in training across the Company to develop our employees' skills and capabilities. Through training, we enhance performance across the Company and ensure our workforce can meet our operational requirements, while also helping employees to further their own careers.

→ **Employee appraisal**

We appraise employees' skills in line with performance targets, giving fair and constructive feedback designed to maximise employee effectiveness for the benefit of the Company and the individual.

→ **Organisational design**

As part of our commitment to sustainability, we aim to achieve operational and organisational efficiency at all levels. To this end we have centralised our management functions, streamlined roles across our operating companies, and introduced rotating schedules where appropriate.

→ **Headcount**

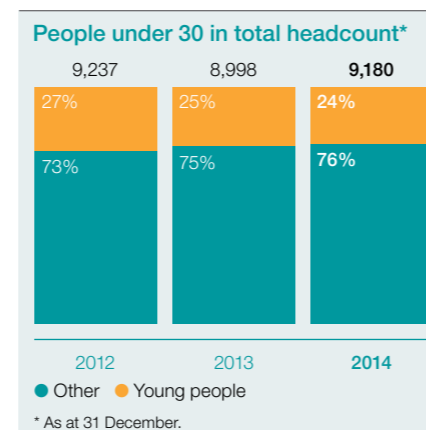
We are committed to sustainable cost reduction through the automation of inefficient manual processes. By using appropriate and effective automation technology, we can reduce costs without necessarily reducing staff numbers.

Headcount and diversity

As at 31 December 2014, we employed 9,180 people across the Group's production, exploration, research, development, design, logistics and management activities. Most of those working in extraction and exploration work on a fly-in-fly-out basis, due to the demanding nature of the work and the remote locations of many sites. On average, shift workers account for 41% of our total headcount.

In 2013/14, women occupied 22% of our management roles, compared to 23% in 2012. In 2014, the proportion of women working in the Group was 22%. Women represent 22% of Board members, 22% of senior management positions, and 43% of qualified employees.

We have also been working with local universities to provide internships and pathways into the business for 'young specialist' graduates. In total, in 2013/14 we employed 714 people under the age of 30 across the Company. By the end of 2014, employees under 30 accounted for 24% of our workforce. Please see the chart below.



Salaries and benefits

We strongly believe in acknowledging and rewarding our employees' achievements. We offer competitive and fair rates of pay and benefits to ensure we can attract and retain the best people. Our levels of salary and remuneration exceed regional averages in all our areas of operation (see chart opposite), while our long-term incentives are linked to employees' performance and potential.

Within the Company, our remuneration structure is built around a base salary, which comprises a fixed salary and allowance based on an employee's qualifications and personal attributes. For operational staff, we provide a time-paid salary which is calculated according to the number of hours worked, the amount of work done, and monthly and annual allowances based on performance and available funds. In these measures, we comply with and exceed all legal requirements in Russia and Kazakhstan.

We also offer an annual bonus scheme for all professional staff which is linked to targets based on Company KPIs. Meanwhile, our social benefits package offers employees many kinds of support and compensation, including:

- financial aid for those experiencing difficult life circumstances;
- assistance with kindergarten, after-school and holiday camp fees;
- compensation of travel costs for those travelling to our facilities (including their family members) from other regions;
- once-yearly reimbursement of holiday travel costs for all family members for those working in remote locations;
- housing assistance;
- mortgage sponsorships; and
- 60 days of paid holiday a year for workers engaged in mining in the Far North.

During 2013/14, we continued to demonstrate our deep commitment to our employees. Despite macroeconomic headwinds, we sustained stable wage growth across the Group in line with inflation, maintaining our position as an attractive employer in the labour market in the regions where we operate.

We also continued to deliver improvements to employees' working conditions, especially for those undertaking shift work in remote areas with severe climates. Key achievements included the construction of a modern workers' dormitory in Mayskoye, comprehensive repair of dormitories at Dukat, and the commissioning of state-of-the-art sports facilities in some of our more remote locations.

Training and development

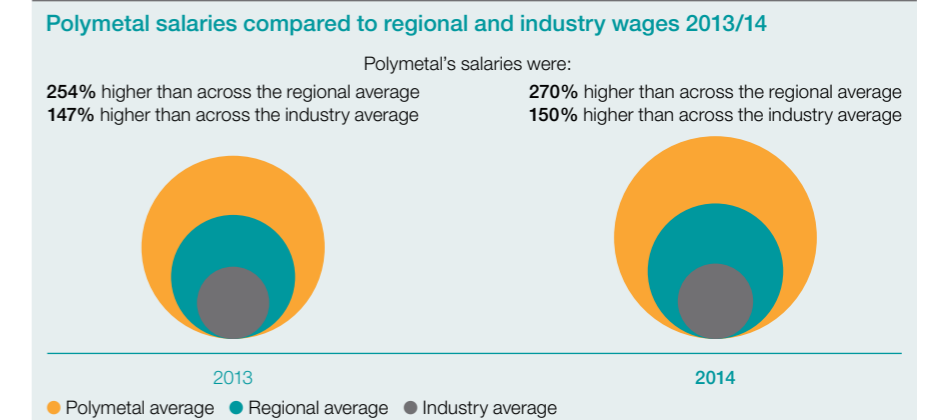
We invest in training and development to enhance the capabilities of our people. Our training programmes are designed to create the workforce we need to meet our operational and strategic goals, and to offer our employees opportunities for career progression.

All Polymetal employees have access to a comprehensive training programme, covering general aspects of our operations and specific technical

curricula. This is delivered as part of an appraisal system that measures employee development and maps out career pathways. When an employee joins the Company, they undergo an initial appraisal as part of a detailed training plan which is then drawn up and agreed.

General management and specialist technical training is delivered through Corporate Training Centres, via our own specialists and/or external providers. We have also developed the Polymetal Talent Pool, which is our primary mechanism for developing the next generation of skilled managers. Additionally, employees have the chance to attend training sessions with other international mining companies in order to broaden their range of influences.

For the past five years, we have implemented a distance learning system for pre-certification training in industrial and occupational safety. This system is an efficient means of reaching employees in remote locations – enhancing productivity and effectiveness, while reducing associated costs. It also complements the work of our Corporate Training Centre in St. Petersburg and the teaching facilities present on most of our sites.

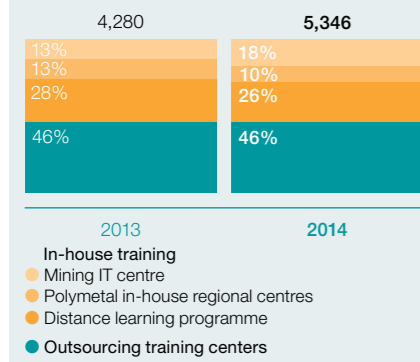


Investing in our people

A clear platform for employee relations and HR management

GRI G4-27

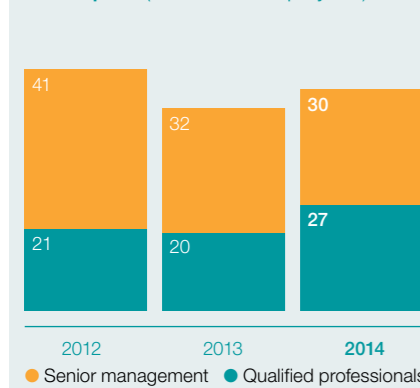
Training 2013/2014
(number of employees trained)



Training in 2013/14

We invested US\$0.7 million in 2014 and US\$0.5 million in 2013 in professional training across all disciplines (compared to US\$1.1 million in 2012 and US\$0.9 million in 2011). This means that 9,626 employees received some form of professional development training during the reporting period. In 2013/14, the average number of hours of training for managers and qualified employees was 49 and 72 hours per person respectively. The average hours of training for all other employees increased from 111 to 139, reflecting the good work done in this area.

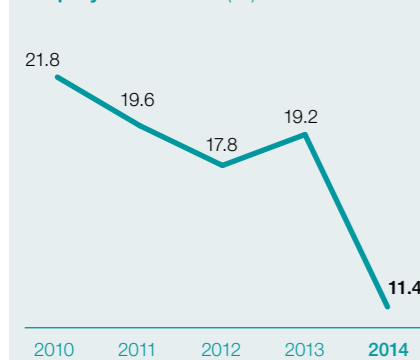
Talent pool (number of employees)



In 2013, for the first time, students underwent training at our new training centre in Magadan, while our St. Petersburg training centre expanded its pool of training programmes from 11 in 2012 to 31 in 2014. We also made staff assessments more targeted, meaning all employees enrolled in the Polymetal Talent Pool now undergo evaluations based on their professional merits and receive individual development plans based on their training needs.

Elsewhere, we continued to hold our annual scientific and industrial conference for our young professionals. In 2014, the conference was held for the first time in three separate regions simultaneously – Magadan, Khabarovsk and Ekaterinburg. Now, more of our young professionals have the opportunity to articulate and explore their research interests and, in some cases, pursue career development opportunities.

Employee turnover (%)



Employee turnover

Over the past few years we managed to significantly reduce our average employee turnover rate (including fly-in/fly-out operations). It was 11.4% in 2014 and 18.5% in 2013, compared to 17.8% in 2012 and 19.6% in 2011.

In support of our efforts to reduce employee turnover and promote mobility of the workforce across operations, during 2013/14 we established the Polymetal Human Resources Committee, whose main responsibility is to plan staff rotations and fill key positions within the Company. Rotations into these positions are based on candidates' performance and qualifications, as determined by the Committee. Previously this process had not been formalised; now we are able to manage and plan rotations in line with stakeholders' views and expectations, and in a way that best meets the operational and commercial needs of the Company.

GRI G4-24; G4-26; G4-27

Employee relations

We support our employees' right to freedom of association, open and honest dialogue and their desire to enter into collective agreements.

In 2013/14, 100% of our employees were covered by collective bargaining agreements at our operating sites in Russia and Kazakhstan (up from 82% in 2012). At each of these sites, at least one employee (with a maximum of nine) sits on a Labour Relations Commission (LRC), a vehicle for discussing work-related queries and concerns between employer and employees.

As well as meetings of the LRCs and Workers' Councils, we have initiated a system of formal feedback sessions (taking place at least twice a year), during which employees can provide feedback to senior management on any issues of concern. Employees can direct questions and comments via five channels: they can address enquiries to their line managers, through public or personal meetings, through 'Suggestions and Questions' boxes or directly via email or telephone. They have access to lists of key contacts that are posted on information boards at

all of our operational sites. Senior management commits to providing an adequate response and, in 2013/14, more than 1,836 such enquiries were received and answered to the satisfaction of the individuals concerned.

Our experience in regulating employee relations is underpinned by a system of social partnership based on the following principles:

- equality of the parties;
- consideration of mutual interests when developing, adopting and implementing decisions relating to Polymetal operations;
- strict observance of local social and labour regulations; and
- constructive dialogue between social partners on all social and labour issues.

In line with these principles, we provide timely communication of information on changes in working conditions and other significant events. Our policy on notice periods, for example, is clearly communicated to all employees, as follows in the table below.

Human resources development objectives

Looking ahead to 2015 and beyond, our key objectives are as follows:

- to enhance the efficiency of training received by employees in the Talent Pool;
- to expand training programmes and course diversity across the Company's training centres, and to select external training providers more carefully;
- to continue our collaboration with leading universities to attract talented young students to the Company via targeted internships;
- to develop training for specific roles where 'skills bottlenecks' have been identified, e.g. Processing Plant Superintendent, Chief Engineer and Head of Electric and Mechanical Service;
- to further develop employee feedback via new channels with a view to improving our Internal Corporate Portal; and
- to maintain existing levels of employee turnover.

Key employment terms and notice periods

The base of the employee notice	Period of notice in accordance with the legislation of the Russian Federation and the Collective Agreement	Period of notice in accordance with the legislation of the Republic of Kazakhstan and the Collective Agreement
Changes in the terms of the employment contract determined by the parties due to changes of organisational or operational working conditions	In written form at least two months ahead	In written form at least one month ahead
Introduction of/changes in/review of worktime standards	At least two months before they come into effect	At least one month before they come into effect
Upcoming dismissal due to staff redundancy (Company's liquidation)	In written form at least two months ahead	In written form at least one month ahead of dismissal

Case study

Developing the next generation: the Polymetal Talent Pool



The Polymetal Talent Pool is our primary mechanism for promoting in-house personnel and developing the next generation of skilled managers.

The Talent Pool includes two lists: one drafted by the Group CEO, which features top manager roles in all Group subsidiaries, from Director to Plant Superintendent (see the chart below); and another drafted by Managing Directors, featuring positions such as Chief Engineer, Chief Geologist and Chief Surveyor.

Every January we conduct employee evaluations based on staff interview results and recommendations made by Company directors and chief engineers. Following these evaluations, we draw up a list of potential candidates for the positions identified in the Talent Pool, also adding the names of winners of the Polymetal annual scientific and industrial conferences for Young Professionals.

Polymetal's bespoke evaluation system is based on a 360 degree assessment, therefore it gives the Company a complete perspective of candidates' qualities and potential by drawing on multiple peer opinions and assessments. Feeding into the Talent Pool selection process, 360 degree assessment makes candidate selection more fair and democratic and avoids any risk of promotion based on personal preferences.

Once assessments are made and probable roles allocated, we devise personal development plans which identify the training and education courses an individual requires in order to fulfil their professional potential. Mentoring is also a key part of the process, with each candidate allocated two coaches – one from an operating mine and one from a local (regional) branch of Polymetal Management. These coaches create individual annual development programmes and review them each month in order to assess a candidate's progress and achievements.

Talent Pool snapshot

In 2013, we assessed all employees in the Polymetal Talent Pool. Like his fellow Talent Pool members, Sergey Zakharov scored highly in the assessment. At the time, Sergey worked as the Head of the Technical Planning Department in Khakanja but was on the waiting list for the role of Chief Engineer. Before long this role became available in Omolon, and due to his high Talent Pool assessment score, Sergey was promoted into the position.



Today we have many candidates on the Talent Pool list – many more than we ever expected. This means we have many employees who are rated highly by their colleagues. The Talent Pool has made them more visible and will help them to build their own career paths."

Larissa Krutaya
Head of Recruiting



Case study

Polymetal's new Mining IT Centre

It is no secret that our people are one of our most important assets. They drive the success of our business and Polymetal's management tries wherever possible to retain its key personnel in all areas. However, in order to leverage our people's accumulated experience and capabilities for the benefit of the Company, we need to provide regular and tailored training and development.

One area where training is especially critical is IT. At Polymetal we use a variety of computer programmes and electronic documentation to make our business processes fast and effective and to help in the design of mining projects. Our people need to become proficient with the specialised software if they want to become truly integrated into the Company. Rather than relying on external training to meet this need, in 2012 we

developed our own digital training hub – the Mining IT Centre. The Centre enables us to train our people more effectively in all internal IT processes, systems and software, and to explore training opportunities that can meet their individual needs. As a result of these developments, in the two years to 2014 we have transitioned to a new level of employee training and knowledge-sharing across the Company.

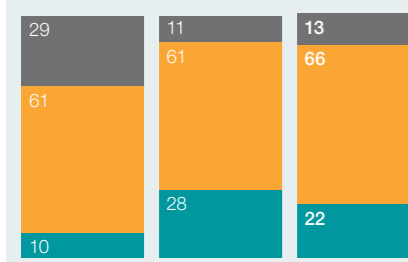
The first Mining IT Centre programme was designed to educate engineers to use Data-Mine software. Since then, courses covering accounting, exploration, engineering and production processes have been organised to provide training to all personnel and help us develop genuine breadth of expertise across the Company.



Nowadays, there are more than 30 different courses covering accounting, exploration, engineering and processes such as open-pit mining, underground mining, drilling and blasting. These are taught by our in-house consultants and instructor, and new programmes can be created through the Mining IT Centre to meet individual training requirements. It's a very responsive system."

Konstantin Bortsov
Head of Mining IT Centre

Appointments to top-level vacancies (%)



● External recruiting
● In-house promotions
● In-house appointments from the Talent Pool



Health and safety

Dedicated to improving our performance and systems

GRI G4-24

Protecting the health and safety of our employees is a major priority for Polymetal. We care deeply about our people; they are part of the Polymetal family and we are committed to keeping them safe and well in everything that they do. They are also our prize asset; their skills and expertise are essential to the future of our business, and maintaining a healthy workforce is critical to our ongoing productivity and success.



Who is responsible?	What guidelines do we follow?	Stakeholders	Priorities
Group CEO, Chief Operating Officer, HSE Director, Head of Health and Safety, managing directors, chief engineers and Health and Safety managers at our operations, HR department	UN Global Compact, Group Code of Conduct, Health and Safety Policy, OHSAS 18001, ILO-OSH 2001 and Management systems relating to labour protection, adhering to national occupational safety standards	Employees, specialised government agencies, independent auditors	Maintain a safe working environment for all employees; prevent workplace accidents and work-related illnesses; comply with relevant regulations and standards and embed responsible safety behaviour across every aspect of our operations

Material Aspects
<ul style="list-style-type: none"> Types of injury Rates of injury Occupational diseases Lost days, and absenteeism Total number of work-related accidents Risk assessment and management Emergency preparedness

We know, of course, that mining is a dangerous operation. Our people work in challenging conditions and remote locations where it can be difficult to enforce stringent safety procedures. However, each year, as our operations expand, we are learning more about how best to engage our people with health and safety issues and improve internal attitudes and behaviours. In this way, we are on a path of continual improvement as we strive to create a 'zero harm' culture in which everyone takes responsibility for personal safety and wellbeing.

Approach

Our approach to safety is shaped by our commitment to our people. Our employees' wellbeing is our number one concern and influences everything that we do – it is part of the very fabric of our organisation. As such, we are continually looking to improve the way we manage risks and enhance the systems we have in place to protect our employees from harm.

With the expansion of our underground mining operations, our focus on safety has intensified in recent years. Now more than ever it is imperative that we promote excellent safety behaviours and create a culture that will ensure our people – and our contractors – return home safely.

Our overall approach is set by the Company's Health and Safety Policy and underpinned by our employee protection and workplace safety management system. We also follow best practice in our management of industrial risks to protect our employees and safeguard the interests of local populations.

As part of our commitment in this area, we comply with the health and safety legislation of the states and regions where we operate, and we meet all relevant international requirements. Indeed, our employee protection and workplace safety management system is based on the most up-to-date health and safety standards, including ILO-OSH 2001, OHSAS 18001 and GOST R 12.0.007-2009.

Polymetal operates 120 production sites and processes, including open and underground mines, geological exploration sites, ore processing and explosives depots. Each of these sites has its own inherent risks, and in Russia and Kazakhstan 92 of our production facilities are deemed 'hazardous'.

Across these facilities – all of which are fully insured – the main elements of our health and safety system are designed to help us detect, assess and manage production risks; ensure employee health and workplace safety; ensure the safe use of buildings, other structures and all equipment; and control all supervision measures and conduct internal audits.

During 2013/14, our health and safety focus areas were:

- training of engineering personnel in risk assessment and management;
- early identification of hazards and workplace risk management based on individual needs of employees;
- promotion of safety behaviours among workers; and
- a comprehensive analysis of our health and safety system in response to the recent deterioration of performance (see page 43). As part of this process, we reviewed all workplace incidents and fatalities and took appropriate actions to eliminate these risks in the future.

Risk assessment

The assessment and management of risk is a core component of our approach to health and safety. Across all our facilities, we follow a shift-by-shift risk assessment (SRA) model which helps raise employee awareness of workplace hazards. In particular, SRA is applied to hazardous areas of our operations, such as automobile transport, mines, and plant and power supply.

SRA is part of a wider feedback system which gives employees an opportunity to participate in risk management across the Company. Risks are assessed to determine on-site hazard levels and inform appropriate management and mitigation measures, while employees are given a 'map of activities' to follow to ensure their own personal safety.

Once a year, in December, qualitative risk assessments are made based on the probability and potential consequences of an undesirable event. The results of these assessments are then communicated to employees in a number of ways, for example via information boards, leaflets, meetings and seminars.

We also conduct risk re-assessments related to accidents or incidents that have occurred during the year. In 2013/14, our re-assessments revealed problematic areas within our production processes, such as underground mining, unsafe working environments, threat control and individual safety and personal responsibility.

Health and safety

Implementing a detailed review and analysis system to improve our record

GRI G4-26

Risk management focus areas

Through our risk assessments, we know we can successfully identify and assess risks across our operations. However, we also know we have to improve and review our risk management processes and identify the most dangerous aspects of our sites; for example, we need to eliminate the risk of rock falls in underground mines and ensure that no one enters dangerous areas without protective equipment or clothing.

We also intend to develop a mentoring system, whereby experienced workers can monitor and assess employee activities, and share their knowledge and insights with new staff arrivals. We aim to intensify safety training and ensure that everyone is aware not only of safety rules, but also of the technological processes and equipment in use at the sites they work at. In addition, we are developing and improving safety behaviours and ensuring that every employee works according to our shift-by-shift risk assessment system.

Finally, we are aware that we need to review and change the classification of threats at production sites, and ensure that employees and subcontractors are able to correctly classify and respond to these threats.

Emergency preparedness

As part of our commitment to health and safety, we aim to ensure we are prepared for any emergency that may pose a threat to the wellbeing of our people.

We conduct training and simulated emergency events at least once a year at each of our 92 hazardous production facilities. At the most hazardous sites we conduct these sessions more often, as frequently as once per month.

Our emergency preparedness measures are compliant with the legal obligations and requirements of the countries in which we operate. At each of our facilities we have developed Accident Prevention plans in collaboration with local emergency authorities.

To enhance our emergency preparedness we:

- continue to refine the Health and Safety Management System currently in place at all our operations;
- ensure our operations are licensed for certain safety activities;
- carry out safety audits for all buildings, constructions and technical facilities used in hazardous procedures; and
- signed mandatory liability insurance agreements to indemnify harm caused by potential accidents in hazardous production facilities.

Health and safety performance

Company statistics

	2014	2013	2012	2011
Total accidents	11	11	11	11
– fatal	3	1	0	0
Incidents	1	0	0	2
Occurrences	25	24	20	15
LTIFR	0.65	0.59	0.59	0.70
FIFR	0.18	0.06	0	0

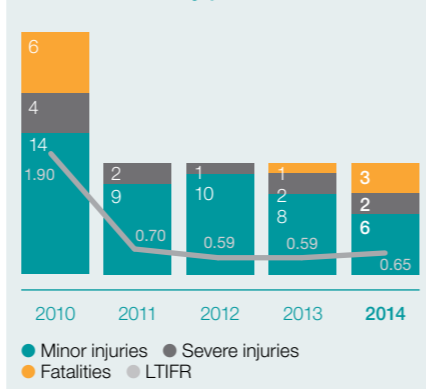
Contractor statistics

	2014	2013	2012	2011
Total accidents	7	7	4	NA
– fatal	1	0	1	NA
Occurrences	13	22	22	NA
LTIFR	1.4	1.2	0.8	NA
FIFR	0.2	0	0.2	NA

Definition of H&S terms

Accident: an unfortunate event that occurs in the course of work, on the way to or from work, or in a Company vehicle, which leads to mental or physical harm.
Incident: an event that gives rise to an accident, or has the potential to lead to an accident (for example, an unexpected explosion and/or the release of dangerous substances).
Occurrence: a failure, near miss or dangerous event.
LTIFR: Lost Time Injury Frequency Rate per one million hours worked.
FIFR: Fatal Injury Frequency Rate per one million hours worked.

Health and safety performance



Performance

Workplace accidents

It is with the deepest regret that we report that during 2013/14 there were four fatalities across the Group. There was also one workplace fatality at a contractor's site. We extend our deepest condolences to the families and friends of those who lost their lives; we share in their loss and would like to pay tribute to the hard work and commitment of the men who died. We are of course covering all related costs and providing extended financial support to the families of the deceased.

Any fatality, accident or injury within our operations is wholly unacceptable, and we know we have to do more to reduce workplace risks and improve the health and safety performance of our employees and contractors. In 2015-2016, we aim to return to our previous record of zero fatalities across all sites and operations.

In 2013/14, there were additional 18 non-fatal accidents in total across the Polymetal Group. Of these, four were severe and 14 minor. Again, this level of injury is deeply concerning and we are committing significant resources to ensure there is no repeat of such incidents in the future.

Analysis and response

In order to understand why our safety performance declined in 2013/14 and to inform a rapid and effective response, we carried out an in-depth analysis of all workplace accidents in this period.

This analysis shows that the rise in the number of workplace accidents was partially attributable to the increased scope of underground mining at our operations in complex geo-technical environments. Of the fatalities that occurred during 2013/14, two were the result of safety rule violations during blasting and electrical operations. During a blast on 6 November 2013 a blaster was fatally injured by a piece of rock at the Ozerny mine (Khakanja hub). On 19 February 2014, an electrician was fatally injured when he was working with

high voltage equipment. The other two accidents were related to rock mass falls in underground mines due to seasonal changes in geo-mechanical conditions – blasters were fatally injured in underground accidents on 15 April 2014 at Mayskoye and on 16 August 2014 at Dukat. Of the non-fatal injuries that occurred, most of them were the result of safety rule violations by employees; 27% resulted from rock mass falling, while others involved transport and moving machines.

In response, we have already launched new risk assessment systems and begun implementing additional measures to ensure the proper enforcement of existing safety standards and management procedures. We hired Bureau Veritas to conduct an external audit of the Company's occupational health and safety management system and received recommendations which are being implemented in our operation processes. We have carried out detailed assessments of the most dangerous workplaces, and established personal control over the implementation of additional safety measures. Polymetal aims to increase the importance of the shift-time risk assessment system and has launched an electronic three-stage control system (see case studies on pages 46-47).

We are also taking further action to extend personal safety and risk awareness across our operating mines, and devising corrective and preventative measures in relation to each specific accident. Polymetal continuously monitors employees' disciplinary procedures and reviews the safety performance of the technical staff at the most problematic operations.

One of our main corporate KPIs is the ongoing reduction of our Lost Time Injury Frequency Rate (LTIFR) and the achievement of a zero Fatal Injury Frequency Rate (FIFR). Improving our performance in this area is our number one priority and we are currently refocusing our efforts to ensure we return to the zero fatalities achieved in 2011/12.

Occupational diseases

Each of our employees receives – as a minimum – an annual hospital check to assess their health and wellbeing. Our in-house medical professionals also continuously monitor employee health and respond to any health-related issues as and when they arise. In certain cases our medical team will recommend a specific course of treatment or time away from work if necessary.

As in 2011 and 2012, there were no cases of occupational diseases recorded in 2013/14.

New system implementation and actions

In response to the fatalities in 2013/14, we increased the level of training, hazard visualisation and use of safety videos across our operations – particularly for those workers in high-risk roles, such as blasters, drifters and timber-men.

We also implemented a range of new safety measures and actions designed to enhance our existing Occupational Health and Safety Management System (OHSMS). These actions included:

- updating our OHSMS policy and objectives;
- fine-tuning underground mining technology;
- carrying out a comprehensive analysis of all work-related injuries and their causes;
- conducting a rigorous assessment of our OHSMS to identify inefficiencies and weak points;
- an external OHSMS audit by Bureau Veritas;
- appointing new personnel to oversee health and safety at certain mine sites; and
- launching an upgraded shift-by-shift risk assessment system.

Health and safety

Keeping training and monitoring at the core of our development

Progress against goals in 2013/14

In our last Sustainability Report, we set our health and safety priorities for 2013-15.

We said...	We did...
<p>We would enhance our training capabilities by:</p> <ul style="list-style-type: none"> providing full-time training on risk management; providing compulsory education in distance learning mode; and building a knowledge base with universal unlimited access for all employees. 	<p>To achieve these targets, we:</p> <ul style="list-style-type: none"> continued to prioritise training as one of our main health and safety objectives and a core aspect of our commitment to employees; continued to tailor training to identified areas of need and exceeded the mandatory minimum hours of training required by law; extended the amount and scope of training information and materials, including related documents in our corporate software for in-house professional training; developed a special online distance learning course on health and safety available for each employee; conducted benchmarking analysis of best practices in H&S and submitted it to engineers and senior staff; and rolled out additional training on risk management to 60% of the engineers and technical management in each operation.
<p>We would enhance our visualisation capabilities by:</p> <ul style="list-style-type: none"> developing scenarios for posters and videos; and reviewing, classifying and standardising all visualisation sources. 	<p>To achieve these targets, we:</p> <ul style="list-style-type: none"> conducted zoning in almost all industrial buildings and facilities, indicating 'dangerous', 'working' and 'safe' zones by red, yellow and green lines respectively; updated health and safety materials and started broadcasting health and safety videos on TV screens and monitors in our production sites and public locations; and distributed animated health and safety messages and presentations throughout our facilities.
<p>We would enhance our automation capabilities by:</p> <ul style="list-style-type: none"> automating production control, reporting and analysis; and using software to report on safety and record accidents – replacing paper registers. 	<p>To achieve these targets, we:</p> <ul style="list-style-type: none"> launched a pilot Health and Safety Management and Control System. The system was designed by our professionals and registers production control results in electronic format; and gave all engineers, technical managers and supervisors access to the Control System, enabling us to collect and quickly analyse data obtained in audits, and to make decisions, carry out corrective and preventive measures and monitor their implementation.

Health and safety objectives 2015-2017

To help improve our overall health and safety performance, last year we developed a new Health and Safety policy for the Group and set a range of associated objectives, as follows:

- **Rock-fall risk isolation**
To isolate the risk of rock-fall in underground environments, and to prevent injuries caused by this risk.
- **Monthly risk assessments**
To create conditions for our employees that promote safe behaviour, and to ensure that employees working in the most hazardous environments undergo monthly risk assessments (MRA).

- **Analysis of MRA**
To rigorously analyse MRA results and devise appropriate and impactful measures in response to any inefficiencies or weak points revealed

- **Risk reduction**
To reduce the level of most significant risks that caused injury in the period 2011-2014, and to ensure that monthly injury rates are reduced by 10% against average quarterly indicators from the same period.

- **System automation**
To automate the planning, reporting and analysis of each business unit's health and safety control results, and to implement the Industrial Safety Control and Management Programme across all of our operations
- **Extending Health and Safety Management System**
To extend our Health and Safety Management System to all production processes and work performed by Polymetal employees and by contractors on our premises.



Case study

Employee-led risk assessments: creating ownership, increasing responsibility

As part of our commitment to health and safety, Polymetal has introduced an innovative new approach to workplace risk assessments, whereby employees themselves take responsibility for risk analysis and reporting. We believe that by empowering our people in this way, their heightened sense of ownership and awareness will lead to improvements in safety behaviours and conditions.

This approach involves rigorous analysis of safety data and reports provided by the Accident Investigation Commission (AIC). Studying the AIC's information, we discovered that 80% of the injuries that occurred across our operations in 2013 were the result of unsafe behaviour and carelessness on the part of our employees. Around 20% were caused by poor preparedness and supervision within the workplace. Our new system, therefore, aims to create a culture of safety by encouraging employees to take responsibility for their actions and workplace safety.

Before beginning their shifts, employees are now asked to assess working conditions and determine whether or not they are safe. As part of this process, we have developed a computer programme which requires employees to fill in a digital record book before they begin their work. The system was first piloted at the Dukat plant and, based on its success there, was subsequently rolled out across all Polymetal operating mines.

By filling in the electronic record book, employees are able to contribute to health and safety by recording potential hazards and making suggestions for improvements. Moreover, supervisors have direct access to the record book; this enables them to respond quickly to any problems and manage any risks before a shift begins.

Our new employee-led risk assessment programme supports our overall aim of improving conditions in line with employees' needs and expectations, and providing a safer and more comfortable working environment across all our operations. It will also help us further reduce our Lost Time Injury Frequency Rate, and achieve our number one priority of achieving zero fatalities.



The core principle of successful health and safety management is individual risk assessment of working conditions. Our major objective is to promote shift-by-shift risk assessment and involve every employee in health and safety management."

Vitaly Savchenko
Polymetal COO



Case study

Health and safety 'super e-assistant'

In 2010 we introduced a new electronic system designed to monitor safety violations. The system was piloted at Voro, and by the end of 2014 had been rolled out across the rest of our operations, making our safety monitoring processes more simple, transparent and effective.

Previously, all monitoring information was recorded on paper, creating a heavy flow of hard-copy data. Now, however, the new electronic system – with its specially designed software – has streamlined and simplified this process. We developed a Company-wide course to bring all relevant staff up to speed with the new technology and procedures, and the system implementation was approved by the Russian State Technical Agency.

With three levels of control, the new system allows workers, managers and seniors to obtain access to all types of information on violations, their causes and consequences, within five minutes of any incident. What's more, the system is entirely protected against loss of data.

Today, there are more than 200 employees using the programme at Voro, with user numbers increasing daily across our other regions and facilities. Users can share their experience with others and report violations. Moreover, if a specific violation is not eliminated, it becomes a risk and is automatically brought to the attention of the management.

Our aim is to bring all data generated by users into one large database, providing a vital reference bank for the future. We are also developing additional software and mechanisms to help improve the process of data capture and input. Once this has been achieved, we will design algorithms based on historical violation data to help prevent future incidents.



This system saves time and lives. Managers do not need to leave their offices every day to check paper record books; instead, they now use the program to access data, see the trends and plan work effectively."

Konstantin Savchuk
Head of Health and Safety at Polymetal

Communities

Building strong relationships with local communities

GRI G4-24

Our aim is to have a positive impact on local communities in the regions where we operate. We believe in building strong relationships with local people and ensuring that our business activities enhance their quality of life.



Who is responsible?	What guidelines do we follow?	Stakeholders	Priorities
Group CEO, PR Director, Technical Council, subsidiary managing directors working with heads of Finance, Communications, Operations and HR.	UN Global Compact, Group Code of Conduct, Policy on Social Investment, Community Relationship Management System.	Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs.	Expand the range of community partnership agreements, improve the quality of life for communities, improve communication and co-operation with communities, promote sports and cultural activities.

Material Aspects

- Local communities
- Public policy
- Investment
- Development and impact of infrastructure investments
- Formal agreements with indigenous people and local communities
- Grievance mechanisms for impacts on society
- Rights of indigenous people
- Resettlement

30

meetings, public gatherings and hearings for local communities and indigenous people were held during 2013/14

GRI G4-27

We interact with local people and community groups in different ways. As an employer, we provide local employment opportunities across all our sites and facilities. We commission and use local services, helping to stimulate local economies and supply chains. And we actively invest in local infrastructure, health, education and culture, always looking to promote and protect community interests.

While our operations also generate waste materials and emissions, we have robust measures in place to manage and mitigate these impacts. Indeed, we go beyond our regulatory obligations to ensure our operations do not adversely affect local communities or environments.

Approach

We know that our business cannot operate without licence from local communities and authorities. Establishing goodwill, trust and understanding locally is central to our corporate ethos and approach, and we are passionate about building strong links in the regions where we work.

Geographically, the scope of our operational activities is vast. It encompasses the Magadan Region, Khabarovsk Territory, the Chukotka Autonomous Territory, Northern Urals and Kazakhstan, and is expanding every year in these areas. This means that our interactions with local populations are widespread and diverse.

Our approach to these interactions is shaped by our firm commitment to corporate responsibility. We believe strongly that as our influence and

activities expand, so do our responsibilities to those people whose lives we touch. In our approach we also follow several international standards and conventions, including the UN Global Compact and the UN Declaration on the Rights of Indigenous Peoples.

Our ultimate aim in this area is to achieve a balance between Polymetal's commercial interests and the interests of the communities we engage with. We do this by delivering social investment, expanding local infrastructure and developing related industries to stimulate economic development. We pay regional taxes and consume regional services and resources, while also training and recruiting local professionals and helping to address key social issues.

Additionally, each year we carry out a range of initiatives as part of local community cooperation agreements. In 2013/14, we had 18 of these agreements in place, up from 11 in 2010.

Regional teams

In each region, our community programmes are implemented by dedicated teams. These teams ensure regular cooperation with local communities, monitor and coordinate feedback, and submit social investment proposals to senior management.

When we first invest in a new mining project, our corporate office evaluates the potential impact of our operations in the designated area. They assess the indirect economic impacts and devise long-term strategies based on these initial assessments. They also enter into agreements with local governments, institutions and public organisations

to ensure all programmes can be delivered in a way that derives maximum benefit for local communities.

Investing in communities

We believe that long-term sustainable development is underpinned by the effective management of social investment. Our social investment initiatives are guided by industry benchmarks and standards and extend to all territories where we conduct exploration and production activities. In the last five years, the scope of our social investments has increased, with a total of US\$24 million invested in local projects between 2010 and 2014. In 2015, we plan to spend US\$5.5 million on social support and territorial development programmes.

Internally, we manage our social investments rigorously and effectively. We follow the principles set out in our Community Relationship Management System, which comprises our Corporate Code, our Social and Charitable Investments Policy, our Public Cooperation Regulation and other corporate procedures. These policies cover, *inter alia*, the mandatory consultation of local people in the development of Company operations, and the methods of dialogue required to carry out meaningful impact assessments. They also promote transparency by enabling public access to information regarding our investment activities.

Communities

Investing in all areas of local communities' lives

GRI G4-24; G4-26; G4-27

Community investment priorities

Our investment priorities are determined through open dialogue with local communities. As part of this process, we carry out in-depth analysis of local people's needs and work with them to understand how social investment could best bring positive change to their lives. Together, we identify the most pressing local issues and define the scope of the support required.

Investments and related targets are approved annually by Polymetal management and the Board of Directors. Decisions are made based on a project's potential to improve the quality of life for local people, with focus on the following areas:

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

The investments themselves are divided into commercial and in-kind donations. In 2013/14, our in-kind investments included:

- humanitarian aid to reindeer herders in the Chaun District of Chukotka and Okhotsk District of Khabarovsk Territory, with donations including food, fuel, lubricants, firewood, gas stoves and medicines;
- delivery of construction materials and medical equipment to remote communities and indigenous minorities in the Magadan Region and Khabarovsk Territory; and
- infrastructure projects in remote areas, including funding for road and bridge construction, village landscaping and flood protection.

Community engagement

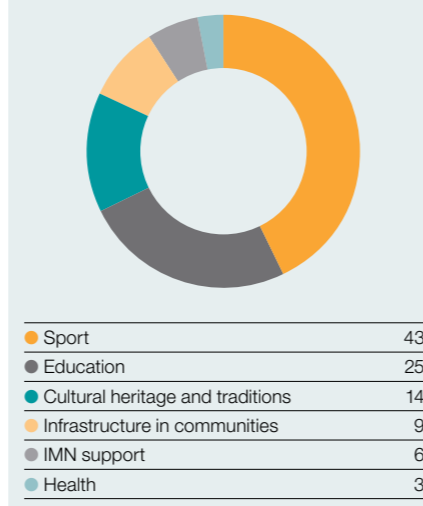
The success of our communities programme is built upon open dialogue and engagement. Since 2008 we have been developing feedback systems designed to elicit local people's opinions and ideas and review their needs. Through annual public meetings, individual meetings, questionnaires and polls, we engage local stakeholders to assess the effectiveness of our efforts during the previous 12 months, and to identify our sustainability goals for the year ahead.

We also provide public access to information about our activities and operations, using local media outlets and communication boards installed in public areas. We encourage and enable local communities to contact us via email or telephone, and organise field visits and consultations in remote areas of Russia and Kazakhstan. These mechanisms mean we can respond quickly to local people's concerns and ensure our programmes are meeting their needs and expectations.

In 2013/14 we received over 100 enquiries from local communities, mostly related to employment opportunities, development plans, impact on local quality of life, and requests for support for cultural, sporting and environmental initiatives.

During this period, we held over 30 meetings, public gatherings and hearings for local communities and indigenous people across the regions where we operate. We also organised 28 site visits for local community representatives and members of the public. Our annual community and stakeholder surveys showed that people view our work positively, with local communities giving our social projects a score of 4.87 out of 5. The feedback we received throughout the year has been incorporated into our plans for 2015/16.

Community investments in 2013-2014 (%)



Impact assessment

We understand the importance of the indirect impacts of our operations on local communities. Each year we commit considerable resources to assessing these impacts and ensuring that our activities promote social and economic wellbeing among local communities.

During 2013/14, our assessments revealed that there were no negative impacts arising from our operations in Russia and Kazakhstan. Meanwhile, our indirect positive impacts included:

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

GRI G4-27

One of our major contributions to social development throughout the regions is the timely payment of national and local taxes. Over the last four years, Polymetal has paid US\$1.4 billion in taxes, and in 2013/14 we paid US\$0.68 billion for taxes due in the territories where we operate.

On the social investment side, we have a dedicated unit which monitors the progress of individual projects and analyses the social and economic impacts of our activities. This work is carried out in collaboration with regional administrations and organisations to ensure our assessments incorporate local insight and opinion. As a result of these efforts, we are able to respond to changing situations and adjust fund allocations as required.

Key performance and investment areas

Health and education

We believe that access to healthcare and education is essential to the quality of life of local communities. Health and education underpin the sustainable development of villages, cities and regions, helping to attract new residents and enhance local prospects and opportunities. For this reason, health and education projects are among the investment priorities within our communities programme.

Throughout 2013/14, we implemented over 60 projects aimed at supporting and developing healthcare and education. This included the renovation of 28 healthcare and education institutions. In total, we invested over US\$1.61 million in this area in 2013 and over US\$1.34 million in 2014.

When it comes to health, we focus on delivering high-quality medical aid, healthcare and disease prevention – particularly in remote and underdeveloped areas. Each year we provide investment for the renovation of healthcare facilities and the purchase of medical equipment. During 2013/14 we:

- helped to repair the medical clinic in the village of Dukat, Magadan Region;
- purchased medical equipment for Srednekansk central hospital, Magadan Region;
- offered annual funding for doctors who come to work in the Herpuchi village hospital in the Polina Osipenko district, Khabarovsk Territory; and
- provided ongoing support for cancer charity AdVita, which helps to treat children with cancer in St. Petersburg. More than US\$345 thousand donated in the past five years was spent on purchasing medicines and other materials.

We are also aware that many regional education institutions require building upgrades and facilities improvements. During 2013/14 we:

- renovated 17 kindergartens and eight schools located in the Magadan Region, Sverdlovsk Region, Khabarovsk Territory and Chukotka, and in the Kostanay Region of Kazakhstan;
- enabled 40 children to attend a refurbished kindergarten in Taranovskoye village, Kostanay Region, which was repaired and reconstructed through Polymetal funding; and
- continued construction work at the Voskhod summer camp in Krasnoturinsk, Sverdlovsk Region, which will enable an additional 200 children to spend their summers here. Since 2012 Polymetal has been helping with the construction of new facilities at Voskhod in response to local requests.

Infrastructure

Investment in infrastructure is part of our commitment to local communities. By improving roads, bridges and urban environments, we help to create jobs and enhance the attractiveness of small towns and villages, contributing to their overall socio-economic development.

In 2013/14, we invested around US\$1 million in infrastructure projects. During this period we:

- invested US\$63 thousand in the water supply system in Vorontsovka village, Sverdlovsk Region. With the new waterworks now supplying water to 50 local households, we plan to expand the system further in 2015/16;
- repaired two bridges along the road that links the Herpuchi and Oglongi villages in the Polina Osipenko district, in line with social agreements made with local residents;
- financed and constructed 103 kilometres of roads connecting small villages and settlements with the 'mainland' in the Madagan Region; thanks to the new road, the region is now accessible all year round, enabling the free movement of people, food and medicines; and
- launched the Well-Lit Village Programme in Khabarovsk Territory to help improve public lighting in remote villages; the investment is expected to exceed US\$100 thousand.

Communities

A specific focus on sports, education and culture

GRI G4-27

Sport and lifestyle

Promoting community health and wellbeing through sport and lifestyle initiatives is another of our social investment priorities. In particular, we focus on providing support for mass sporting activities and youth sports programmes.

In 2013/14, we spent over US\$4.5 million in this area. Specifically, we:

- repaired 18 sports facilities, providing improved practice areas and equipment for amateur teams and local residents;
- equipped nine sports grounds;
- supported 10 sports events and provided funding for four youth sports teams;
- constructed a sports stadium in the village of Ayan, Khabarovsk Territory, where local people can now play football, volleyball, basketball and hockey;
- reconstructed a ski lodge in Mayskoye village, Taranovsky District, Kazakhstan, where around 40 children have ski classes; the new, well-equipped facilities enable athletes to train in warmth and comfort;
- supported the Leather Ball Mini-Football Tournament in Magadan, attracting 600 young participants;
- hosted the Mini-Football Tournament in Amursk; over 1,000 children participated in this unique large-scale event; and

- constructed a school stadium and installed training equipment at Amursk; the stadium, which took two years to build, is now the largest and best equipped in the Amur Region.

Culture and creative potential

Traditionally, Polymetal has always provided support for cultural events and helped local residents to explore their creative potential and identity. Our work in this area involves promoting and preserving local history, ways of life and traditions, including arts, crafts and other leisure activities. We organise local holidays and provide funding for music groups, ethnographic museums and native language programmes.

In 2013/14, we invested US\$1.5 million in cultural and creative initiatives. Specifically, we:

- funded the purchase of equipment for 18 cultural institutions;
- held over 20 creative, cultural and educational competitions and events for talented youngsters;
- supported 10 national folk dance and song groups – our involvement ranged from sewing costumes to covering travel costs to festivals and conferences; and
- supported indigenous groups taking part in the IX International Treasure of the North Exhibition 2014.

Indigenous Minorities of the North (IMN)

We are committed to improving the quality of life of indigenous peoples in Khabarovsk Territory, the Magadan Region and Chukotka. The support programmes in which we participate are developed in close collaboration with community representatives. They are designed to enable indigenous people's integration into the modern socio-economic landscape while preserving their cultural identity. As part of this work, we protect employment rights for indigenous people and other local community members. We also offer employment opportunities to indigenous people, ensuring fair selection criteria based on qualifications and skills.

To assess the needs of indigenous people, we consult with representatives of the Association of Indigenous Peoples, social and spiritual leaders, veterans' councils, local authorities and other non-profit organisations focused on cultural protection. These assessments are conducted via annual meetings and consultations, during which social development plans and investments are approved.

There are currently eight cooperation programmes and agreements in place between Polymetal and indigenous communities located near our operations. To date, none of our operations infringe upon places of traditional land use, cultural sites, monuments or protected areas.



GRI G4-27

In 2013/14, we invested US\$0.6 million in initiatives designed to support indigenous people. Specifically, we:

- provided fuel, food and transportation to remote settlements and communities;
- supported festivals and events which facilitate knowledge sharing and the preservation of traditional ways of life;
- helped reindeer brigades in the Chukotka Autonomous Territory and Khabarovsk Territory;
- helped to establish an annual award to promote traditional reindeer husbandry; and
- supported the Amur Region Indigenous People Youth Forum in Khabarovsk Territory, the aim of which is to engage young people with preserving the traditions and customs of indigenous peoples.

During 2013/14, we continued to observe the rights of indigenous peoples as part of our commitment to building strong relationships, trust and understanding with local communities. To reinforce these efforts, we also continued to comply with the UN Global Compact and the UN Declaration on the Rights of Indigenous People. Throughout this period, there were no recorded instances of complaints or issues relating to land tenure or land use, no violations of the rights of minority groups, and no displacements and resettlements as a result of our operations.

Our analysis also shows that, via our various communications channels and outreach programmes, we continued to keep IMN groups informed of our activities and operations. We also deployed qualified company professionals to answer all IMN questions and queries, and responded to requests for fuel, warm storage facilities and essential goods.

Environmental protection

In our work, and at every level of our organisation, we are committed to building a robust culture of environmental responsibility. In 2013/14 we implemented a number of long-term projects designed to raise environmental awareness and promote environmental protection. In various regions, our activities under the 'A Healthy Environment is Everyone's Business' programme included:

- community clean-up days and tree planting events engaging employees and local communities
- a children's expedition to the 'Naturalist' ecological centre on the island of Krokhaleva, Khabarovsk Territory
- open days for students at the Amursk POX plant's environmental monitoring laboratory; and
- environmental quizzes for youngsters.

We also helped establish and provided support for the environmental group at the Vorontsovka village school in the Sverdlovsk Region, which organised village clean-ups and tree planting.

Community feedback

During 2013/14, Polymetal and its regional subsidiaries received over 70 letters of gratitude. These letters came from a range of stakeholders, including local communities, who thanked us for arranging medical drop-ins for remote towns and villages, providing medical care for children and assistance to vulnerable people, and for taking an active part in addressing social issues.

Local community organisations expressed gratitude for our support for creative clubs and the significant contributions we made during the year to sporting clubs and events, as well as for raising environmental awareness among young people and providing related education and training opportunities.

8

agreements and cooperation programmes with indigenous communities

Letter from IMNs related to our support for the preservation of IMN cultural heritage, while educational institutions wrote to express their thanks for our assistance in the purchase of modern equipment and investment in building refurbishments. Meanwhile, local governments wrote to acknowledge our fruitful cooperation, social partnerships and overall contribution to regional development.

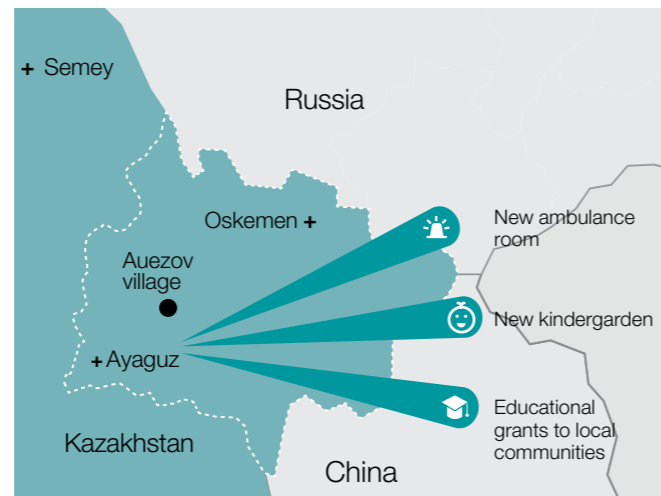
Looking ahead to 2015/16, our objectives are to:

- Identify any additional stakeholders, establish stakeholder relations and assess stakeholder needs.
- Implement a stakeholder feedback system and carry out regular surveys in new business areas.
- Develop social partnership programmes, sign cooperation agreements and implement social projects in our new territories.
- Enhance the quality of monitoring of our social programmes.
- Develop and regulate additional methods of needs assessment for vulnerable groups, including IMN.
- Build on past success in the implementation of environmental and social projects, drawing on our people's experience from all areas of the business.



Case study

The Kyzyl project



In October 2014, following the acquisition of Kyzyl, Polymetal signed a memorandum of social and economic cooperation with local authorities in the East Kazakhstan Region. The memorandum sets out key areas of cooperation within a long-term social partnership, focusing on educational infrastructure, special programmes for youth at risk, and support for vulnerable people.

As part of the agreement, we will be running a number of social investment programmes in the villages of Auezov and Shalabai in the Zharminsky District. These will include financial support for the local school, hospital and cultural organisations, assistance to veterans and educational grants for high-school graduates. We will also be supporting national holiday celebrations with a focus on sports activities and events for local people and employees.

Following the signing of the memorandum, some of our social projects in the region are already underway. During 2014, we funded repairs and improvements to Auezov's central park, including tree planting and the construction of a hockey rink. We installed benches in a local playground and our Company vehicles helped to clear the streets of snow during winter. We also provided financial support to the village's only health care unit, purchasing a fully-equipped ambulance vehicle and electronic scales and funding repairs to the medical premises. In addition, we bought a projector, screen and a greenhouse for the local village school.

Polymetal also financed the Lekoteka social initiative designed to provide vital support to children with mental disabilities. We participated in the national programme, A Road to School, providing stationery for 103 children from poor

families, and joined East Kazakhstan's region-wide charity event, Month of Mercy to help poor families and disadvantaged people.

“Reflecting our overall approach to community engagement, the social partnership for the Kyzyl project was created following in-depth consultation with local community members. In this way, we can be sure that our efforts in the area will meet the needs and expectations of local people for many years to come.”

Yuri Ovchinnikov
General Director of Kyzyl

Case study

Investing in sporting initiatives



We develop, promote and support initiatives in all the regions where we operate, focusing in particular on sport opportunities for children and adolescents. Our goal is to promote health and fitness by providing comprehensive assistance to sports clubs in remote communities in Russia.

In the Sverdlovsk Region, we support several children's sport clubs and we sponsor an annual hockey tournament in the Urals. We have long-term cooperation agreements in place – since 2008, we have been working with local junior football-and-hockey club, Sputnik, helping to improve the club's equipment and expanding its youth membership from 120 to over 200. Our support has led to success: in 2013, Sputnik won the Sverdlovsk Region Bandy (ice hockey) Championship and claimed bronze in the Vasteras Tournament in Sweden.

Meanwhile in 2014 its trainees became capped by the Russian national team at the World Championship in Norway.

In the Magadan Region and Khabarovsk Territory we provide funding for major sporting events. These include an annual mini-football championship open to teams from schools, orphanages and local neighbourhoods, and a mini-football tournament as part of the nationwide 'Kozhany Myach' (or 'leather ball') project. Each year, over 500 children between the ages of nine and 17 participate in the Kozhany Myach tournament, the aim of which is to engage more children and adolescents in regular sport activities to improve their health and wellbeing.

“We cannot underestimate the value of the financial support provided by Polymetal to junior sports in our town. I have been working as a trainer for over 40 years and really appreciate this funding, which is used to purchase kit and equipment, enabling me to focus on training. Thanks to Polymetal, our club is still alive and continues to help young members to develop and participate in regional, national and international tournaments.”

Oleg Sveshnikov
Sputnik football and hockey club, Honorary Coach of the Russian Federation



Economic

Ensuring economic success and sustainability

GRI G4-24

Achieving economic success is a fundamental part of how we ensure the long-term sustainability of our business. Indeed, by generating profits and delivering a strong financial performance each year, we help to safeguard the future of the Company and put in place the foundations we need to operate for many years to come.



Who is responsible? **What guidelines do we follow?** **Stakeholders** **Priorities**

Who is responsible? Group CEO, Technical Council, subsidiary managing directors working with heads of Finance, Communications, Operations, HR.

What guidelines do we follow? UN Global Compact, UK Corporate Governance Code, Group Code of Conduct.

Stakeholders Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs, suppliers and contractors.

Priorities Increase community investments, maintain all relevant tax payments, create shareholder value.

Material Aspects

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

GRI G4-22

The economic benefits generated by the Group also form a vital aspect of what we do and how we work. As a dynamic and progressive business, our simple objective is to deliver sustainable value to our stakeholders through commitment to our strategy, our business model and our culture of excellence. We also contribute significantly to the economic development of the regions where we operate, making ongoing social investments to help improve living standards, infrastructure and facilities.

Our approach

Delivering long-term value for shareholders, employees, partners and other stakeholders goes to the heart of our business model. To deliver value we invest significantly in enhancing our operations and developing local infrastructure – such as roads and bridges – for the wider benefit of local people and their communities. Local economic development, social investment and the provision of employment opportunities are also key areas of focus. And more indirectly, our payment of national and local taxes significantly contributes to economic progress and prosperity in the regions where we operate.

Tax payments

Our Group of companies makes a direct positive impact to local communities through the payment of taxes to Russian and Kazakh state and local authorities. In 2013/14, our tax payments across the Group amounted to US\$213 million in 2014 and US\$181 million in 2013, compared to US\$389 million in 2012¹. These payments include mandatory contributions to state social funds, including Pension Funds of the Russian Federation and Kazakhstan.

Through our tax contributions we continue to create significant value in the regions where we operate. These contributions, alongside our dividend payments, ensure we can balance value allocation between key stakeholder groups.

Local employment and wages

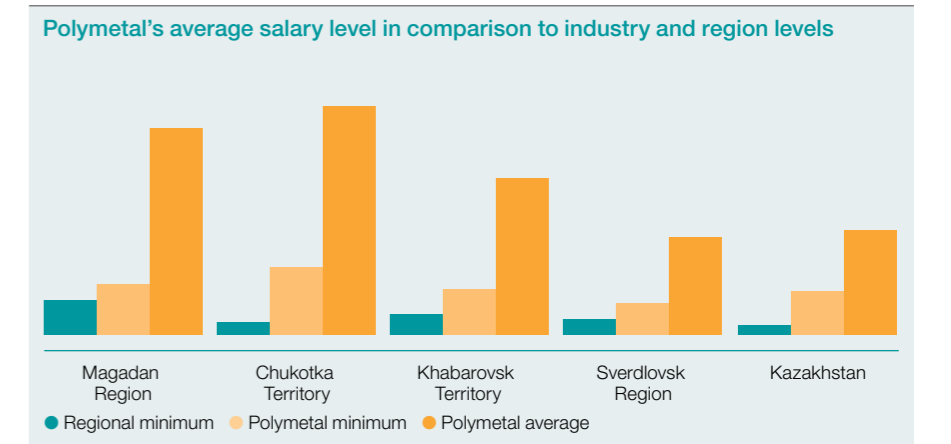
We are committed to creating in-country employment opportunities and hiring from local communities at our major operational sites. In 2013, 94.6% of our employees were local nationals (Russian or Kazakh, depending on the location); in 2014, this figure was 94.1%.

In recruiting where possible from Russian or Kazakh communities, we aim to create local value and improve people's livelihoods and lives. In our experience, senior management also operates more effectively when a common language is spoken. Through the use of Talent Pool, our internal mechanism for developing the next generation of skilled managers (see pages 35, 36 and 38 for more information), we ensure that management-level positions are filled by locals at the majority of our sites.

	2014	2013	2012
Locals (Russian and Kazakh citizens) (%)	94.1	94.6	95.6
Other citizens (%)	5.9	5.4	4.4

At our major operational sites, our standard entry-level wages also exceed regional and industry averages. In 2013, our wages exceeded the regional average by 245%, the regional minimum by 1476%, and the industry average by 147%. In 2014, these figures were 270%, 1532% and 150% respectively.

The regional wage comparisons levels at our major sites are set out in the table below.



¹ In our 2011/12 Sustainability Report, there was a typographical error in the tax figure for 2012.

Economic

Ensuring economic success and sustainability

continued

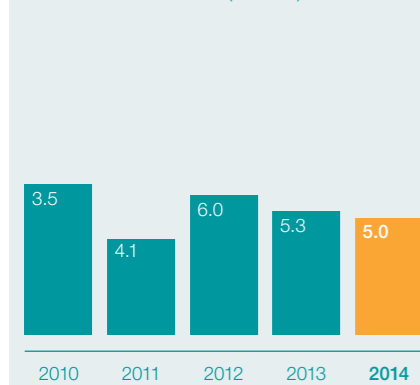
GRI G4-27

Social investments

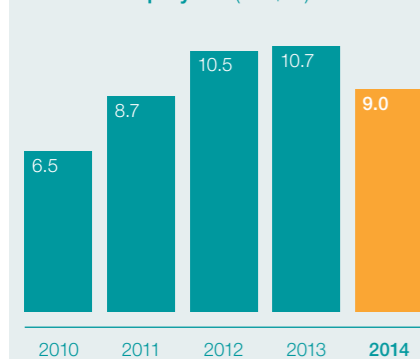
Social investments are another core component of our economic contribution in the regions where we operate. In 2013 and 2014 we invested US\$5.3 million and US\$4.9 million respectively in community initiatives, with social payments between 2010 and 2014 totalling US\$23.9 million. These payments were made in the areas of health, education, infrastructure and sport, and were formalised in 18 agreements with local authorities and community representatives.

For more information on our community investment programmes and priorities, please see pages 49-53.

Social investments (US\$m)



Social payments including those made to employees (US\$m)



Procurement

Through the procurement of goods and services, we help to stimulate regional and national supply chains and economies.

Within the Group we operate a specialised company, Polymetal Trading, which provides logistical, supply, purchasing and maintenance services to each of the Group's production companies. It also regulates our Group-wide procurement rules, practices and procedures.

At site level, our supply chain expenses are divided into two distinct areas: capital expenditure and operating costs. Suppliers to our capital expenditure programmes (for example, mining equipment and plant infrastructure projects), tend to be large, globally-recognised manufacturers. This ensures we can reduce risk while also achieving better price and delivery terms.

Financial highlights (US\$m)

	2014	2013	2012
Revenue	1,690	1,707	1,854
Cash operating costs (excluding depreciation, labour costs and mining tax)	587	630	519
Wages and salaries; other payments and benefits for employees	247	304	283
Payments to capital providers			
– interest	39	36	33
– dividends	149	125	268
Taxes (excluding payroll taxes included in labour costs)			
– income tax and excess profit tax	72	40	219
– taxes, other than income tax	22	21	14
– mining tax	110	109	145
– social payments	9	11	11
Undistributed economic value retained	455	431	362

We also have an internal policy relating to suppliers' estimations for different types of material and equipment. As part of this policy, we rigorously assess not only product quality but also the related commercial terms and conditions. We require suppliers to provide legal documentation, arbitration history and financial statements; we check all references and, for smaller suppliers, carry out production site visits when required.

Product responsibility

Polymetal has had no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

Case study

Our relations with local and regional suppliers

Due to the geographical remoteness of our sites and their extreme climactic conditions, our relations with regional suppliers are vital for the Company. On average, around 50% of our supplier purchases come from within the region of operation. In more developed regions, such as the Urals, we have a greater choice and diversity of suppliers. In more remote regions, such as Dukat and Omolon, building strong supply chain relationships is absolutely critical, while in Chukotka, where all equipment is delivered by sea during the navigation season, we are less dependent on regional suppliers.

In this way, each of our operations has adopted its own approach to procurement. Wherever possible we engage local and regional suppliers; however, specific site requirements and supplier availability means goods and services are sometimes procured from centralised sources. Additionally, the complexity of our equipment needs and business processes means that sometimes our supplier options are limited. This is particularly the case in remote areas, where there may be only one supplier for the materials and services we require. In these instances, we often combine components from different suppliers to broaden our options and optimise our procurement budget. The use of Trading Platforms software enables us to find the best supplier solutions and alternatives.



In our approach to procurement, we establish clear criteria for selecting our suppliers. Through our recently developed evaluation system, we also ensure the selection process is efficient and transparent. Looking ahead, this system will enable us to build more robust partnerships, based on long-term contracts, with local and regional suppliers."

Snezhana Usova
Head of Project Procurement,
Polymetal Trading

GRI G4 index



GRI G4 General standard disclosures

General standard disclosures	Page	External Assurance
Strategy and Analysis		
G4-1 Statement from the most senior decision-maker	p. 2, 5-6	–
G4-2 Provide a description of key impacts, risks, and opportunities	p. 6, 15	–
Organisation Profile		
G4-3 Report the name of the organisation	p. 6-7	–
G4-4 Report the primary brands, products, and services	p. 6-7	–
G4-5 Report the location of the organisation's headquarters	p. 8-9	–
G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	p. 8-9, 18	–
G4-7 Report the nature of ownership and legal form	p. 6-7	–
G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	p. 8-9, 16-17	–
G4-9 Report the scale of the organisation	p. 6-9	–
G4-10 Report the total number of employees by employment contract and gender	p. 33-34	–
G4-11 Report the percentage of total employees covered by collective bargaining agreements	p. 37	–
G4-12 Describe the organisation's supply chain	p. 7	–
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	p. 12-14	–
G4-14 Report whether and how the precautionary approach or principle is addressed by the organisation	p. 21	–
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	p. 3, 20, 32, 40, 48, 56	–
G4-16 List membership of associations (such as industry associations) and national or international advocacy organisations	p. 51-53	–
Identified Material Aspects and Boundaries		
G4-17 List all entities included in the organisation's consolidated financial statements or equivalent documents	p. 3, 8-9; AR 2014 www.polymetalinternational.com/~media/Files/P/Polymetal/Attachments/pdf/news/2015/2015_03_30_Preliminary_results_FY2014_final_eng.pdf , Note 3	–
G4-17a List all entities included in the organisation's consolidated financial statements or equivalent documents	As above	–
G4-17b Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	As above	–
G4-18 Explain the process for defining the report content and the Aspect Boundaries	p. 3, 10-11, 18-19	–
G4-18a Explain the process for defining the report content	p. 3	–
G4-18a Explain the process for defining the Aspect Boundaries	p. 10-11, 18-19	–
G4-18b Explain how the organisation has implemented the Reporting Principles for Defining Report Content	p. 18-19	–
G4-19 List all the material Aspects identified in the process for defining report content	p. 18	–
G4-19a List all the material Aspects identified in the process for defining report content	p. 18	–

GRI G4 General standard disclosures continued

General standard disclosures	Page	External Assurance
G4-20 Report the material aspect boundary within the organisation	p. 18-19	–
G4-20a For each material Aspect, report whether the Aspect is material within the organisation	p. 19	–
G4-20a If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches (if applicable)	p. 18	–
G4-20a If the Aspect is not material for all entities within the organisation (as described in G4-17), report the list of entities according to the above chosen approach (if applicable)	p. 18	–
G4-20a Report any specific limitation regarding the Aspect Boundary within the organisation	p. 18	–
G4-21 Report the material aspect boundary outside the organisation	p. 18-19	–
G4-21a For each material Aspect, report whether the Aspect is material outside of the organisation	p. 18	–
G4-21a If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material (optional)	p. 18	–
G4-21a If the Aspect is material outside of the organisation describe the geographical location where the Aspect is material for the entities identified (if applicable)	p. 18	–
G4-21a Report any specific limitation regarding the Aspect Boundary outside the organisation	p. 18	–
G4-22 Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	In the footnotes p. 23, 57	–
G4-22a Report the effect of any restatements of information provided in previous reports	In the footnote p. 23	–
G4-22a Report the reasons for such restatements	In the footnote p. 23, 57	–
G4-23 Report significant changes from previous reporting periods in the scope and Aspect Boundaries	p. 3, 10-11, 18-19	–
G4-23a Report significant changes from previous reporting periods in the Scope	p. 3, 10	–
G4-23a Report significant changes from previous reporting periods in the Aspect Boundaries	p. 18-19	–
Stakeholder Engagement		
G4-24 Provide a list of stakeholder groups engaged by the organisation	p. 16-17, 20-21, 32, 37, 40, 48, 50, 56	–
G4-24a Provide a list of stakeholder groups engaged by the organisation	p. 16-17	–
G4-25 Report the basis for identification and selection of stakeholders with whom to engage	p. 16-17	–
G4-25a Report the basis for identification of stakeholders with whom to engage	p. 16-17	–
G4-25a Report the basis for selection of stakeholders with whom to engage	p. 16-17	–
G4-26 Report the organisation's approach to stakeholder engagement	p. 16-17	–
G4-26a Report the organisation's approach to stakeholder engagement (if applicable)	p. 16-17	–
G4-26a Report the frequency of stakeholder engagement by type	p. 16-17	–
G4-26a Report the frequency of stakeholder engagement by stakeholder group	p. 21, 37, 42, 50	–
G4-26a Indicate whether any of the engagement was undertaken specifically as part of the report preparation process	No specific engagement was undertaken	–
G4-27 Report key topics and concerns that have been raised through stakeholder engagement	p. 35-37, 49-53, 58	–
G4-27a Report key topics and concerns that have been raised through stakeholder engagement	p. 35, 50	–
G4-27a Report how the organisation has responded to those key topics and concerns (if applicable)	p. 35, 50	–
G4-27a Report how the organisation has responded to those key topics and concerns through its reporting	p. 35, 50	–
G4-27a Report the stakeholder groups that raised each of the key topics and concerns	p. 35, 50	–

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continued

GRI G4 General standard disclosures continued

General standard disclosures	Page	External Assurance
Report Profile		
G4-28 Reporting period (such as fiscal or calendar year) for information provided	p. 3	–
G4-29 Date of most recent previous report (if any)	The Company's previous report was published in 2013	–
G4-30 Reporting cycle (annual, biennial etc.)	The Company issues Sustainability Report once in 2 years and includes Sustainability performance overview in Annual Report each year	–
G4-31 Provide the contact point for questions regarding the report or its contents	Back cover of the report	–
G4-32 GRI content index	p. 60-64	–
G4-33 External assurance	Not assured	–
Governance		
G4-34 Report the governance structure of the organisation	p. 12-13	–
G4-35 Process for delegating authority	p. 12-13	–
G4-36 Executive-level positions	p. 20, 32, 40, 48, 56	–
G4-37 Consultation between stakeholders and the highest governance body	p. 16-17	–
G4-38 Composition of the highest governance body	p. 13	–
G4-39 Report whether the Chair of the highest governance body is also an executive officer	p. 12-13	–
G4-40 Nomination and selection processes for the highest governance body and its committees	p. 13	–
G4-42 Highest governance body's role in setting purpose, values, and strategy	p. 13-15, 21	–
G4-45 Highest governance body's role in the identification and management of risks	p. 15	–
G4-49 Highest governance body's role in evaluating economic, environmental and social performance	p. 12-13	–
G4-51 Remuneration policies for the highest governance body and senior executives	p. 14	–
Ethics and Integrity		
G4-56 Organisation's values, principles, standards, and norms of behaviour	p. 3, 11, 14	–
G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour	p. 14, 34, 37, 50	–

GRI G4 Specific standard disclosures

Category	GRI G4 Code	Topic	Page	External Assurance	
Economic					
Economic performance	G4-EC1	Direct economic value generated and distributed	p. 58	–	
Market presence	G4-EC5	Ratios of standard entry level wage to local minimum wage at significant locations of operation	p. 57	–	
	G4-EC6	Employees hired from the local community at significant locations of operation	p. 57	–	
Indirect economic impacts	G4-EC7	Development and impact of infrastructure investments	p. 49, 57, 58	–	
Procurement practices	G4-EC9	Policy, practices, and proportion of spending on local suppliers at significant locations of operation	p. 58, 59	–	
Environment					
Materials	G4-EN1	Materials used by weight or volume	p. 24	–	
	G4-EN2	Percentage of materials used that are recycled input materials	p. 24	–	
Energy	G4-EN3	Energy consumption within the organisation	p. 27	–	
	G4-EN5	Energy intensity	p. 23, 27	–	
	G4-EN6	Reduction of energy consumption	p. 26, 27	–	
	G4-EN7	Reductions in energy requirements of products and services	p. 27	–	
Water	G4-EN8	Total water withdrawal by source	p. 26	–	
	G4-EN9	Water sources significantly affected by withdrawal of water	p. 26	–	
	G4-EN10	Percentage and total volume of water recycled and reused	p. 26	–	
Biodiversity	G4-EN11	Operations in protected areas or areas of high biodiversity	p. 28	–	
	G4-EN12	Significant impacts on biodiversity	p. 28	–	
	G4-MM1	Amount of land disturbed or rehabilitated	p. 28	–	
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions	p. 27, 28	–	
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions	p. 27, 28	–	
	G4-EN17	Other indirect greenhouse gas (GHG) emissions	p. 27, 28	–	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	p. 23, 27	–	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	p. 27	–	
	G4-EN21	NOx, SOx, and other significant air emissions	p. 27	–	
	Effluents and waste	G4-EN22	Total water discharge	p. 26	–
		G4-EN23	Total weight of waste by type and disposal method	p. 24, 25	–
		G4-EN24	Total number and volume of significant spills	The Company had no significant spills in 2013/14	–
G4-EN25		Weight of transported, imported, exported, or treated waste deemed hazardous	p. 25	–	
	G4-MM3	Total amounts of overburden, rock, tailings, and sludges	p. 24, 25	–	
Environmental compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance	p. 22	–	
Overall	G4-EN31	Environmental protection expenditures and investments	p. 22, 23	–	
Supplier environmental assessment	G4-EN32	New suppliers that were screened using environmental criteria	p. 21	–	
Environmental grievance mechanisms	G4-EN34	Number of grievances about environmental impacts	p. 21	–	

GRI G4 index

continued

GRI G4 Specific standard disclosures continued

Category	GRI G4 Code	Topic	Page	External Assurance
Social				
Labour Practices and Decent Work				
Employment	G4-LA1	Total number and rate of employee turnover	p. 36	
Labour/management relations	G4-MM4	Number of strikes and lockouts exceeding one week's duration		The Company had no lockouts and strikes in 2013/14
	G4-LA4	Minimum notice periods regarding operational changes	p. 37	
Occupational health and safety	G4-LA6	Rates of injury, occupational diseases, lost days, and number of work-related fatalities	p. 42	
Training and education	G4-LA9	Average hours of training by subject	p. 35	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews	p. 36	
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees	p. 33	
Equal remuneration for women and men	G4-LA13	Ratio of basic salary and remuneration of women to men	p. 35	
Labour practices grievance mechanisms	G4-LA16	Number of grievances about labour practices filed, addressed, and resolved	p. 37	
Human Rights and Policies				
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	p. 33	
Freedom of association and collective bargaining	G4-HR4	Freedom of association and collective bargaining	p. 37	
Indigenous rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples	p. 52	
	G4-MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories and formal agreements made	p. 52	
Society				
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p. 50	
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	p. 50	
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	p. 34	
	G4-SO5	Confirmed incidents of corruption and actions taken	p. 34	
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions	p. 49	
Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	p. 53	
Resettlement	G4-MM9	Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process	p. 53	
Closure planning	G4-MM10	Number and percentage of operations with closure plans	p. 28-29	
Product Responsibility				
Compliance	G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	p. 58	

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