

# Responsibility in everything we do

Sustainability Report 2011/2012 [www.polymetalinternational.com](http://www.polymetalinternational.com)



Polymetal's core objective is to generate superior sustainable returns for shareholders whilst maintaining the highest possible standard of corporate citizenship. We aim to ensure that our core business of precious metals exploration, mining and production operates efficiently and safely, thereby meeting our commercial goals. At the same time we are committed to the sustainable economic development of the regions in which we operate.

It is this match between our core objective and the interests of our employees, suppliers, investors, local communities and other stakeholders that is the key to long-term success.

### Fewer injuries

Our redesigned health and safety system is paying dividends with dramatically reduced injury frequency rates.

36



### US\$6 million

We invested US\$6 million in community programmes in 2012.

21



### ISO 14001

We achieved independent certification of our ISO 14001 environmental management system.

26



### 23

In 2012 we renovated 23 healthcare and education facilities.

52



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### Chairman's introduction

Polymetal has made significant progress in its development as a leading precious metals company. Our business is dispersed across Russia and CIS, operates complex processes in remote areas, is subject to extreme weather conditions and has to create much of its own infrastructure. Our management systems, therefore, need to be robust and effective in order to maintain the highest standards of employee safety, community partnership and environmental stewardship. This is the right thing to do and makes us a more effective business. That is why sustainability is important and why we are investing in these systems – creating sustainable value for our stakeholders.

**Bobby Godsell**  
Chairman of the Board of Directors

### About this report

This is the third summary of our sustainability performance, covering the calendar years 2011 and 2012. The next full report will be published in 2015. In the interim, we will summarise sustainability performance in the 2013 Annual Report, as well as providing updates on our corporate website [www.polymetalinternational.com](http://www.polymetalinternational.com).

This report addresses all of our wholly-owned operating mines and processing sites in Russia and Kazakhstan (Dukat, Omolon, Amursk, Albazino, Mayskoye, Khakanja, Voro, Varvara), our headquarters in St. Petersburg and subsidiary companies responsible for exploration and other services. We own and operate all of these entities and have direct control over policies, procedures and performance.

We have structured this report around our economic, environmental, health and safety, employee and community focused activity and performance. Within this we have sought to address those issues that are deemed to be important by the Board through its risk assessment function, those that are subject to legal obligation and those that are important to our stakeholders. We believe that our approach to risk assessment, legal compliance and stakeholder engagement is consistent with the precautionary principle.

#### Global Reporting Initiative (GRI) Index

This is our first report to have been prepared using the GRI G3.1 Guidelines, along with the Metals and Mining Supplement. While the measurement indicators used are consistent with the guidelines, some we have reported on in our previous reports and some we have reported for the first time. In all cases we have presented the data in units consistent with GRI and, where possible, included data for 2010, 2011 and 2012.

Our previous reports have focused on all of our operating companies, as does this. While we have new assets that have come on stream since our last report in 2010, we are using this opportunity to create a fresh baseline for future reports, which will also follow the GRI guidelines. As this is our first such report, we have opted not to seek external assurance, however, we will do so for our next full report in 2015. This will allow us to embed the data collection mechanisms that have been developed over the past two years as we improve our management systems, particularly around environment and health and safety.

We are pleased that the management disclosures and performance data are consistent with a GRI Application Level B.

# Responsibility: at the heart of everything we do





# Polymetal at a glance

Polymetal International is a London-listed FTSE 100 company and a leading gold and silver producer in Russia and Kazakhstan. Our goal is to provide sustainable value for shareholders by delivering robust operating and financial performance from high-grade assets whilst maintaining capital discipline in organic and inorganic growth.

## Our key competitive advantages

- > A strong operational track record
- > High-quality reserve base
- > Robust project pipeline

## Our corporate strategy

- > Deliver superior operating profitability at low risk by targeting high-grade assets
- > Invest in near-mine exploration to extend the life of existing operations
- > Consistently advance standalone greenfield exploration projects with the goal to discover world-class deposits
- > Pursue synergistic acquisitions
- > Maintain high corporate governance standards and a strategic approach to sustainability

## Our business model

Our business model is focused on centralised processing facilities (hubs) to deliver significant capex and operating synergies, allowing us to reduce risk and extend project life cycles.



- > **Focusing on high-grade assets and open-pit mines**  
We have a preference for open-pit mining unless higher grades justify underground development. Grades and mining conditions are the key cost factors that drive return on invested capital in the precious metals industry. By setting appropriate thresholds on head grades and focusing on open-pit mines we are achieving better returns from our project portfolio
- > **Leveraging our hub-based system**  
Creation of centralised facilities for the treatment of materials from different sources allows us to minimise processing and logistics costs and achieve economies of scale
- > **Investing in exploration**  
This will allow us to ensure a cost-effective increase in our reserve base which is, in turn, the key source of long-term organic growth
- > **Maintaining exemplary governance**  
We strive to ensure proper steering of the Company, accountability to shareholders and attention to other stakeholders' interests

## Our portfolio

**6**

### Mining operations

- Dukat hub
- Albazino/Amursk/ Mayskoye POX hub
- Omolon hub
- Voro standalone mine
- Varvara standalone mine
- Khakanja hub

**15.1 Moz**

### Ore reserves (GE oz)

**18.7 Moz**

### Mineral resources (GE oz)

**10,722**

### Total licence area (km<sup>2</sup>)

**9,237**

### Employees

**1,854**

### Sales revenue (US\$ million)

## Locations

### Russia

- Magadan Region
- Sverdlovsk Region
- Khabarovsk Territory
- Chukotka Autonomous Territory

### Kazakhstan

- Kostanay Region

## Awards

**We have received numerous awards and citations from local community groups, NGOs, IMN groups and local authorities.**

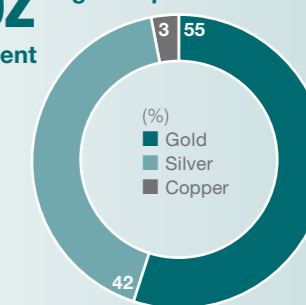
- > Our CEO Vitaly Nesis was given a 'For Merit' award by the Government of Khabarovsk Territory for his and the Company's role in socio-economic development in the area
- > The Company received a letter of gratitude from the Magadan Region Governor for our socio-economic contribution
- > Our subsidiary company in the Ural's was publicly praised for its progressive approach to environment protection from the Russian Government's Federal Service for Nature Supervision
- > In Kazakhstan, the Committee on Social Protection and Control at the Ministry of Labour and Social Protection formally recognised the Company for its excellent record on workplace health and safety

## 2012 highlights

- > Polymetal demonstrated strong operational performance throughout the year. Total gold equivalent production of 1,063 Koz was up 31% compared to 2011, exceeding the original projection of 1 Moz. This reflects stable operations at all of our mature mines, with a notable improvement at Dukat and growth at Omolon and Albazino
- > Metal sales for the full year exceeded production for both gold and silver
- > The Amursk POX, the first operating POX plant in Russia's gold industry, has been slower than planned to come online, but the ramp-up is progressing and we expect it to reach full capacity by the end of 2013
- > There has been a dramatic increase of the resource base at Albazino and potential new growth assets have been identified through successful exploration at Kutyn and Svetloye
- > We have implemented a new dividend policy, raising payout ratio to 30% and introducing special dividends. The first special dividend in the Company's history of US\$0.50 per share was paid in January 2013; a final dividend for 2012 of US\$0.31 per share is proposed

**1,063 Koz**  
Production of gold equivalent

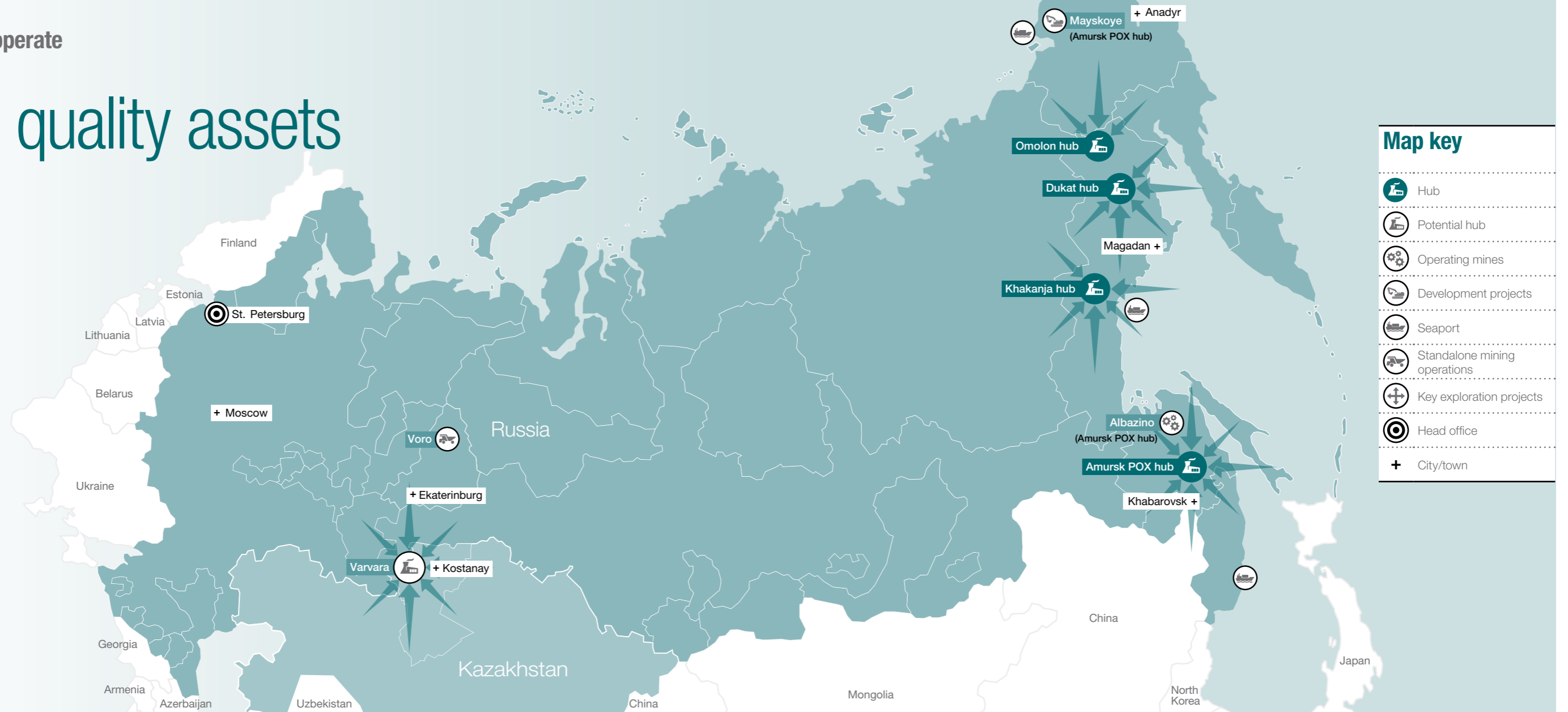
### Production of gold equivalent



## Memberships

- We are members of and contribute to:
- > UN Global Compact Network Russia
  - > Union of Russian Gold Producers
  - > Russian Union of Industrialists and Entrepreneurs
  - > Association of Taxpayers of the Republic of Kazakhstan

# High quality assets



## Our assets

<p><b>Voro</b></p> <p>Our first mine, at the peak of its performance</p> <p>900 Ktpa Heap leach (HL)</p> <p>900 Ktpa Carbon in pulp (CIP)</p> <p>Voro</p> <p>South Voro, Volchansky</p> <p><b>GE production</b> <b>157 Koz</b></p>	<p><b>Varvara</b></p> <p>Delivering stable operating performance in Kazakhstan</p> <p>4.2 Mtpa Float + Leach</p> <p>Varvara</p> <p>Varvara (flanks)</p> <p><b>GE production</b> <b>134 Koz</b></p>	<p><b>Dukat hub</b></p> <p>Our flagship operation and Russia's largest primary silver mine</p> <p>1.5 Mtpa Dukat concentrator</p> <p>300 Ktpa Lunnoye CIL plant</p> <p>Dukat, Goltsovoye, Lunnoye, Arylakh</p> <p>Olcha</p> <p>Krasin, Zvezdny, Kamenisty</p> <p><b>GE production</b> <b>357 Koz</b></p>	<p><b>Omolon hub</b></p> <p>Delivering full potential of a processing hub concept</p> <p>850 Kubaka CIP and Ktpa Merrill-Crowe plant</p> <p>1.3 Mtpa Birkachan HL plant</p> <p>Birkachan, Sopka, Tsokol</p> <p>Oroch, Dalneye, Prognoz</p> <p>Pyatinakh, Burgali</p> <p><b>GE production</b> <b>173 Koz</b></p>	<p><b>Khakanja hub</b></p> <p>Transforming one of our core assets into a genuine processing hub</p> <p>600 Ktpa Merrill-Crowe plant</p> <p>Khakanja, Avlayakan, Yurievskoye, Ozerny</p> <p><b>GE production</b> <b>164 Koz</b></p>	<p><b>Amursk POX hub</b></p> <p>The first operating pressure oxidation plant in Russia and the CIS gold sector</p> <p>225 Ktpa Amursk POX plant processing concentrate from Albazino and Mayskoye</p> <p>Albazino, Mayskoye (Chukotka)</p> <p><b>GE production</b> <b>77 Koz</b></p>	<p><b>Albazino (Amursk POX hub)</b></p> <p>Our newest asset with significant further growth potential</p> <p>1.5 Mtpa Albazino concentrator</p> <p>Albazino, South and East flanks</p>	<p><b>Mayskoye (Amursk POX hub)</b></p> <p>On track to launch in April 2013</p> <p>850 Ktpa Mayskoye concentrator</p>
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# Inspiring sustainable progress



## Q. Why is sustainability important to Polymetal?

Our commercial success is, to a significant extent, underpinned by our behaviour towards our stakeholders. Our employees expect us to provide a secure and safe working environment, our suppliers expect fair and clear business arrangements, our community partners expect us to respect their rights and invest in areas that are important to them, our investors expect us to provide a sustainable economic return and government agencies expect us to comply with the regulations that they create and monitor. Common to all though, is the knowledge that we are acting honestly, transparently and fairly while pursuing our core business interests.



## Q. How do you ensure that sustainability is embedded throughout the business?

It is only possible to embed sustainability within a business, large or small, with complete commitment from the leadership team. As the CEO, I therefore attach the same level of responsibility to sustainability as I do to our overall commercial performance – the two being interlinked. That is why we are a signatory to the UN Global Compact and a member of its network in Russia. This is a public commitment and helps us to frame our sustainability strategy and identify priorities.

Polymetal is a large organisation, with many people working in remote parts of Russia. Our employees are therefore key agents of change and if they have not bought into the strategy at a macro and a micro-level, it will not work. It is the Company's ability to shape our employees' experience, their ability to shape our strategy and to influence external parties that will mark out how well we have done in embedding sustainability.

## Q. What have been the main sustainability challenges over the past two years?

As we have internationalised, we have become accustomed to a growing level of interest in our record. Some of this has focused on our approach to environmental management and the resulting performance data. We have therefore revised our procedures in recognition of the need to disclose more of this information to a wider set of stakeholders, beyond our Board and relevant government agencies. While our systems for analysing and disclosing this information have improved, they will be developed further in 2013/14.

In 2012, we were deeply saddened at the loss of a ship that we had chartered to transport ore from Avlayakan to Khakanja. The ship and its nine crew members went missing in a violent storm. While the vessel was not owned by Polymetal, it highlights the sometimes difficult conditions in which we and our suppliers work. Materially, the loss of the ore has had minimal impact on our processing activities, but, more importantly, the lessons learned from the incident will ensure that ore shipping activity is safer now and in the future. In particular, we are investing in the construction of our



own barge fleet to ensure that shipments of ore and raw materials are reliable and safe. We are also working closely with all suppliers to ensure greater compliance with our health and safety principles.

## Q. What have been the main sustainability successes over the past two years?

In part, our sustainability successes reflect the way in which we have managed the challenges over the past two years. For example, in 2010 we were disturbed at the loss of six lives across our mining and transportation activities. This prompted root and branch revision of our health and safety systems during 2011/12. This work is now complete, and in 2012 we have seen a second year in a row with zero fatalities and dramatically reduced injury frequency rates. Our ability to provide effective protection for employees can only get better as continuous improvement in this area remains a top priority linked to management KPIs.

Over the past twelve months we have also improved our environmental management system, which applies to all locations and all functions of the business. I was pleased to see that in March 2013 we achieved a key environmental goal when our environmental management system was independently certified to the ISO 14001 standard.

## Q. Where will you focus your sustainability efforts over the next few years?

In line with our long-term sustainability priorities, we will continue to focus on improving our health and safety system for employees, contractors and anyone visiting our sites. Health and safety will always be a top priority, given the nature and scale of our operations and the further potential changes in technologies, materials and processes that can be applied to improve performance. In relation to the environment, we will focus on waste management, water resource management and greenhouse gas emissions. Solid and liquid waste remain an inevitable and significant outcome from our activities, while the ever present concerns and increased regulatory scrutiny mean that we must better understand the nature and sources of our greenhouse gas emissions.

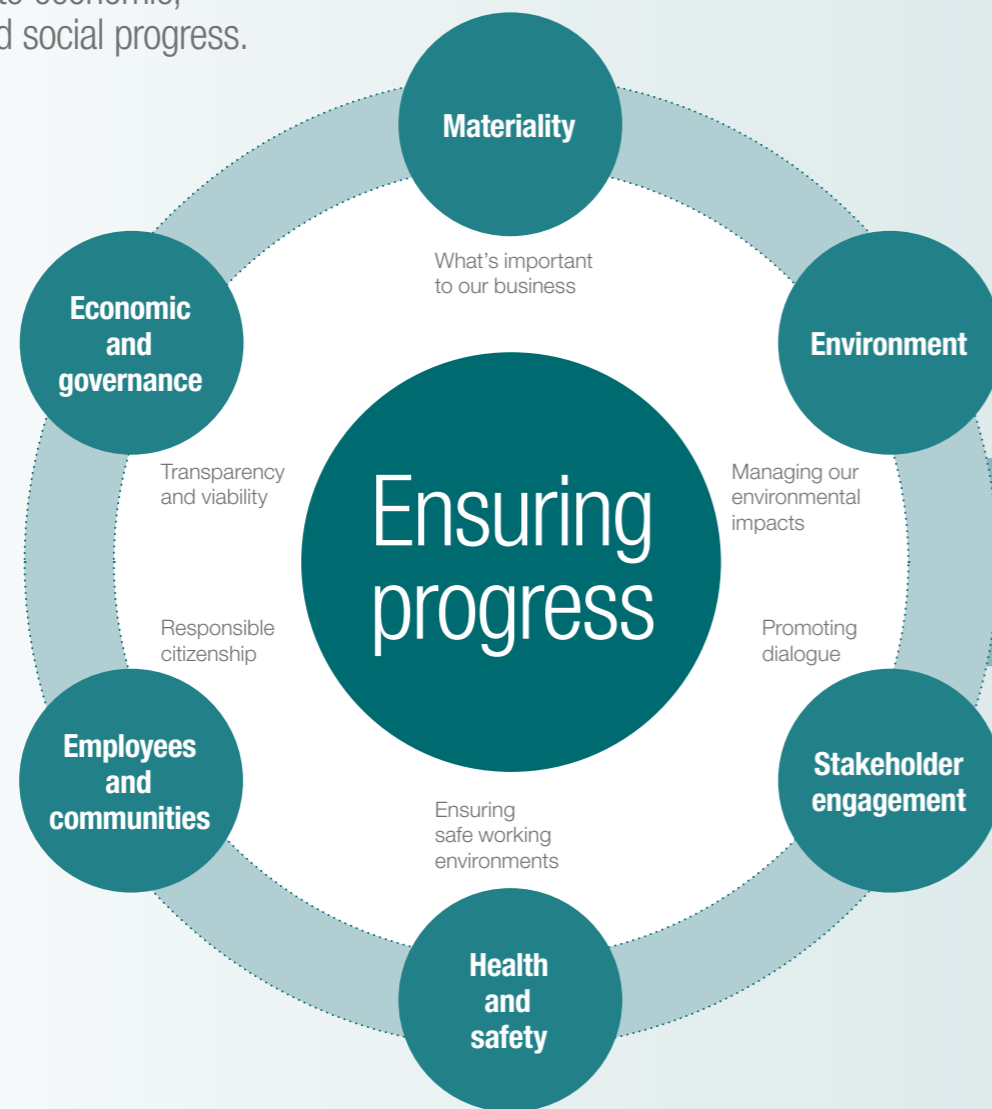
Our investment in community engagement will continue to grow in line with our expanding operations base and the recognition of the importance of all those people that live and work with and near to us.

Our strategic approach to sustainability has evolved as we have grown and internationalised. Looking ahead, we will enhance our ability to control risks, reduce costs and increase innovation. We also recognise that sustainability performance will be of ever growing interest to our employees and external stakeholders. Over the next few years we will therefore enhance our processes for acquiring and analysing sustainability data. This will be in line with the growing sophistication of our management systems and will make the assessment of performance much easier and provide for more up to date, interactive reporting.

Vitaly Nesis  
Chief Executive Officer

# Ensuring progress

We regard sustainability as an essential element of our activities. It is an investment in society as well as in our own future. That's why we firmly believe that anchoring sustainability as part of our business strategy will lead to economic, environmental and social progress.



Polymetal's overall approach to sustainability is guided by the UN Global Compact, to which the Company has been a signatory since 2009. In addition, our Code of Conduct guides the behaviour of all employees in relation to their colleagues, local communities and the environment. At an operational level, we have a suite of procedures and policies that are published in line with national regulatory and international standards.

All of these taken together influence our approach to the provision of high quality jobs, secure and safe employment, employee wellbeing and access to professional development. They also influence the way that we communicate and consult with our investors, communities, government bodies and NGOs in our areas of operation and the systems we have in place to monitor and improve environmental performance.

## Our focus

### Economic



### Environment



### Employees

- > Health and safety
- > Investing in our people

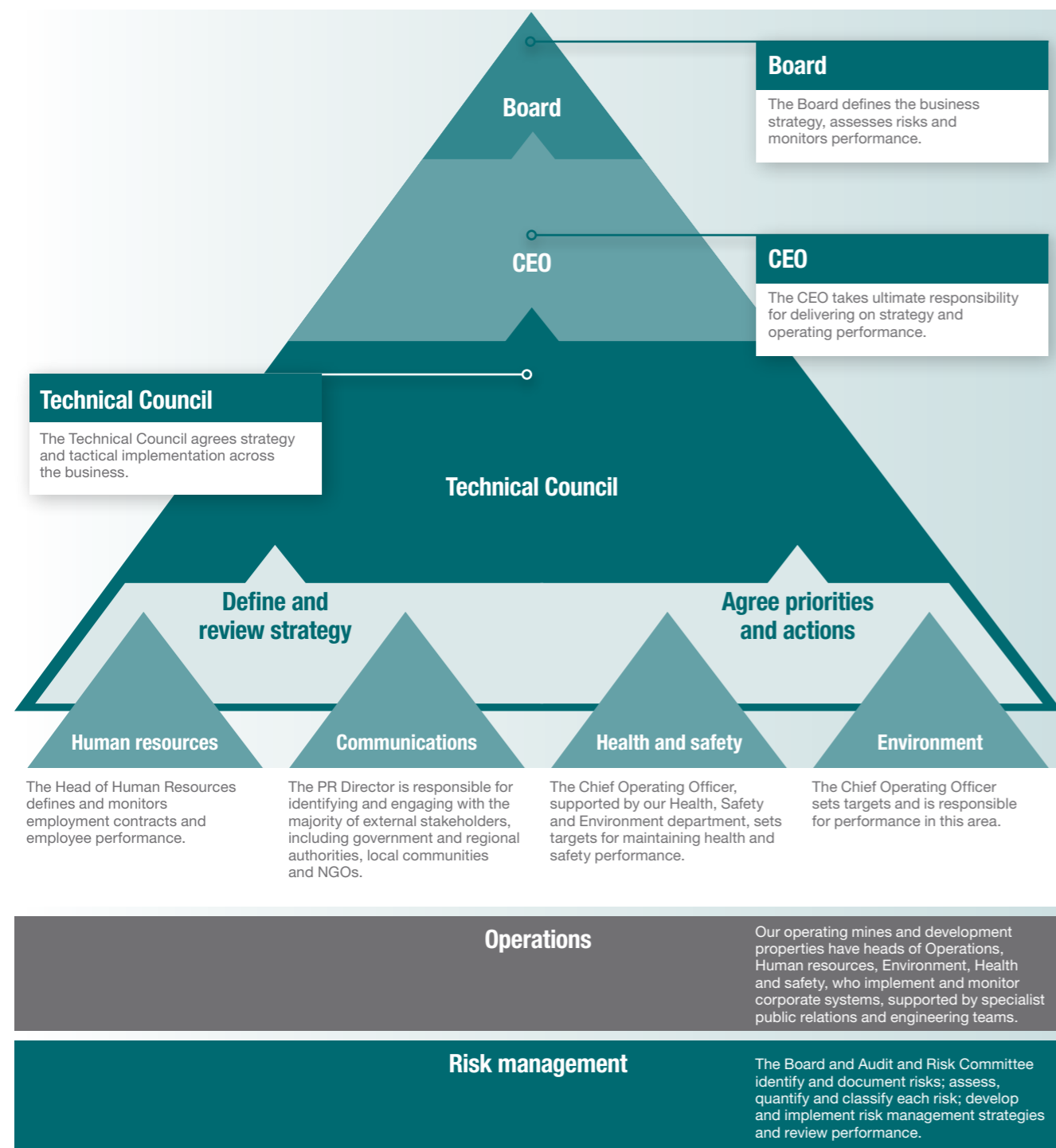


### Communities





# Driving sustainability from the top



## Our values

### Dialogue

Promoting stakeholder dialogue and transparency – being honest and open.

### Compliance

Meeting all legal obligations at local, national and international levels.

### Ethical conduct

Expecting employees, contractors and business partners to display the highest standards of ethical conduct, with zero tolerance for corruption, bribery and fraud.

### Fairness

Showing fairness, equality and respect towards and amongst employees and local communities.

### Stewardship

Protecting the environment and maximising the health, safety and well-being of employees.

### Effectiveness

To be effective in everything that we do.

## Governance framework

Polymetal operates in accordance with the UK Code of Corporate Governance which dictates that all Board Directors are subject to annual re-election and shareholders have the authority to remove or appoint individuals. The Board comprises of the Chief Executive, a non-executive Chairman and seven non-executive directors, four of which are independent of the Company. The role of the Chairman and non-executive directors is to challenge and scrutinise management and the Company's performance, review the integrity of financial information and review internal controls and risk management processes. The Board and its Audit and Risk, Nomination and Remuneration Committees have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities. Every Board meeting that considers quarterly production results also begins with an overview of Health, Safety and Environmental performance.

More information on the Board and Corporate Governance can be found in the Polymetal International plc Annual Report 2012.

Our Code of Conduct, formally adopted in December 2011, is approved by the Board of Directors and is brought to the attention of all employees as a statement of the principles and expectations that guide ethical behaviour across the Company. The Code covers conduct by employees with their colleagues and between employees and customers, business partners, state authorities and wider society. It focuses on equality, health and safety, environmental protection, government and community relations, competition, data protection and transparency and unacceptability of bullying, drug use, conflicts of interest and bribery. All employees are instructed in the Code and associated policies and all documents and guidance are available through the Company's information system.

### Technical Council

Sustainability is the ultimate responsibility of our Group CEO, Vitaly Nesis. To support him, a Technical Council is convened monthly to monitor, among other issues, performance against our sustainability priorities and implementation of associated policies across all of the operating companies. Our heads of department report into the Council, covering employees, community outreach, health and safety and environmental management.

## The UN Global Compact

The overall sustainability strategy is designed to meet the requirements of the UN Global Compact. This voluntary international standard commits affiliated companies to comply with ten principles in the areas of human rights, labour, environment and anti-corruption. Polymetal became a signatory in 2009 and is an active member of the UN Global Compact Network Russia.

The UN Global Compact and our corporate values define the focus for more detailed policies and associated management systems, all of which are defined at Group level and implemented through our head office and the subsidiary companies. Ongoing monitoring and regular audit ensures that performance is measured against the relevant regulatory and Company internal requirements.

## Managing and monitoring our behaviour

While all employees understand the standards of behaviour expected of them, through their induction, ongoing training and regular reviews, we are mindful of the need to systematically monitor commercial actions and decisions. The key vehicle for this is our Internal Audit Department (IAD) that operates 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 performance of building and assembly contracts and reviews the decisions of the scientific and technical committees in relation to major construction work.

In 2012 (up to the end of December), the IAD produced 53 reports on targeted audits, with recommendations for improvements. During 2012, all of our main operating sites were audited.

A training curriculum on the types and impact of corrupt practices was launched in 2011. During 2012, 26 seminars on anti-corruption measures were attended by 1,000 employees. These sessions were conducted by our internal security team in the seminar facilities at each of our main operating sites.

In 2012, seven of our managers were dismissed and one was reprimanded due to corrupt practices, as measured against our Code of Conduct. In one of these cases, evidence has been forwarded to the local prosecutor's office as a precursor to criminal proceedings. None of these cases had a material effect on our financial position and operations.



# Managing our risks

## Managing risks

The 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 defined and monitored by the Audit and Risk Committee of the Board.



## Key sustainability risks include:

- 1** Title to mineral rights may be challenged and 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.
- 2** Severe weather and climatic conditions may disrupt ongoing operations.
- 3** The Company may fail to recruit and retain enough talented people to maintain operational integrity.
- 4** The Company may fail to adequately manage third party suppliers and service providers.
- 5** The Company's health and safety systems may not protect employees from harm.
- 6** 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.

These risks are therefore taken into account when defining our strategic sustainability focus (see page 17).

More detail on our risks and our management approach is provided in the Polymetal International plc Annual Report 2012.

# Understanding what's important

## Stakeholders

Our stakeholders help to define sustainability priorities and provide a vital check on how we are performing. We are therefore open, honest and clear in the way we communicate through many channels, including corporate reporting, meetings, briefings, hotlines and website.

Our stakeholders fall into five broad categories, as below. Within each of these there will be specific companies, departments, organisations and individuals, some of whom we will interact with in the long-term, others of whom will be shorter term. Our first task is to identify them when new and ensure that they are engaged and their voices heard.

### Shareholders and investors

Our Board of Directors, aided by the Company's Investor Relations team, are responsible for maintaining dialogue with our investors, chiefly through the AGM, our website, Annual and Sustainability Reports, meetings/briefings, investment conferences, exhibitions/presentations and direct correspondence.

See our case studies: **Working with communities in Amursk** and **New approaches to hazard identification and risk assessment**.

### Employees

The Human Resources, Operations and Communications teams are key to ensuring that our employees understand what is expected of them, what they can expect from their employment and how they can have their say on Group operations. A variety of mechanisms are deployed to ensure this two-way flow of information, including regular opinion polls and questionnaires, Workers' Councils, one-to-one reviews with managers, an internal hotline, internal media, the Group website and suggestion boxes.

See our case studies: **Employee development; Ozerny – a new industrial community arrives in Khabarovsk Territory; Healthy working lives** and **New approaches to hazard identification and risk assessment**.

### Partners and suppliers

Our partners and suppliers interact with us through all operational departments, depending on the nature of their products and services. They also communicate with the

Legal, Human Resources and Communications teams through contracts of engagement/employment, the payments system, on-site briefings and training.

See our case studies: **Ozerny – a new industrial community arrives in Khabarovsk Territory; Healthy working lives** and **New approaches to hazard identification and risk assessment**.

### Government

Our relationships with the national Governments of Russia and Kazakhstan are important and set the broad terms for our operations in those countries. As a growing international company, listed on the London Stock Exchange, we also follow the relevant international standards and recommendations and have particular commitments under the jurisdiction of UK regulatory authorities. Our Communications and Operations teams take a lead role in maintaining positive relationships through social and economic agreements with local authorities, compliance and co-operation with national regulators and participation in working groups convened by Government departments.

See our case studies: **Going beyond environmental management compliance at Amursk; May the 'ecological landing force' be with you** and **Healthy working lives**.

### Communities and NGOs

We will only operate with the support of well established communities adjacent to our key sites. This means that we have identified the key local community, indigenous community and non-governmental organisations whom have a stake in these locations. Having done so, we enshrine the nature of our engagement within formal agreements then continue to monitor our effectiveness at meeting targets. This is done through opinion polls and questionnaires, liaison with community groups, direct contact with Company managers for local residents, press conferences and public meetings and membership of working groups established by non-governmental organisations (NGOs).

See our case studies: **Supporting IMN; On air – news desk for young people; May the 'ecological landing force' be with you** and **Ozerny – a new industrial community arrives in Khabarovsk Territory**.

# Understanding what's important

continued

## Our approach

### 1 Identification

We start from the position of already having interaction with the key stakeholder groups identified. This list develops as we expand our work in existing territories; plan to operate in new territories or implement new processes that may be subject to Government mandated consultation or regulation. We have a corporate standard that sets out a requirement to maintain and update a list of community based stakeholders and consultees as well as defining how dialogue with these groups is managed.

- > Investors and shareholders
- > Employees
- > Communities
- > Partners and suppliers
- > Government
- > NGOs

- > One-on-one meetings
- > Conferences
- > Public meetings
- > Press conferences
- > Working groups

### 2 Communication

A wide range of communication mechanisms are deployed across all stakeholder groups as summarised above. The use of these mechanisms is determined partly through regulatory requirement, for example, the UK Corporate Governance Code or Russian national legislation and partly through our experience of working closely with, for example, the Indigenous Minorities of the North (IMN) in our operational areas.

## Stakeholder engagement Promoting dialogue

### 4 Reporting

The means by which we report back to stakeholders varies from formalised annual reporting and annual meetings to weekly or monthly meetings/briefings and ongoing face-to-face or telephone and e-mail contact.

- > Annual report
- > Sustainability report
- > Website
- > Regular meetings
- > Email/telephone updates

### 3 Action

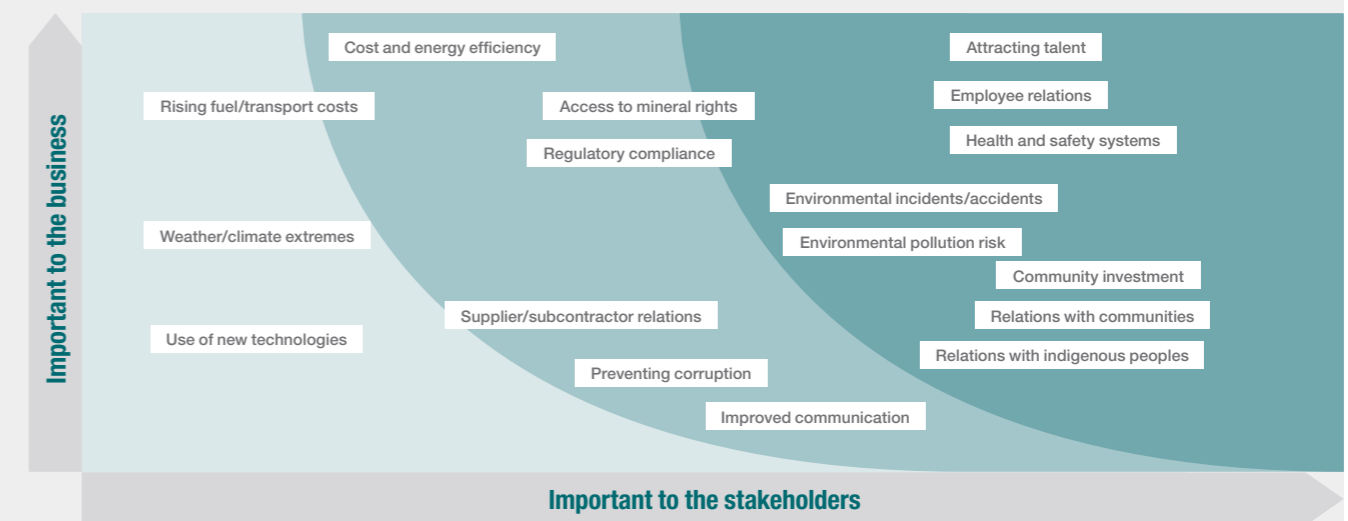
Some questions we ask when dealing with stakeholders are mandated through regulations. Others questions are determined by the experience of our specialists, for example, in relation to community health initiatives, and the rest are determined by the stakeholders themselves.

- > Issues raised
- > Identifying materiality
- > Determine actions to be taken

## Assessing material issues

Through our risk management and stakeholder engagement programmes we have identified six key sustainability priorities, which are material for the business. These are issues that can impact upon business performance and/or have been identified as important by our key stakeholders.

Our focus for the next two years is informed by these priorities. Our approach is flexible enough to reflect changes in the policy and financial environment, developments in best practice regarding employee relations and safety and new or heightened concerns for communities.



## Our sustainability focus for 2013-14

- > 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 development of our certified environmental management system and embedding the system into production operations (see Environment section).
- > Enhancing the rigour and transparency in our communications with suppliers, customers and partners (see Overview).
- > Cost and energy efficiency programmes.

### Economic

### Environment

### Employees

### Communities



# Ensuring economic progress

The economic benefits generated by the Group are a fundamental aspect of what we do as a business and how we operate.

<b>Who is responsible?</b>	Group CEO, Technical Council, subsidiary managing directors working with heads of Finance, Communications, Operations and HR
<b>What guidelines do we follow?</b>	UN Global Compact, UK Corporate Governance Code, Group Code of Conduct
<b>Stakeholders</b>	Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs, suppliers and contractors
<b>Priorities</b>	Increase community investments Maintain all relevant tax payments Shareholder value creation





# Generating sustainable value

As a dynamic and progressive business, we have a simple objective – to deliver sustainable value to all our stakeholders. We achieve this through our commitment to our strategy, business model and a culture of excellence. A key part of this is the significant contribution that we make to economic development in our operational locations, where we invest in the long-term to improve living standards and community facilities.

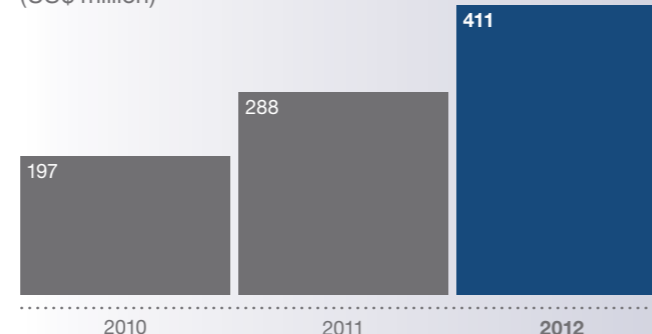
## Approach

Our business model is built around delivering long-term value for our shareholders, our employees, our partners and those with whom we interact. To achieve this we make significant direct investments to improve our operations and provide infrastructure such as roads and power lines that have a wider economic benefit for the local community. We also invest directly in local community development and provide high quality employment as well as indirectly through payment of national and local taxes; all of which significantly contributes to economic development within our key locations.

## Tax payments

One of our most direct benefits to local communities comes in the form of taxes that our Group companies pay to Russian and Kazakh state and local authorities. In 2012 our tax payments across the Group amounted to US\$411 million. This includes mandatory contributions to the state social funds, including the Pension Funds of the Russian Federation and Kazakhstan.

**Tax payments to the Russian Federation and Kazakhstan in 2010-12**  
(US\$ million)<sup>1</sup>



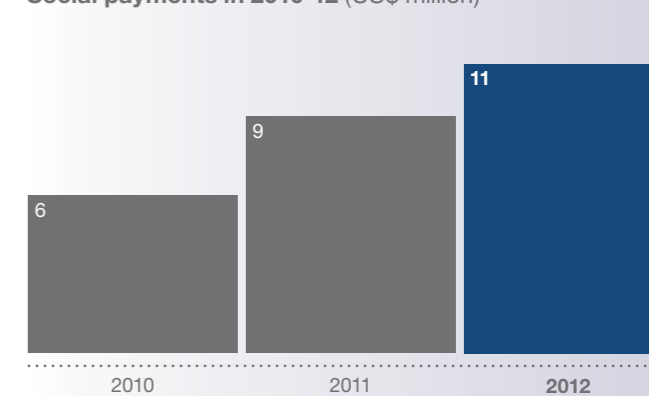
<sup>1</sup> Tax payments include payment to federal, regional, local budgets, regional social funds, personal income tax, fines and penalties.

## Community investment

In 2012, we invested US\$6 million (US\$4 million in both 2010 and 2011) in communities across health, education, infrastructure and sports-related projects, made concrete through 13 formal agreements with the local authorities and community representatives. In 2011-12 we invested US\$0.5 million in the work of IMN – improving the quality of life of local people.

More information on our community investment programmes and priorities can be found on page 50.

**Social payments in 2010-12 (US\$ million)<sup>1</sup>**



<sup>1</sup> Social payments including those made to employees.

## Summary of Polymetal's economic contribution

	2012 US\$m	2011 US\$m	2010 US\$m
<b>Revenue</b>	<b>1,854</b>	1,326	925
<b>Cash operating costs (excluding depreciation, labour costs and mining tax)</b>	<b>519</b>	368	290
<b>Wages and salaries; other payments and benefits for employees</b>	<b>283</b>	240	127
<b>Payments to capital providers</b>	<b>33</b>	33	27
<b>Taxes (excluding payroll taxes included in labour costs)</b>			
Income tax and excess profit tax	219	128	77
Kazakhstan	56	14	–
Russia	163	114	77
Taxes, other than income tax	14	11	14
Kazakhstan	2	1	1
Russia	13	11	14
Mining tax	145	97	57
<b>Social investments</b>			
Social payments <sup>1</sup>	11	9	6
<b>Undistributed economic value retained</b>	<b>630</b>	440	327

<sup>1</sup> Social payments including those made to employees.



# Investment and development

## Working with communities in Amursk

We believe that decisions on social and infrastructure investments should be collaborative and reflect the wishes of local communities. For example, in December 2012, we convened our third annual public meeting in Amursk. The aim was to review the effectiveness of investments in 2012 and identify key areas of work for 2013.

Since 2008, we have invested US\$1.6 million in Amursk District across the main areas – cultural activity, sport and education development and improvements to the urban fabric.

This review, convened by Polymetal, attracted 160 local people. The heads of the town and the district reported on the 11 projects that had been prioritised for 2012.

In parallel with this community planning, we also work closely with voluntary organisations representing Indigenous Minorities of the North in Amursk District. They too put forward proposals for investments during 2013, a collaboration that has been welcomed.

### The Managing Director of the Amursk plant, Vladimir Shamin summed up our approach:

“As we all come from the Amursk Region, we care about the state of our town.”



## Ozerny – a new industrial community arrives in Khabarovsk Territory

Ozerny is located 200 kilometres from Okhotsk and is populated with our employees extracting gold and silver ore which will be transported to the Khakanja processing plant. This community has been created to develop the newest mine in the region.

Ozerny, along with the Avlayakan site, is currently making a significant contribution to expanding the range of ore sources to Khakanja hub.

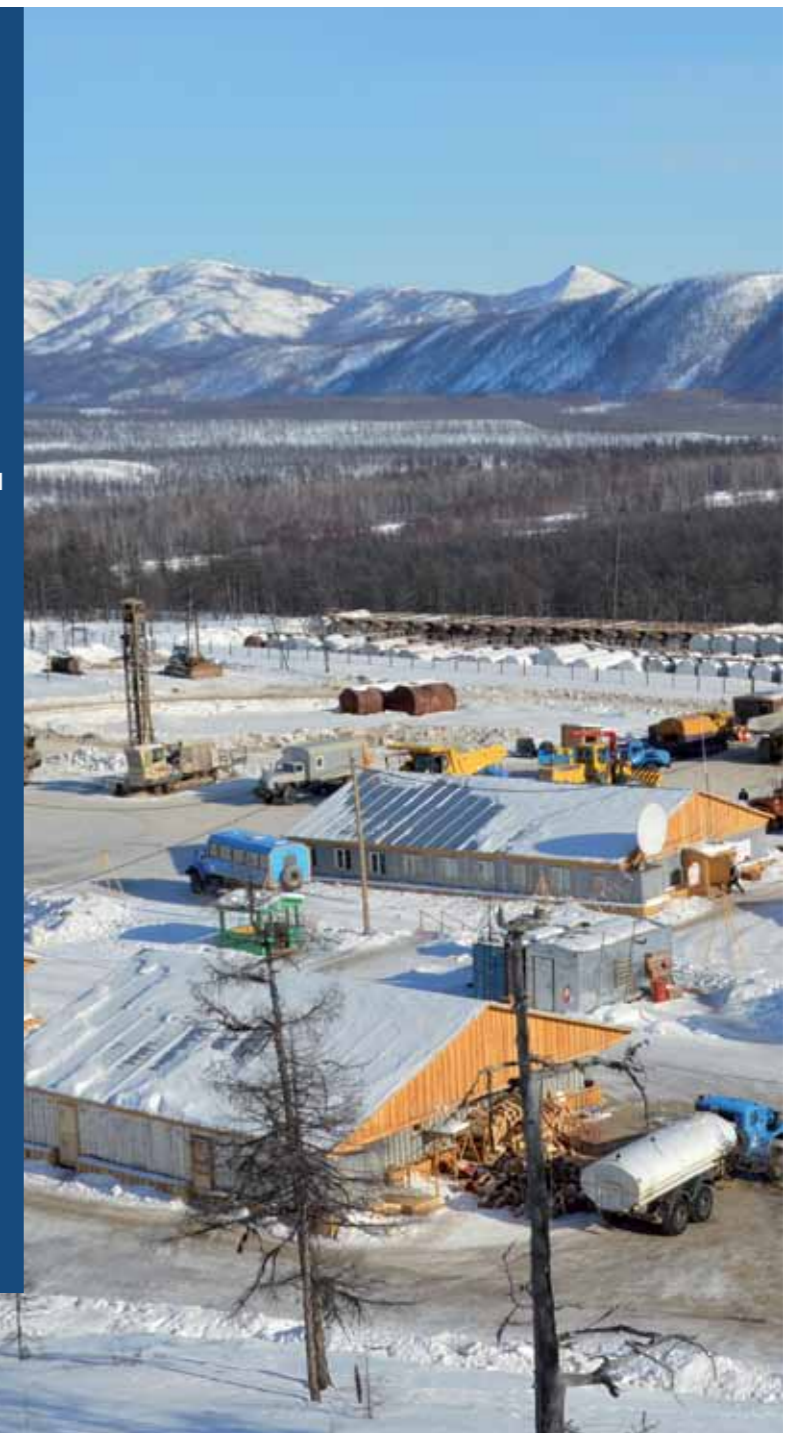
### Dmitriy Maksimov, head of the environmental department at Khakanja, says:

“The ore extraction process has been planned to reduce environmental impacts such as waste, water use and emissions. It will also be subject to a comprehensive rehabilitation plan once extraction is complete. All processing takes place at the Khakanja plant, which is subject to a separate set of environmental controls for such plants. The ability to extend Khakanja’s life of mine means new jobs, additional local tax revenues and improvements to infrastructure, transportation and communications.”

### Aleksandr Akamov, managing director of the Okhotsk Mining and Exploration Company, says:

“The Khabarovsk Exploration Company is undertaking additional exploration work on the flanks of the Ozerny site, with a view to expanding resources here. Beyond this current phase Khakanja holds ten licences to carry out exploration work and identify further satellite mines similar to Ozerny.”

With new developments and continued extraction operations at Ozerny, we will continue to employ more people – all of whom are making a contribution to the region’s development.





# Ensuring environmental progress

The Group operates complex processes on a large scale in remote locations. These processes produce a range of waste material and use toxic substances such as cyanide. They are all subject to controls through our environmental management system and increasingly sophisticated national and international government regulations.

<b>Who is responsible?</b>	Group CEO, Chief Operating Officer, Head of HSE, managing directors, chief engineers, heads of environmental departments
<b>What guidelines do we follow?</b>	Group Code of Conduct, Group Environmental Management Policy, UN Global Compact
<b>Stakeholders</b>	Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs
<b>Priorities</b>	Certify the environmental management system Control and manage cyanide and tailings Reduce the intensity of energy use Improve GHG emission measurement process Efficient use of water and reductions in waste water





# Managing our environmental performance

Our complex, geographically dispersed business uses resources and energy, produces significant quantities of emissions and waste and operates processes that can potentially have negative environmental consequences. To manage these environmental risks, we established a management system that complies with international best practice and national legislation. The system is monitored by teams in all operating subsidiaries and focuses on risk reduction, resource and energy efficiency, emissions reduction, and employee engagement.

## Approach

We operate a Group-wide environmental management system that is planned and coordinated by our Chief Operating Officer from our headquarters in St. Petersburg. The system is based on international best practice, applies across all Group businesses and complies with relevant Russian and Kazakh legislation. One of our priorities for 2012 was to prepare for independent certification to ISO 14001. This certification was granted in March 2013, after an external audit by Bureau Veritas, an independent environmental assurance agency.<sup>1</sup> The environmental management system is also subject to regular internal review.

The core of the system is an environmental policy, which is available at [www.polymetalinternational.com](http://www.polymetalinternational.com). It focuses on the use of best practice, continuous improvement, risk reduction, compliance and issues management. There is a strong focus on incident and emergency control, use of the most environmentally friendly materials and resource efficiency.

Each of our subsidiary companies has its own environmental team which runs and monitors the system and provides 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. 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 at the stage when new facilities are being designed.

## Auditing and compliance

Regular audit and monitoring activities are built into the corporate environmental management system and comply with the requirements of relevant Russian and Kazakh legislation and ISO 14001. External audits are undertaken by state supervisory authorities such as the Russian Federal Service for Supervision of Natural Resource Usage.

## Employee environmental training

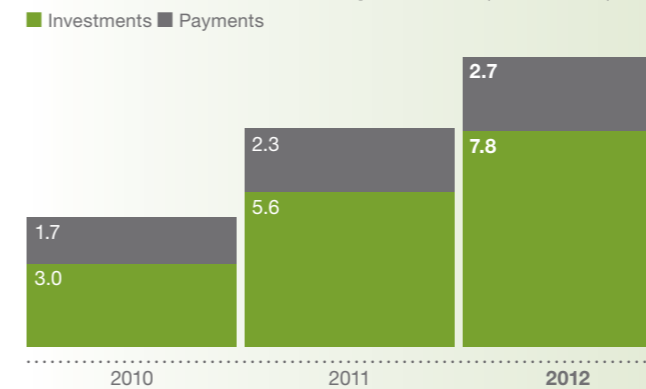
Our Human Resources department annually reviews environmental training opportunities at national and international level. An in-house training programme also supplements ongoing professional development with site visits and attendance at conferences. Each year, our environmental managers attend the All-Russian Industrial Ecologists' Seminar for an update on environmental legislation. Specific courses attended by environmental specialists include those covering environmental management systems, hazardous waste, land reclamation, water quality assessment and environmental security.

## Investment in environmental protection

Our overall investment in environmental management and monitoring increased from US\$5.6 million in 2011 to US\$7.8 million in 2012, reflecting growth in the scope and intensity of external monitoring and expenditure on equipment, people and training. In 2012, 48% of this investment went into protection of water resources, 33% into land reclamation and 19% into reductions in atmospheric emissions.

Regulatory authorities specify that we make quarterly payments resulting from our monitoring and auditing activities. In 2012, these payments amounted to US\$2.7 million compared to US\$2.3 million in 2011 and US\$1.7 million in 2010, reflecting continued expansion of our production capacity.

Investment in environmental protection (US\$ million)



## Action plan for 2013-15

Our action plan for 2013-15 emphasises continuous improvement to our environmental management system.

Certification of our environmental management system (EMS) to the ISO 14001 standard. The audit covers all of our operations and all sites and was undertaken by Bureau Veritas, an independent assurance agency. Certification was achieved in March 2013.	2013
Commission a comprehensive GHG emissions survey and harmonise GHG reporting with UK and international standards.	2013
Introduction of a system of monitoring and measurement at each production site that meets ongoing compliance and specifically addresses five priority issues, depending on the nature and location of the operation.	2013-14
Integration of EMS decision making into standard operating procedures at each production unit. This will give employees much greater input to defining significant environmental effects at each site and deciding on the means of monitoring and impact reduction.	2014-15

Within the context of the action plan, we are already investing in core environmental management projects at all our operating sites.

## Five key environmental management projects for 2013-15

- 1 Construction of advanced storm-water and waste-water purification units at Amursk
- 2 Completion of mine site rehabilitation at Yurievskoye
- 3 Purchase of waste pressing equipment at Albazino
- 4 Achieving full capacity performance for the water purification plant at Lunnoye
- 5 Improving water treatment efficiency and reducing water consumption at Voro

<sup>1</sup> Certificate for Mayskoye will be obtained after the start-up of the Mayskoye concentration plant.



# Managing our environmental performance

continued

## Our performance



## Waste

The most significant waste streams are overburden and tailings, which account for more than 99% of total arisings, by volume. The former is material extracted to uncover the ore deposits and the latter is a by-product of ore processing. In 2012, 800 tonnes of spent oil and 20 tonnes of plastic waste were disposed of at specialised facilities.

In managing these wastes, we operate through our systems and a set of procedures that are designed to minimise the volume of waste, maximise the amounts recycled and minimise the potential impacts on people and the environment.

Our internal audit teams conduct regular checks and measure our compliance with relevant national and regional standards relating to the treatment of overburden, tailings and other waste. This is augmented with spot checks by specialist Government agencies, focusing on environmental performance.

### Recycled materials

	2012	2011	2010
Total mass of reused/recycled materials (thousands of tonnes)	20,897	15,012	10,702
Proportion of recycled materials used by the Company's businesses as a percentage of the total mass of waste materials (%)	25.2	22.8	21.2

Waste (thousands of tonnes)	2012	2011	2010
Overburden waste	72,914	58,124	44,420
Processing waste (tailings, cakes)	9,114	7,711	5,552

Cyanide is a significant and harmful constituent of the waste material from ore-processing. Consequently, we pay particular attention to the way this material is managed. Our approach involves:

- > identification of the associated hazard class for the waste;
- > strict control of cyanide levels in tailings;
- > operation of Company-owned waste disposal and storage facilities at each site;
- > ongoing environmental monitoring of air, soil, surface and ground waters;
- > provision of environmental monitoring results to public authorities;
- > ongoing environmental protection – design, construction and monitoring of tailings dams, monitoring water sources and quality, riverbed changes and associated drainage.

Our tailings storage facilities are built in accordance with Russian and Kazakh environmental requirements on the prevention of soil and water contamination, taking into account detailed engineering and geological studies. The underlying geology must be characterised by minimal filtration rates into surface or ground waters. This is augmented by the use of impervious polyethylene waterproof screens, allied to sophisticated drainage systems that maintain the material in situ and prevent contamination of the surrounding area.



# Managing our environmental performance

continued

## Water

We withdraw significant volumes of water from surface and underground sources for use in all parts of our business, from offices in St. Petersburg to processing hubs in Far Eastern Russia. All water is re-used, treated and discharged as effluent to surface water, or is treated and stored in tailings dams.

Regardless of location or type of use, our overarching aims are to reduce the amount of water that we use per unit of output. In addition, we aim to reduce to the absolute minimum the volume of and impact from liquids discharged into water courses and to reduce the volume and maximise the safety of tailings dams.

We have consents from local and state authorities to withdraw water from a wide range of sources adjacent to our operating sites. We ensure that this usage does not place undue demands on any one surface or underground source and always remain within the limits of our consents.

### Total volume of water broken down by source (thousand cubic metres per annum)

	2012	2011	2010
Total amount of water withdrawn, of which:			
surface sources	7,756	8,400	7,500
underground sources	6,980	7,560	6,750

Over the past three years, the volume of water re-used by all Group companies has averaged 81% of the total. The remaining proportion is treated and discharged to surface water, in accordance with scheduled consents from state and local authorities.

## Energy

Given the dispersed nature of our business, operating in many remote locations without grid power, we use a significant volume of diesel fuel to power generators and vehicles. The diesel, plus gas purchased from third-party suppliers, accounts for the majority of our total aggregate direct energy consumption, mainly for heating, powering equipment and vehicles. The remaining energy is derived from coal that we mine at our sites and which is used to power boilers for heating.

### Direct energy consumption 2010-12 (thousand gigajoule)

	2012	2011	2010
Coal	358	303	297
Diesel	1,813	1,218	1,078
Natural gas	262	162	166
Electricity generated	697	435	359
Heat	566	511	477
Diesel for transport	2,358	2,232	1,762
Petrol for transport	33	33	29
<b>Total</b>	<b>6,088</b>	<b>4,892</b>	<b>4,169</b>

### Indirect energy consumption 2010-12 (thousand gigajoule)

	2012	2011	2010
Purchased electricity	1,211	827	776

## Air emissions

### Greenhouse gas emissions

Direct greenhouse gas emissions derive from the generation of heat and electricity from diesel generators and burning of natural gas and coal.

	2012	2011	2010
CO <sub>2</sub> eq. (tonnes) <sup>1</sup>	212,982	218,460	140,942

<sup>1</sup> CO<sub>2</sub> equivalent is calculated in accordance with the methodology of Scientific Production Corporation 'Atmosfera' from 'International methods of greenhouse gas emission inventory' by A. Zinchenko (published in St. Petersburg in 2003).

There are also other pollutants (gases which are precursors or concomitants of GHG) which are released during production processes.

### Emissions (tonnes)

	2012	2011	2010
Carbon monoxide	1,387	1,321	847
Nitrogen oxide	185	176	113
Nitrogen dioxide	740	705	452

### Other emissions

The other main air emissions are sulphur dioxide and inorganic particulates. These emissions are generated through the processing of ores.

### Other emissions (tonnes per annum)

	2012	2011	2010
Sulphur dioxide	174	157	138
Inorganic dust	3,148	2,682	2,925

## Biodiversity management

We do not operate in or adjacent to specially protected natural territories. We also do not operate on or adjacent to land that is designated as having natural, historical or cultural value by Indigenous Minorities of the North (IMN).

We do, however, operate in the forest and tundra areas of Russia's Far East, which are sparsely populated and home to rare and endangered flora and fauna. Of the 11 mineral fields that we are currently developing, seven are situated in such areas. At all seven of these sites, and indeed at all of our fields, we operate a system designed to protect flora and fauna. This involves baseline monitoring of the pre-development state 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 an individual to take personal responsibility for complying with procedures intended to minimise damage to flora and fauna.

Once an extraction area has been worked out, we implement a comprehensive programme of land rehabilitation.

### Disturbed and rehabilitated land (hectares)

	2012	2011	2010
Amount of leased land, total	10,083	9,231	8,424
Land disturbed as of 1 Jan	5,386	4,024	2,986
Land disturbed for the year	694	1,365	1,038
Land rehabilitated for the year	207	3	-
Remaining disturbed land	5,873	5,386	4,024



# Restoring our environment

## May the 'ecological landing force' be with you

Our aim was to support and work with residents to improve the local environment.

We teamed up with the All-Russian social movement 'Let us do it together!' to create an 'Ecological landing force' and clean up the environment of Evensk.

We invited all residents, including children, to clear up discarded rubbish and junk – a first such event for the town.

Our best operations and management discipline was brought to bear on this logistical challenge. With the town divided into five sectors, five landing force teams were issued with maps showing the worst affected areas, thanks to prior reconnaissance by young volunteers, who took photos of the offending litter and junk. At the end of the day all teams reported how the whole exercise had gone. Prizes were awarded for the most amount of litter collected and the most unique find of the day.

The project showed that our financial support and management expertise could help a local organisation to effect positive change and harness the enthusiasm and pride of local people.



## Going beyond environmental management compliance at Amursk

Our aim was to further develop and improve the environmental management system at Amursk POX plant in line with our sustainability priorities.

Two key improvements are in the areas of waste-water and air emissions. An innovative production water purification and re-use system means that there is no discharge of effluent to surface waters. Changes to processes and procedures have also generated a reduction of 95% in air emissions. This is backed up by regular monitoring and analysis by the Centre for Laboratory and Technical Research in Khabarovsk, working with our own on-site ecology and environmental protection team. Further water quality monitoring is undertaken by representatives of the regional fishing supervision board.

Other areas where improvements are being made include noise-related health and safety. A programme of engagement and education has been implemented that helps employees to recognise the dangers of noise exposure and what they can do to reduce the impact on themselves and their colleagues.





# Ensuring a safe working environment

A safe and healthy working environment is a fundamental right for all employees and a measure of management effectiveness.

Who is responsible?	Group CEO, subsidiary managing directors working with heads of HSE, Operations and HR
What guidelines do we follow?	UN Global Compact, Group Code of Conduct, Health and Safety Policy
Stakeholders	Employees, specialist government agencies, independent auditors
Priorities	Prevent workplace accidents Prevent work related illnesses Implement risk-based assessments





# Ensuring a safe working environment

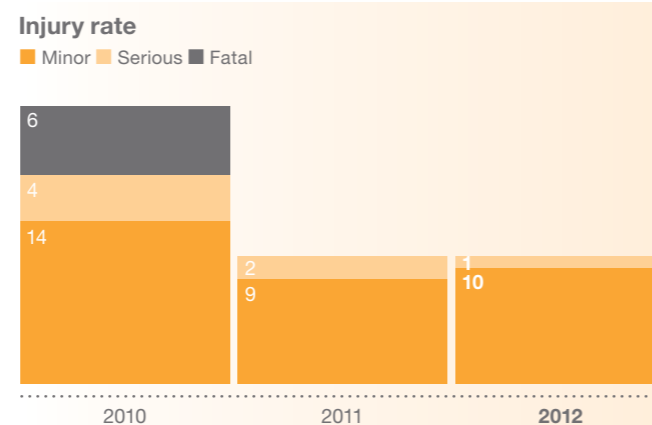
## Approach

Polymetal's approach to Health and safety is set by its employee protection and workplace safety management system. This is designed to detect, assess and manage production risks; ensure employee health and workplace safety and define the safe use of buildings, other structures and all equipment. The system is based on ILO-OSH 2001, OHSAS 18001 and GOST R 12.0.007-2009.

In 2011-12, health and safety activity focused on:

- > ongoing implementation, operation and refinement of the system;
- > reducing workplace injuries;
- > enhancing the culture of safety within every operation;
- > ensuring that the latest safety techniques and equipment are applied;
- > enhancing safety training.

We operate 120 production sites and processes, each with its own inherent risks, including open and underground mines, geological exploration sites, ore processing, explosive depots, as well as transportation of people, equipment, waste and ore. Every employee receives illustrated guides, backed up by regular briefings and formal training sessions, as well as the provision of necessary equipment and work wear. This is backed up by ongoing internal audits that identify areas of poor and positive practice that maintain the integrity of the system.



## Performance

### Workplace accidents

In 2012, there were 11 workplace accidents across the Group, none of which were fatal, one of which was serious and ten of which were minor. Of this total, 62% of the accidents involved being struck by an object, 18% involved falling from height, 9% falling while walking and 11% were burns related. While the total number of non-fatal accidents in 2012 was the same as in 2011, there was only one serious accident, compared with two the previous year (the remainder being classified as minor). Our target is to get the accident rate as close to zero as possible, therefore we will continue to improve our health and safety systems to prevent incidents.

A key corporate KPI is the ongoing reduction of the Lost Time Injury Frequency Rate (LTIFR) and achieving a zero fatality rate. This has reduced from 0.63 in 2011 to 0.59 in 2012, following a major improvement from 1.9 in 2010. We have also experienced our second consecutive year with zero fatalities, which is a tangible and meaningful outcome from the measures taken to improve safety systems and risk management.

In 2012, we initiated daily risk assessments (DRAs), introduced a 5S programme at all of our processing plants and transport depots, started to integrate contractors into the health and safety system and established procedures for ongoing monitoring of risk.

### Health and safety performance

	2012	2011	2010
Accidents	11	11	24
Incidents	0	2	-
Occurrences	19	14	14
Injury frequency coefficient	1.2	1.3	3.5
Injury gravity coefficient	36	61	75
Lost time injury frequency rate (LTIFR)	0.6	0.6	1.9
Fatal injury frequency rate (FIFR)	0	0	0.5
<b>Contractor organisations</b>			
Accidents	2	5	0
Occurrences	13	9	10

### Work-related illness

Zero cases of production-related illness were recorded in 2012; the same as in 2010 and 2011. Each employee receives, as a minimum, an annual health check from a hospital. Our medical professionals also conduct continuous monitoring of employees health. In some cases, these checks identify the need for specific treatment, perhaps involving time away from the workplace in one of our health centres.

## Focus for 2013-15

Our health and safety focus for 2013-15 is on enhancing our capabilities in three key areas: training, visualisation and monitoring as well as rolling out the system to our supplier and contractor network.

### Action plan for 2013-15

Area	Year
<b>Training</b>	2013
	1. Full-time training on risk management
	2. Compulsory education in distance learning mode
<b>Visualisation</b>	2014
	3. Building a knowledge base with universal unlimited access for all employees
<b>Automation</b>	2014
	Scenarios for posters and videos are being developed. In 2014 all visualisation sources will be reviewed, classified and standardised.
<b>Automation</b>	2015
	Automation of production control, reporting and analysis. Use of software to report on safety and record accidents – replacing paper registers.



# Health and safety in action

## New approaches to hazard identification and risk assessment

As part of our corporate health and safety programme, we introduced a hazard identification and risk assessment system in 2012. The system is driven by a commission of employees with specialist skills which identifies hazard factors in each area of a production unit and records all of them on a risk assessment form. This becomes the hazard template for all employees on that site.

The assessment has been completed at Varvarinskoye, and, according to unit foremen, has been enthusiastically adopted by all employees.

### Vladimir Yefremenko, mine foreman, said:

"We carried out checks in conjunction with the commission and identified factors which might lead to incidents, occupational illnesses, emergencies or accidents. Everything is set out in the form, including types of hazard, how they can be avoided and what safety measures need to be applied. The previous system, while compliant, was time consuming, repetitive and items could be missed. This has helped to instil rigour into the process and raise awareness when unit foremen share the information with colleagues when they issue them with safety equipment."

### Murat Bekeshev, foreman of the auto transport workshop, said:

"Our work can be dangerous, so all of our team are fully aware of the hazards that they may encounter. The formalisation of this process helps greatly as they are an instant reference for real risks. We also build up a record of incidents and emergencies. As the mine grows, new equipment is being acquired, which means that new hazards can emerge, which are immediately logged on the forms. The new system also includes posters, signage and other indicators of hazards. Certainly since introducing the system we have seen much greater levels of vigilance and care when going about our daily business."



## Healthy working lives

In line with Russian state legislation we provide a full package of social benefits to our employees, each of whom is provided with medical and pension insurance. Our Social Insurance Fund (SIF) also supports stays at health resorts for many employees. For example, Magadan Silver's employees are given the opportunity to spend time at the unique Talaya health centre in Kolyma Territory. In 2012, 59 employees enjoyed the relaxing healthy regime.

Mechanic of the electromechanic service of the Omsukchan concentrator, **Vladimir Churanov**, who stayed at the 'Biriuzha' health centre, liked the attitude of the medical staff and selection of offered therapeutic procedures.

### Irina Konnova, engineer-technician at Magadan Silver, greatly enjoyed her time at Talaya:

"I had a wonderful week of recreation, therapies such as hydro-massage and excursions. The food was healthy and delicious and I would recommend the whole experience to anyone."

Fifty children of Magadan Silver employees also got the chance to spend summer and autumn vacations at Talaya, returning to school enthused and energised. Thanks to the SIF, all travel and residential costs were covered by the Group.





# Investing in our people

Our employees are contributors to and beneficiaries of our commercial success. They expect a high quality working environment, direction and a career pathway. In return we expect a clear commitment to our corporate goals.

<b>Who is responsible?</b>	Group CEO, Chief Operating Officer, Chief Financial Officer, Head of Human Resources, Deputy CEO for Development and Construction, Deputy CEO for Procurement, Deputy CEO for Information and Social Policy, subsidiary managing directors and HR teams
<b>What guidelines do we follow?</b>	UN Global Compact, Group Code of Conduct, Russian Labour Code, Standard Regulation on Social Conditions and Service Quality Control, Human Resources policies
<b>Stakeholders</b>	Employees, specialist government agencies, suppliers
<b>Priorities</b>	Recruit and retain motivated employees Develop career pathways Improve communications with employees





# Investing in our people

## Approach

As a key stakeholder group our employees expect a certain standard of behaviour from the Company and in turn we provide a Code of Conduct to which they commit to adhere to.

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

## Employment policies and profile

In line with the UN Global Compact Principles, our main employment objectives are:

- > to build a team that is motivated to achieve business performance targets;
- > to create working conditions and a system of incentives that improves safety;
- > to supply Company operation projects with appropriately skilled personnel;
- > to operate a continuous employee skills improvement programme.

Human resources policies are coordinated by our Group Head of Human Resources from our headquarters in St. Petersburg. These are implemented by the Managing Directors of our operating companies, working through their human resources teams.

### Appraisal policy

- > Appraise skills in line with performance targets. Use the RIS model (result/input/skills)
- > Use feedback between employees and managers
- > Objectivity through 360 degree appraisals
- > Consistency in methods used to monitor progress

### Resources policy

- > Organise work using up-to-date processes and tools
- > Ensure safety at work
- > Develop employees' potential
- > Encourage and support skills training

### Motivation policy

- > Average out sectoral/regional pay levels.
- > Work to KPIs
- > Output-related payment system
- > Effective social benefits system
- > Dialogue with and through workers' councils
- > Use feedback to implement remedial action

### Induction policy

- > Ensure continuity of employment
- > Encourage adaptation from workplace to residence
- > Ensure managers take responsibility for employee professional development
- > Ensure managers take responsibility for integration of new recruits

### Training policy

- > Align training with required tasks and goals
- > Operate a distance learning system
- > Prioritise training that develops employee skills

### Organisational design policy

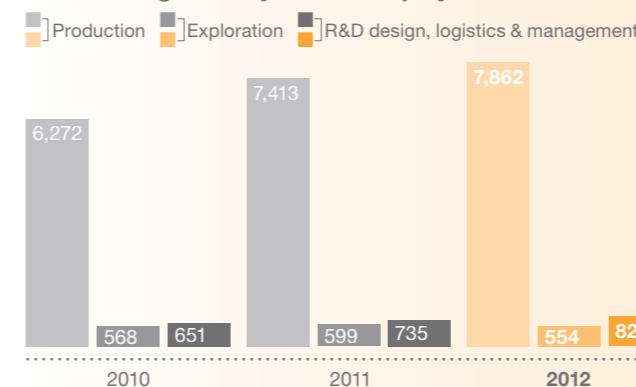
- > Account for regional variations in working conditions and type of operation
- > Centralise management functions
- > Streamline functions across operating companies
- > Introducing a rotating schedule where appropriate

### Headcount policy

- > Benchmark productivity figures against peers
- > Appropriate and effective technology and automation
- > Outsource non-core functions

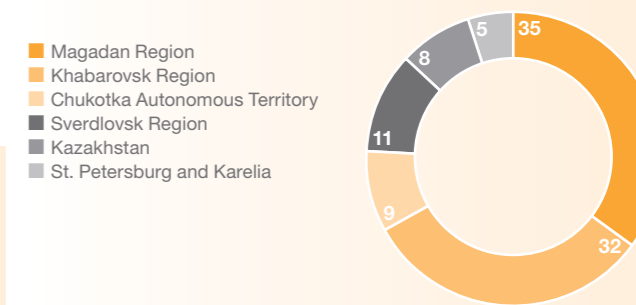
As at 31 December 2012, we employed 9,237 people across the Group, with 7,862 in production, 554 in exploration and 821 in research, development, design, logistics and management. Most of those working in extraction and exploration work on a shift basis, due to the demanding nature of the work and the remote locations of many sites. On average, shift workers account for 60% of the headcount. The growth in employee numbers between 2011 and 2012 is largely accounted for by the development of the Amursk and Omolon hubs.

### Headcount growth by area of employment



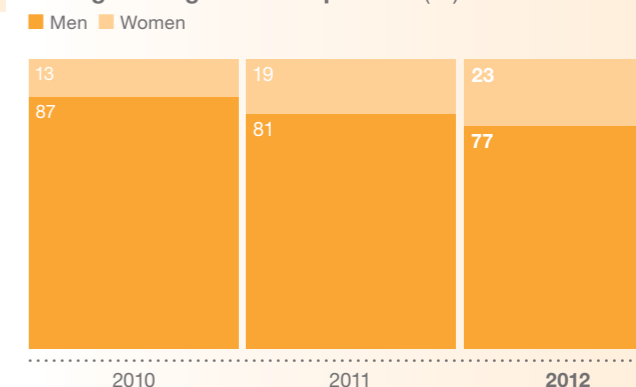
More than 60% of all employees work in Magadan and Khabarovsk Regions in the hubs at Omolon, Dukat and Amursk, as well as Mayskoye, Khakanja and Albazino.

### Headcount distribution by regions of operations (%)



In 2012, women occupied 23% of our management roles, compared to 19% in 2011. We have also made significant efforts to work with local universities to provide internships and a pathway for 'young specialists' into the business. In 2012, we employed 260 people under this scheme, up from 190 in 2011.

### Management gender composition (%)





# Investing in our people

continued

## Polymetal's average salary level in comparison to industry and region levels (%)

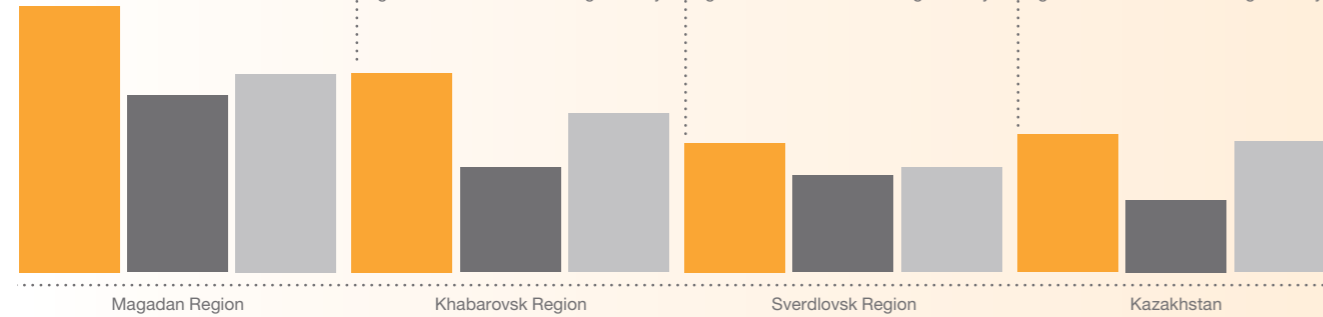
■ Polymetal ■ Average salary level across the region ■ Average salary level across the mining industry

Polymetal's average salary level is:  
 : 50% higher than across the region  
 : 30% higher than across the mining industry

: 90% higher than across the region  
 : 25% higher than across the mining industry

: 34% higher than across the region  
 : 23% higher than across the mining industry

: 90% higher than across the region  
 : 5% higher than across the mining industry



## Competitive salaries and benefits

Our salary levels comply with all legal requirements in Russia and Kazakhstan and are highly competitive, exceeding the average across each of our operating regions and the Russian and Kazakh mining sectors.

## Skills development and training

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 or/and external providers. Employees also have the chance to attend training sessions at/and with other international mining companies in order to widen their range of influences.

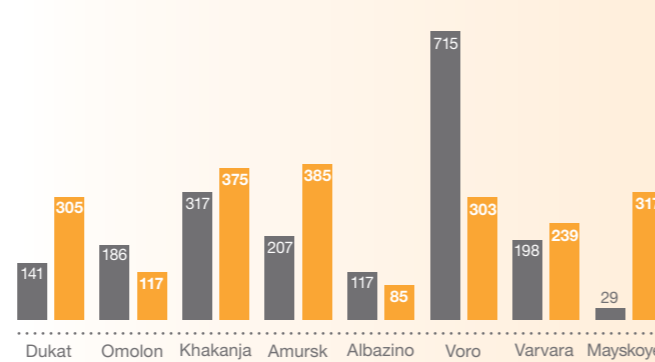
A distance learning system is used for pre-certification training in industrial and occupational safety. We have been working with this system for three years and it is an efficient means of reaching employees in remote locations – enhancing productivity and effectiveness, while reducing associated costs. This complements the work of our Corporate Training

Centre in St. Petersburg and the teaching facilities present on most of our sites. In 2012, a new facility was opened at our Omolon office.

During 2012 we invested US\$1.1 million (2011: US\$0.9 million; 2010: US\$0.5 million) in professional training across all disciplines. In 2012, this meant that 2,096 employees had some form of additional professional development training. In 2012, the average number of hours of training for managers and specialists was the same as for 2011: 41 hours per person for managers and 42 hours per person for specialists. Between 2011 and 2012 the average hours of training for all other employees increased from 47 to 90, reflecting the work done to enhance our occupational health and safety system.

## Employees undergoing additional training in 2011-12

■ 2011 ■ 2012



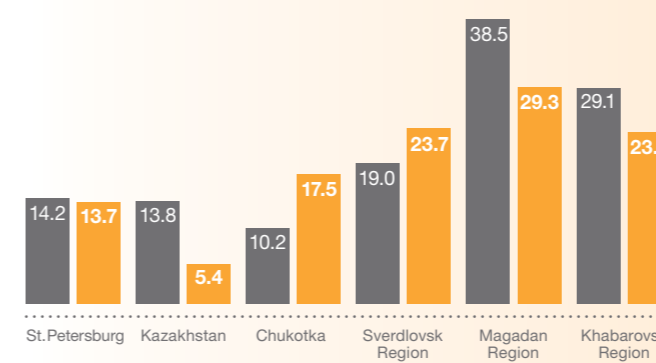
## Performance

### Employee turnover

The average employee turnover rate (including fly-in/fly-out operations) has remained relatively constant over the past two years. It was 17.8% in 2012, compared to 19.6% in 2011 and 21.8% in 2010.

### Employee turnover (%)

■ 2011 ■ 2012



Across our operating regions, employee turnover rates can vary, reflecting the types and status of operations within these areas. For example, where we are developing new resources and building new infrastructure, we will employ a higher proportion of temporary employees during the construction phase. Consequently, the average turnover figure will be higher because of the nature of the work. For example, Khabarovsk Region includes one of our subsidiaries Albazino Resources, a developing enterprise, where the employee turnover figure reflects many shorter term jobs supporting the construction and launch of the ore concentrator.

In order to attract and retain employees we provide an excellent salary and package of benefits including:

- > financial assistance for those in difficult circumstances;
- > supplementary benefits for those retiring at pensionable age;
- > allowances for pre-school education and after-school care while in primary education;
- > access to rehabilitation centres and health resorts for employees' children;
- > travel costs paid for those travelling from remote regions to their place of work, during and at the end of their employment;
- > holiday travel costs paid for each employee and their families, every two years;

- > provision of accommodation when working at remote sites;
- > travel costs paid for rotation shift workers – to and from remote assembly points;
- > provision of transport by air or road for all those travelling to and from their place of work; and
- > a compensation package for injuries incurred at work.

## Employee relations

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

In 2012, 7,526 employees (82% of the total workforce) were participating in collective agreements at our eight main operating sites in Russia and Kazakhstan. Some of the agreements expire and will be renegotiated in 2013, while most will run to mid/late 2015. 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. In tandem with the LRC, six of the sites hosted Workers' Councils, which act as a further voice for employees in that operation. On the two sites that do not, those contributing to the LRC act as the conduit for views from the workforce.

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 to their line managers, through meetings 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 2012, more than 400 such enquiries were received and answered to the satisfaction of the individuals concerned.

Our open and progressive approach to employee relations has contributed to the fact that in the Company's history there have been no recorded instances of strikes or lock-outs.

Minimum notice periods for significant operational changes including changes to job requirements, shift schedules, employment standards or dismissals are compliant with relevant national laws. In Russia, two months' notice is required while one month's notice is required in Kazakhstan.



# Investing in our people

continued



## Competition for best ideas

In 2012, we organised a cross-company competition to identify new science-based methods and innovations that would improve efficiency. The competition was open to employees in all Group companies across all territories and took place at our Magadan operation. Fourteen young members of our production team, competed to present the best ideas to improve efficiency. The competitors included geologists, surveyors, system technicians and accountants who worked hard for six months on developing their ideas. Each of their presentations were rated by the conference participants, with the prize of enhanced career prospects and financial bonuses.

One competitor, Natalia Moskalenko, an accountant at the Omolon Gold Mining Company, looked at the benefits of state investment in infrastructure projects that support Polymetal developments and enhance broader economic prospects for local communities. According to Natalia's calculations, 20% of state investments in the construction of road, thermal power plant and power transmission lines are economically beneficial to local authorities and communities as well as Polymetal. Her view was that the state could realise a return on its investment within six years of such investments.

After the conference, two of the presenters were identified as management candidates who would fill suitable senior positions as and when they arose. Other participants qualified for additional management training.



## Employee development

All of our employees benefit from regular 360 degree assessments, which allow us to evaluate their performance and career aspirations, assisted by comments and analysis from colleagues, subordinates and managers. Employees at Gold of Northern Urals started these assessments in December 2012.

The 360 degree approach allows us to identify strengths and weaknesses and to match an individual's skills to particular roles within the business or identify where additional training may be required. It also allows for an open discussion on career aspirations and commentary on the quality of management and working conditions.

During 2012, 209 employees will be rated at Gold of Northern Urals. In the main, these individuals are managers and specialists who have worked for more than a year in a particular role.



# Building strong relationships with our communities

Our aim is to operate with the support of local communities. Our relationship with these communities has many facets: as an employer, a user of services, a user of resources, producer of waste materials and emissions and as an investor in local infrastructure and the social fabric. We therefore offer multiple contact points, such that needs are addressed and the benefits of the relationships are maximised.

<b>Who is responsible?</b>	Group CEO, PR Director, Technical Council, subsidiary managing directors working with heads of Finance, Communications, Operations and HR
<b>What guidelines do we follow?</b>	UN Global Compact, Group Code of Conduct, Policy on Social Investments
<b>Stakeholders</b>	Employees, national government, local government, specialist government agencies, local communities, indigenous peoples groups and other NGOs
<b>Priorities</b>	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





# Building strong relationships with our communities

## Approach

We recognise that our business cannot operate without a licence from local authorities and their associated communities. In our areas of operation we are a significant employer and creator of infrastructure that impacts upon adjacent communities and indigenous people. Consequently, we have formalised our approach to and attitude towards local and indigenous people in our Code of Corporate Governance and Policy on Social Investments that are informed by the UN Global Compact and the UN Declaration on the Rights of Indigenous Peoples. Compliance with the Code is monitored by the Technical Committee and implemented through our Group companies by their respective management teams.

Our operations' and hence the regional and local populations with which we interact, are numerous and widespread, including Russia's Far East (Omsukchan, Srednekansk and Severo-Evensk districts in Magadan Region, Okhotsk, Amursk, Ayano-Maysk and Polina Osipenko, as well as the town of Amursk in Khabarovsk territory); Northern Urals (the towns of Krasnoturinsk, Karpinsk, Degtyarsk and Sukhoi Log and Vorontsovka village); Chaun district in Chukotka Autonomous Territory and Taranovka district in Kazakhstan.

The principles that we adhere to when engaging with local communities and indigenous people in these locations are:

- > to be open to ideas and comments from those living and working close to our operations;
- > to be transparent in our dealings with those living and working close to our operations – providing timely, relevant and accurate information on the progress of corporate and community investment projects;
- > to take a long-term view of interaction and investment and put in place systems for identifying investment priorities and monitoring progress;
- > to identify and act on the most significant issues for local communities and indigenous people – entailing open and regular dialogue; and
- > to provide real and tangible benefits to local communities and indigenous people.

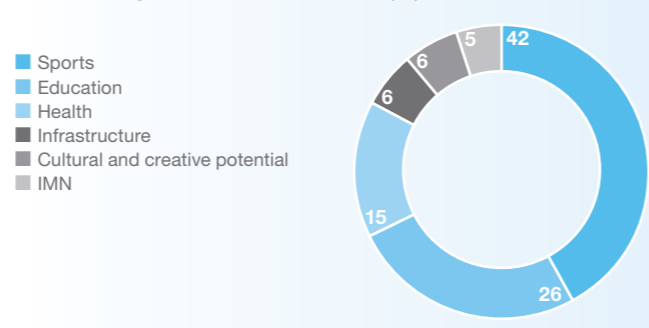
## Investing in communities

Our community investment priorities have been determined through feedback from local populations and our experience of working with communities and indigenous people over many years. At least once a year, we evaluate local community requirements through public meetings, questionnaires, surveys and one to one dialogue. This allows us to identify key investment targets and assess the impact of existing investments. In the main, these investments focus on the following activities and groups:

- > Education and healthcare
- > Infrastructure
- > Sports facilities and healthy lifestyle initiatives
- > Cultural and creative development with indigenous people
- > Indigenous Minorities of the North

These investments totalled US\$6 million in 2012, more than 80% of which was directed towards sports, education and healthcare projects.

Community investments in 2012 (%)



## Community engagement

We are conscious of our long-term commitments to the economic, social and environmental wellbeing of the people and places associated with our operations.

In 2011-12, we organised 30 meetings with local communities and IMN groups, eight round table discussions and consultations with the representatives of local ecological and social welfare groups and organised six site visits for nature conservation organisations. Feedback obtained from these meetings, informal contact and ongoing evaluation of community investment work was overwhelmingly positive.

As a company, we are an active participant in discussions about the future prospects of the Russian and international mining sector. At the same time, we retain excellent working relationships with state and regional authorities in Russia and Kazakhstan. However, we do not undertake any formal lobbying of government agencies, nor do we make any financial or in-kind donations to any political parties.

## Performance Community benefit

Over and above our tax commitments and employment commitments, we maintain and enhance local infrastructure and services, maintain and grow the working population, increase employment opportunities, provided training and education for local people and operate a long-term programme of community investment. The proportion of employees drawn from the local population varies depending on location. In all cases however, preference is given to local people to fill appropriate positions within each company. In addition, at the end of 2012, we also employed around 80 people from indigenous minorities living and working adjacent to our production sites.

## Respecting the rights of indigenous people

We operate in three areas that are home to IMN, these are Chukotka, Magadan Region and Khabarovsk Territory. In these areas, our conduct is guided by and complies with the UN Global Compact and the UN Declaration on the Rights of Indigenous Peoples. In line with our own Codes and policies, we have six agreements in place with IMN communities in our Russian Far East operations. These agreements are drawn up in consultation with IMN and local authority representatives and focus on support for traditional reindeer breeding activity, educational and cultural programmes designed to celebrate and preserve language and traditions, provision of fuel, food, vehicles and building materials, maintaining and restoring festival and holiday traditions, learning about local ecosystems, exchanging knowledge on environmental protection and facilitating exchanges between others in the local area and IMN representatives.

IMN have access to and use the same feedback and communication channels as offered to employees and local communities. Information points with Company updates and contact details are provided in all villages adjacent to our operations. Local media channels are used to publish information on meetings and events at which feedback can be provided to local company managers and information gained on corporate or community investment activity.

Given the strong and clear lines of communication with local people and IMN, there were no recorded instances of complaints or ongoing issues over land tenure and land use during 2010-12. There were no recorded violations of the rights of indigenous minorities, nor has there been any relocation of groups or individuals over this period – and indeed since Polymetal began operating in Russia's Far East.



# Building strong relationships with our communities

continued

Aim	Main outcomes in 2011-12	Objectives in 2013-14
<b>To strengthen partnerships with local communities, including IMN</b>	<ul style="list-style-type: none"> <li>&gt; US\$6 million of community investment in 2012</li> <li>&gt; US\$411 million paid in national and local taxes in 2012</li> <li>&gt; 13 socio-economic agreements with local authorities and six with IMN in 2012</li> </ul>	To increase the scale and scope of social investments and continue to assess local needs
<b>To improve the quality of life for communities adjacent to our operations</b>	<ul style="list-style-type: none"> <li>&gt; Built nine playgrounds and sports facilities</li> <li>&gt; Repaired and renovated 23 healthcare and education facilities</li> <li>&gt; Improved town and village infrastructure such as gas supply and street lighting</li> <li>&gt; Provided vehicles and ambulances for remote settlements</li> <li>&gt; Regular medical drop-ins to remote towns and villages, with 1,500 people receiving medical assistance</li> <li>&gt; Apartment block built for doctors in Krasnoturinsk</li> <li>&gt; Supported IMN's programme for deer breeding</li> </ul>	<p>To open healthcare and education facilities under long-term programmes</p> <p>To build six playgrounds and sports facilities</p>
<b>To improve the quality of feedback and co-operation with local communities and IMN groups</b>	<ul style="list-style-type: none"> <li>&gt; Held 30 public meetings across all operating regions</li> <li>&gt; Contributed to eight consultative committees and working groups with local communities and authorities</li> <li>&gt; Organised six visits for representatives of local communities and IMN groups to production units and businesses</li> </ul>	To continue dialogue with local communities, IMN and those on the list of stakeholders

Aim	Main outcomes in 2011-12	Objectives in 2013-14
<b>To encourage sporting participation and support sports associations and teams in remote areas</b>	<ul style="list-style-type: none"> <li>&gt; Equipped sports halls and children's clubs in seven communities</li> <li>&gt; Constructed and equipped major sports facilities, including a school stadium and community ski complex</li> <li>&gt; Organised eleven sports tournaments for employees and local people</li> <li>&gt; Supported five ice hockey teams</li> <li>&gt; Finalising the construction of a major sports complex in Okhotsk District (Khabarovsk Territory)</li> </ul>	<p>To support children's sports programmes</p> <p>To complete the construction of sports facilities</p>
<b>To encourage and support cultural and creative pursuits for local communities and IMN</b>	<ul style="list-style-type: none"> <li>&gt; Funded an ethnographic museum in Djuen</li> <li>&gt; Funded a book, 'Negidals', about the Tungus-Manchurian people in Khabarovsk Territory</li> <li>&gt; Rebuilt a cinema in Amursk (Khabarovsk Territory)</li> <li>&gt; Repaired and re-equipped clubs, museums, local history centres, libraries and child development centres</li> <li>&gt; Organised two major ethnic festivals in Khabarovsk Territory and Magadan Region</li> </ul>	To agree more long-term projects with IMN and local authorities on environmental awareness aimed at schoolchildren and young people



# Building strong relationships with our communities

continued



## On air – news desk for young people

The Amursk Television and Radio Broadcasting Company has launched a news desk specifically for young people.

Polymetal provided financial support for the project, but the idea was initiated by members of the 'Dialogue' youth association who are interested in television journalism and who conceived, produced and delivered the project with great enthusiasm.

Thanks to Polymetal's funding, the news desk has a fully equipped studio which produces a weekly programme on topics of interest to young people. The first programme covered the summer holiday activities of Amursk's young citizens, and was shown during the launch event. The programme's 'special correspondents' also displayed their skills during the event by interviewing both the guests and the producer of the programme.

## Supporting IMN

We have entered into an agreement to support reindeer-breeding teams, education and health care for IMN groups in Srednekansk.

Pavel Khabarovskiy is an official representative of the Even community which benefits from our support. A meeting was arranged with Pavel, local authority representatives and Gennady Kuzmenko, a Director at our Magadan operation, who travelled seven hours to see how our investments of US\$0.2 million have benefited the area. He was able to see for himself how the money had been used to replace furniture in the local hospital while lighting and windows had been replaced in the community school.

The community provides feedback on the quality and relevance of our investment programme through a simple questionnaire. This is available to anyone and allows them to evaluate what has been done and make proposals for new investment targets. In the latest questionnaire, the community requested new tents, an electric motor, sledge and spare parts for the community's snowmobile.





# Table of standard disclosures under GRI reporting

Profile disclosure	Description	Comply	Where
<b>1. Strategy and analysis</b>			
1.1	Statement from the most senior decision-maker of the organisation.	■	SR pages 2, 8-9
1.2	Description of key impacts, risks, and opportunities.	■	SR pages 10-11, 14-17, AR pages 80-83
<b>2. Organisational profile</b>			
2.1	Name of the organisation.	■	Polymetal International plc
2.2	Primary brands, products, and/or services.	■	SR pages 4-5
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	■	SR pages 6-7
2.4	Location of organisation's headquarters.	■	SR pages 6-7
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	■	SR pages 6-7
2.6	Nature of ownership and legal form.	■	SR pages 4, 13
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	■	AR Business review
2.8	Scale of the reporting organisation.	■	SR pages 5-7, 21, 43, AR Financial Statements. Capitalisation as at 31 December 2012: US\$2,987; debt (borrowings) = US\$864m; equity = US\$2,123m.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	■	SR page 2
2.10	Awards received in the reporting period.	■	SR page 5
<b>3. Report parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	■	SR page 2
3.2	Date of most recent previous report (if any).	■	SR page 2
3.3	Reporting cycle (annual, biennial, etc.).	■	SR page 2
3.4	Contact point for questions regarding the report or its contents.	■	ir@polymetalinternational.com
3.5	Process for defining report content.	■	SR pages 10-11, 14-17
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	■	SR page 2
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	■	SR page 2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	■	SR page 2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	■	SR page 2
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	■	SR page 2

Profile disclosure	Description	Comply	Where
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	■	SR page 2
3.12	Table identifying the location of the Standard Disclosures in the report.	■	SR page 56-59
3.13	Policy and current practice with regard to seeking external assurance for the report.	■	SR page 2
<b>4. Governance, commitments and engagement</b>			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	■	SR pages 12-13, AR Governance section
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	■	SR pages 12-13
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	■	AR Governance section
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	■	AR Governance section
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	■	AR Governance section
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	■	AR Governance section
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	■	AR Governance section
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	■	SR pages 12-13, 14-17
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	■	SR pages 12-13
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	■	AR Governance section
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	■	SR page 2
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	■	SR pages 10, 13
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> <li>– has positions in governance bodies;</li> <li>– participates in projects or committees;</li> <li>– provides substantive funding beyond routine membership dues; or</li> <li>– views membership as strategic.</li> </ul>	■	SR page 5
4.14	List of stakeholder groups engaged by the organisation.	■	SR page 15
4.15	Basis for identification and selection of stakeholders with whom to engage.	■	SR page 16
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	■	SR pages 15-17
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	■	SR pages 15-17, 18, 24, 34, 40, 49



# Table of standard disclosures under GRI reporting

continued

Profile disclosure	Description	Comply	Where
<b>Disclosure on management approach</b>			
<b>DMA EC</b>		■	SR pages 18, 20
<b>DMA EN</b>		■	SR pages 24, 26-27
<b>DMA LA</b>		■	SR pages 34-35, 40, 42-44
<b>DMA HR</b>		■	SR pages 45, 48, 51
<b>DMA SO</b>		■	SR pages 48, 50-51
<b>DMA PR</b>	Product Responsibility Management Approach*		
<b>Economic performance indicators</b>			
<b>EC1 COMM</b>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	■	SR pages 20-21, 50
<b>EC5</b>	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	□	SR page 44
<b>EC8</b>	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	■	SR pages 50, 52-53
<b>Environmental performance indicators</b>			
<b>EN2 COMM</b>	Percentage of materials used that are recycled input materials.	■	SR page 29
<b>EN3</b>	Direct energy consumption by primary energy source.	■	SR page 30
<b>EN4</b>	Indirect energy consumption by primary source.	■	SR page 30
<b>EN8</b>	Total water withdrawal by source.	■	SR page 30
<b>EN10</b>	Percentage and total volume of water recycled and reused.	■	SR page 30
<b>EN12 COMM</b>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	■	SR page 31
<b>MM1</b>	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	■	SR page 31
<b>MM2</b>	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	■	SR page 31
<b>EN16</b>	Total direct and indirect greenhouse gas emissions by weight.	■	SR page 31
<b>EN20 COMM</b>	NOx, SOx, and other significant air emissions by type and weight.	■	SR page 31
<b>EN22 COMM</b>	Total weight of waste by type and disposal method.	■	SR page 29
<b>MM3</b>	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	■	SR page 29
<b>EN23 COMM</b>	Total number and volume of significant spills.	■	No significant spills
<b>EN28</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	■	None
<b>EN30</b>	Total environmental protection expenditures and investments by type.	■	SR page 27

\* Our core products are refined metals (Doré bars) or gold, silver and copper concentrates. These products are further processed by third parties and the material ultimately ends up in a wide range of end use products manufactured by many different companies. When purchased by third parties, our bars/concentrates are clearly marked, following local and international rules and commercial practices. Further labelling and associated marketing is the responsibility of the downstream processors and manufacturers.

Profile disclosure	Description	Comply	Where
<b>Labour practices and decent work performance indicators</b>			
<b>LA1</b>	Total workforce by employment type, employment contract, and region, broken down by gender.	□	SR page 43
<b>LA2</b>	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	□	SR page 45
<b>LA4</b>	Percentage of employees covered by collective bargaining agreements.	■	SR page 45
<b>LA5</b>	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	■	SR page 45
<b>MM4</b>	Number of strikes and lock-outs exceeding one week's duration, by country.	■	SR page 45
<b>LA7 COMM</b>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	□	SR page 36
<b>LA10</b>	Average hours of training per year per employee by gender, and by employee category.	□	SR page 44
<b>LA12</b>	Percentage of employees receiving regular performance and career development reviews, by gender.	□	SR page 44
<b>LA13</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	□	SR page 43, AR Governance section
<b>Human rights performance indicators</b>			
<b>MM5</b>	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	■	SR page 51
<b>HR9</b>	Total number of incidents of violations involving rights of indigenous people and actions taken.	■	SR page 51
<b>HR11</b>	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	■	SR page 51
<b>Society</b>			
<b>MM6</b>	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	■	SR page 51
<b>MM9</b>	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	■	SR page 51
<b>SO3</b>	Percentage of employees trained in organisation's anti-corruption policies and procedures.	■	SR page 13
<b>SO4</b>	Actions taken in response to incidents of corruption.	■	SR page 13
<b>Product responsibility performance indicators</b>			
<b>PR2</b>		■	None
<b>PR9</b>		■	None

**AR** Annual Report 2012  
**SR** Sustainability Report 2012

**COMM** Commentary  
**MM** Mining and metals sector-specific performance indicator

■ Full compliance with indicator  
□ Partial compliance with indicator





## Statement GRI Application Level Check

GRI hereby states that **Polymetal International** has presented its report "Responsibility in everything we do" (2013) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 15 April 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*



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