



In our hands

Sustainability report 2008–2010

Contents

7	Chief Executive's statement
8	About the Company
8	• Corporate governance
10	• At a glance
11	• Key performance indicators
13	Corporate responsibility and sustainability principles
13	• Commitment to sustainability
14	• Compliance with the United Nations Global Compact Principles
15	• Our approach to reporting
15	• Stakeholder relations
20	Environmental management
20	• Environmental management policy and principles
20	• Managing environmental impacts
22	• Auditing environmental management
22	• Employee environmental training
23	• Environmental monitoring
23	• Environmental Performance Indicators
24	• Energy conservation
24	• Environmental management costs
27	The Company and its employees
28	• Personnel policies
29	• Workforce details
30	• Industrial and occupational safety
30	• Occupational safety standards
33	• Employee incentives
34	• Social protection and social partnerships
38	• Employee development
40	• Internal communications and corporate culture
42	The Company and society
42	• Social policy
46	• Social investment
48	• Investment in regional development
51	Appendices
51	• Appendix I. Social programmes
57	• Appendix II. Public recognition of Polymetal and its subsidiaries

- Hub
- Potential hub
- Mine & Processing
- Seaport
- Operating
- Developing
- Key exploration projects



In our hands

Sustainability report 2008–2010

Boris Koltsov and Marcel Kuchukov
Year 2 pupils, Vorontsovka village school



Vitaly Nesis

Chief Executive

Chief Executive's statement

Polymetal is a leading precious metals producer in Russia and Kazakhstan and among the top 10 global precious metals producers focused on emerging markets. Operating since 1998, we aim to achieve superior shareholder returns while maintaining high standards of corporate citizenship.

This, our second Sustainability Report, focuses on the ways in which we manage our environmental impact, engage with our employees and work with external stakeholders such as local communities, government agencies and investors. As a company, we have subscribed to the UN Global Compact, and the report therefore addresses the principles relating to human rights, labour, environment and corruption.

We have a zero tolerance approach to potential environmental risks, and are committed to implementing the technologies and procedures that will enable us to minimise any negative impact of our operations.

Our long-term growth strategy requires us to create a safe and healthy working environment for all employees, and to build a constructive relationship with local communities. We are constantly reviewing and improving our health and safety systems, employee training schemes, working conditions, social programmes and associated support and infrastructure. Unfortunately in 2010 we did not achieve our goals in terms of safety performance; the Company suffered six fatalities, and this situation prompted a major overhaul of our industrial safety policies and procedures. Our goal is to have zero fatalities in the work environment and we are taking significant steps to achieve this in 2011 and beyond.

Maintaining a close and constructive dialogue with communities local to our operations is a crucial part of what we do. In 2010, we committed around US\$4 million to social programmes which have a positive impact on the people who live around our mines and other facilities. These programmes also serve to make our company more attractive for potential employees and motivate our workforce.

Our environmental management systems are constantly evolving to accommodate new best of breed techniques and technologies. This is reflected in the current reshaping of our environmental management strategy, which will be driven from the core business with clear lines of accountability into and through the subsidiary companies. We have a zero tolerance approach to potential environmental risks, and are committed to implementing the technologies and procedures that will enable us to minimise any negative impact of our operations.

This report describes the work undertaken at all levels of the Company in the areas of health and safety, social programmes and environmental protection. I would like to express my gratitude to all my colleagues for their dedication and commitment to the business and its sustainability ambitions. Our continuing efforts to improve environmental management, community and stakeholder engagement, as well as internal working relationships, would not be possible without their talent, hard work and dedication.



Vitaly Nesis
Chief Executive

About the Company

In 2010, the Association of Russian Gold Producers ranked Polymetal as the fourth largest producer in Russia by production volume. In the same year, the Silver Institute ranked us as the largest producer in Russia and the eighth largest worldwide by production volume.

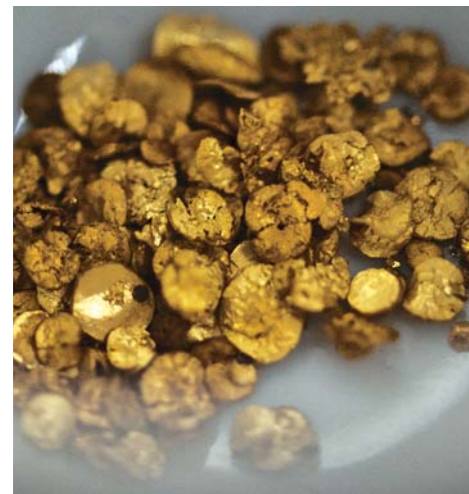
Since it was founded, Polymetal has built its asset portfolio and increased its annual gold equivalent production of gold and silver from 327 Koz in 2003 to 753 Koz in 2010, a compound annual growth rate of 13 per cent. We aim to produce an annual gold equivalent of over 800 Koz in 2011 and over 1.4 Moz in 2014.

During 2009 and 2010, we added new deposit sites to our portfolio and expanded our resource base. Furthermore, during 2010 and into 2011, we commissioned two new

processing facilities: the Kubaka carbon-in-pulp (CIP) processing plant and the on-site flotation concentrator at the Albazino mine.

Corporate governance

Our corporate governance procedures are based on international best practice, as well as the recommendations of the Corporate Governance Code of the Federal Commission for the Securities Market and of the Federal Financial Markets Service. The Board of Directors is responsible for implementing Company strategy and ongoing management. The Board reviews the performance of subsidiary companies and ensures adherence to the appropriate corporate governance procedures. The current Board of Directors was elected at the AGM on 29 June 2010, and includes five independent non-executive Directors.



Natalia Kosheleva
Plant process unit operator

At a glance

Presence:

Russia (Magadan and Sverdlovsk Regions, Khabarovsk Territory, Chukotka Region), Kazakhstan (Kostanay Region).

Project portfolio*: 42 precious metals licences
Total licence area — 8,534 km².

Sales markets: Russia (86%), Switzerland (9%), China (5%).

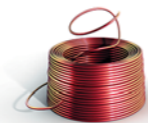
Reserves (JORC)**:



Gold
10 Moz



Silver
334 Moz



Copper
58 Kt

In 2010 the Company produced 753 thousand ounces of gold equivalent; the share of the Company's revenues derived from gold was 60%.

* As at 31 December, 2010.

** Throughout the annual report the gold equivalent ounces are calculated using 60:1 gold/silver ratio.

Key performance indicators (KPIs)

	2010	2009	Change
Revenues	US\$925M	US\$561M	+65%
Adjusted EBITDA	US\$429M	US\$242M	+77%
Net income	US\$250M	US\$94M*	+166%
Diluted EPS from continuing operations	US\$0.69	US\$0.28	+146%
TCC/oz gold equivalent	US\$571	US\$479	+19%
Cash flow from operations	US\$230M	US\$165M*	+39%
Capital expenditures	US\$420M	US\$213M*	+97%



Gold production
+43%
444 Koz in 2010
311 Koz in 2009



Silver production
—
17.3 Moz in 2010
17.3 Moz in 2009



Gold reserves
+39%
10 Moz in 2010
7.2 Moz in 2009



Silver reserves
-8%
334 Moz in 2010
365 Moz in 2009

* Restated from the Audited Consolidated Financial Statements 2009.

Corporate responsibility and sustainability principles

Polymetal contributes to the development and economic progress in the regions in which it operates. In so doing it offers a high quality working and living environment for its employees and works closely with local communities and with due respect for the environment.

Commitment to sustainability

Polymetal believes that finding a balance between the Company's commercial interests and the interests of its employees and wider society is the key to long-term success.

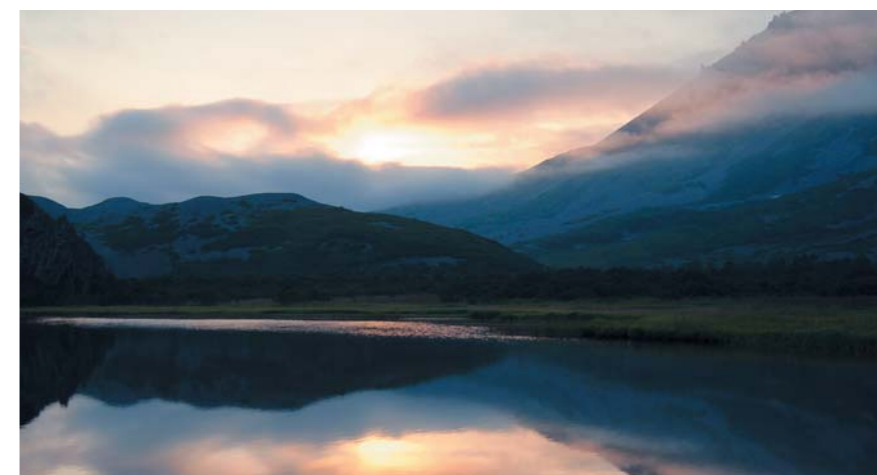
Our commitment to sustainability is reflected through the provision of high quality jobs, secure and safe employment, social protection for employees and their families and access to continuing professional development. We also consistently innovate and introduce new technologies, ensure that the environment is protected across our operating activities and work closely with local communities and other stakeholders.

Our corporate responsibility principles are:

- to be open and transparent;
- to provide effective social development programmes;

- to operate a targeted social support system;
- to agree and maintain a social partnership with employees and communities; and
- to engage meaningfully with stakeholders.

Relations with stakeholders are built on the principles of open dialogue within the context of a reasonable balance of interests. This is in accordance with international standards and the laws of Russia and Kazakhstan, as well as internal corporate guidelines and the UN Global Compact.



Year 2 pupils

Vorontsovka village school

Compliance with the United Nations Global Compact Principles

In 2009, Polymetal joined the UN Global Compact, a strategic policy initiative for businesses that align their operations with ten universally accepted principles relating to human rights, labour, environment and anti-corruption. This report is structured around these principles, as described in the table below.



Human rights

Businesses should support and respect the protection of internationally proclaimed human rights and

make sure they are not complicit in human rights abuses.

See section [The Company and society](#)

Environment

Business should support a precautionary approach to environmental challenges;

undertake initiatives to promote greater environmental responsibility; and

encourage the development and diffusion of environmentally friendly technologies.

See section [Environmental management](#)

Labour

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

the elimination of all forms of forced and compulsory labour;

the effective abolition of child labour; and

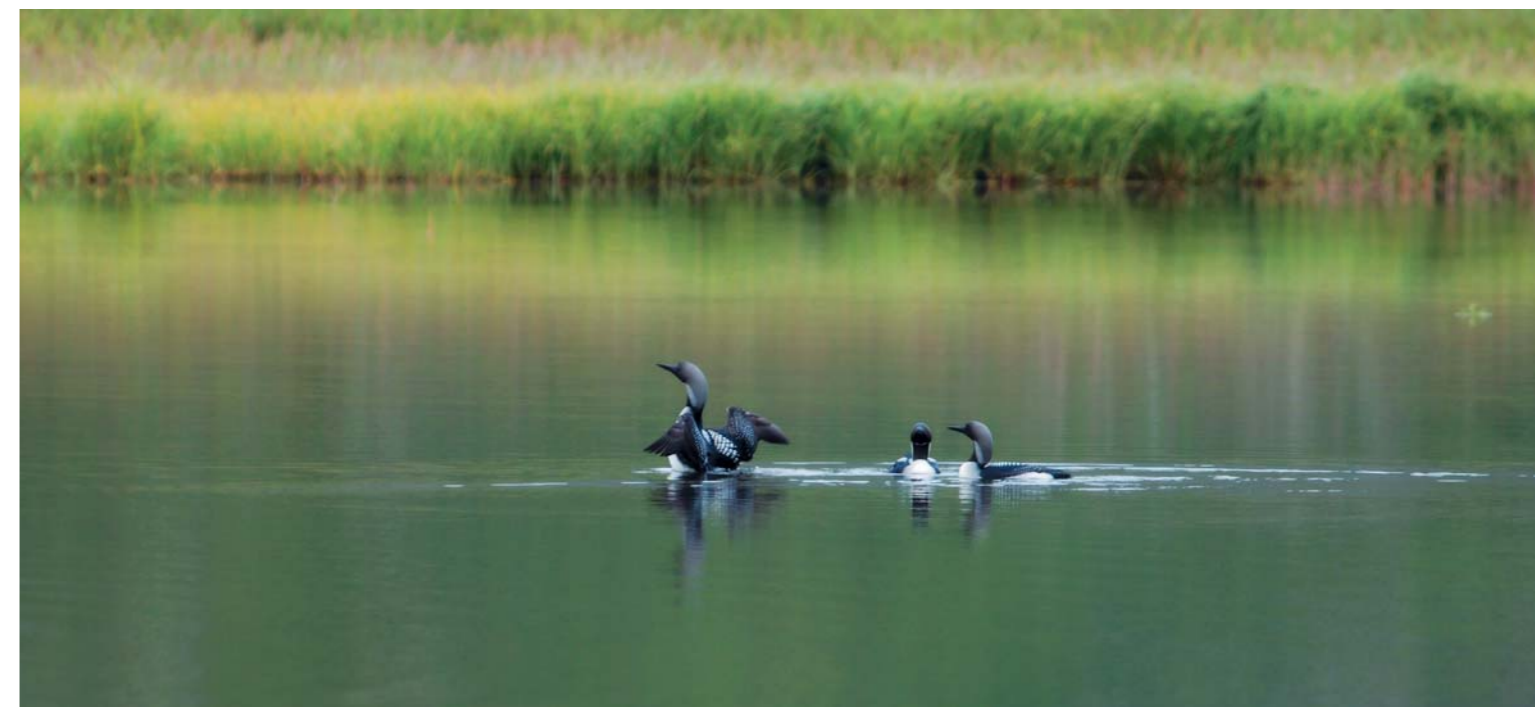
eliminate discrimination in respect of employment and occupation.

See section [The Company and its employees](#)

Anti-corruption

Businesses should work against corruption in all its forms, including extortion and bribery.

See section [Corporate responsibility and sustainability principles](#)



Our approach to reporting

This report covers the period 2008–2010 and summarises the Company's sustainability performance across all of its subsidiaries and in all areas of its business. The report is divided into sections dealing with environmental management, employees and our relationship with communities.

The material issues addressed in this report are determined through the UN Global Compact Principles and our own policies in relation to employees, local communities and the environment. In addition our stakeholders, with whom we have open and honest relationships, provide us with feedback on the most important sustainability issues, as addressed in this report.

Stakeholder relations

Our most important stakeholders include shareholders, investors, employees and their families, public authorities, Non-Governmental Organisations (NGOs) and the people who live close to our operations. They are all important to us, and we therefore have well-established means for assessing their needs and expectations and hearing their views.

Stakeholder	Type of engagement	Corporate standards and regulations
Shareholders and Investors	General Meeting of Shareholders	Charter of JSC Polymetal
	Website	Regulations on Use of Confidential Information of JSC Polymetal
	Annual Report and Sustainability Report	The Dividend Policy Regulations
	Meetings	Regulations on the Board of Directors of JSC Polymetal (the Board Regulations)
	Investment conferences	Regulations on Internal Control over the Financial and Business Activity of JSC Polymetal
	Exhibitions, presentations	Regulations on the Audit Committee of the Board of Directors of JSC Polymetal
	Correspondence	Regulations on the Remuneration and Nomination committee of the Board of Directors of JSC Polymetal
		Regulation on the Procedure for Holding General Meetings of Shareholders of JSC Polymetal
		Regulations on the Management Board of JSC Polymetal
		Regulations on Disclosure of Insider Information of JSC Polymetal

continued

Stakeholder	Type of engagement	Corporate standards and regulations
Employees	Employee opinion polls and questionnaires	Standard provisions for salaries and financial incentives for employees at operating businesses
	Employee meetings	Rules on payroll and collective incentives for employees at operating businesses
	Workers' councils	Standard provisions on performance-related bonuses for employees at operating businesses and associated divisions
	Appointments to discuss personal issues	Provision for social payments and benefits, with a list of allowances, guarantees and reimbursements
	Feedback system and hotlines	Reward and motivation provisions
	Corporate media	Rules underlying the Company's health and safety management system, in accordance with the Occupational Health and Safety Management Systems Requirements Standard, OHSAS 18001:2007
	Website	
	Opinions and suggestions submitted via heads of divisions	Collective agreements between employees and employers at operating businesses Provisions and rules on employee development and training planning Employee recruitment provisions Skills pool provisions Rules for managing new employees and arranging and supporting student intern programmes Procedures for employee requirements planning, assessments, rotation and training
		Rules for processing employee requests and complaints and on improving the feedback system at operating businesses
	Society	Social and economic cooperation agreements with local authorities
Annual and Sustainability Reports		Implementation of a feedback system for local residents of the areas where the Company operates
Local community opinion polls and questionnaires		Principles relating to Company social activities in the regions where Polymetal operates Agreements with the authorities in towns and districts where the Company operates Agreements with NGOs representing the indigenous minorities of the North
Public meetings and engagement with social groups		Document regulating joint engagement activities with community representatives, non-commercial organisations, (for example, youth sports clubs, environmental organisations) and advisory councils
Dialogue and access to senior Company managers arranged for local residents by media.		
Press conferences and public meetings on urgent issues		
Questions submitted by individuals, directly or via public authorities		
Participation in working groups set up by public authorities and NGOs		

Shareholders and investors

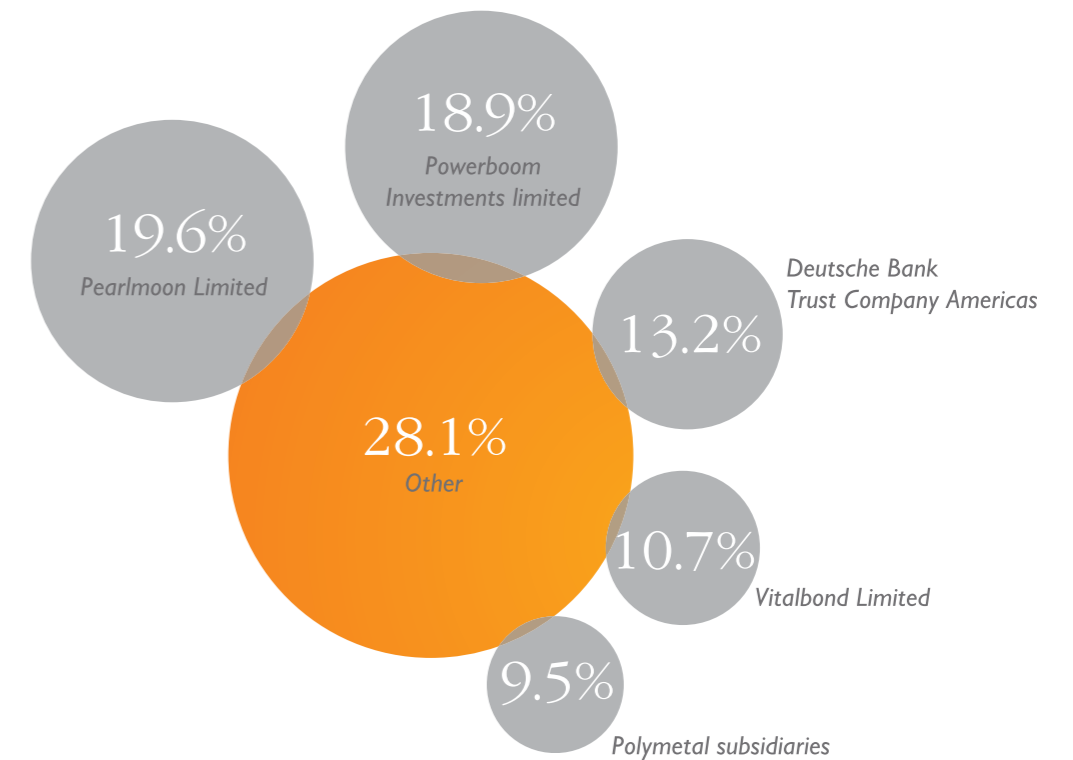
Our relations with our shareholders and investors are based on the following principles:

- Equal treatment of all shareholders.
- Shareholder rights protection.
- Mutual trust and respect.
- Openness in making corporate decisions.
- Disclosure of information on the Company's development strategy and current activities.
- Completeness and authenticity of information disclosed.
- Respect for confidentiality.
- Adherence to the highest standards of business ethics.

submit information to the Russian Federal Financial Markets Service and the London Stock Exchange, MICEX¹ and RTS². The information disclosed includes annual and quarterly reports, notifications of corporate facts and data which may have material impact on the value of the issuer's securities and lists of affiliates.

As well as complying with mandatory information requirements, we have taken additional steps to promote transparency. Therefore, the Board has approved the Company's Dividend Policy Regulations (May 2010) and Regulations on Disclosure of Insider Information and Regulations on the Use of Confidential Information (August 2009).

Share capital (%)



Our shareholder base is summarised below. Importantly, no other parties own more than 5% of the Company's shares, as far as we are aware.

Polymetal complies with all current Russian legislation, the applicable rules of the UK Financial Services Authority (FSA) and the rules of the exchanges on which our shares and GDRs are traded. In so doing, we prepare, publish and

Polymetal also makes a strong effort to communicate clearly with shareholders via press releases, press-conferences, mailings and dissemination of documents including the Annual Report, Sustainability Report, booklets, brochures, presentations and other relevant material. All such documents are published on the Polymetal website www.polymetal.ru.

¹ The Moscow Interbank Currency Exchange. ² Russian Trading System stock exchange.



Face to face contact is also important to us. Therefore regular meetings are held with shareholders, investors and securities market professionals, both in Russia and internationally. In addition we will continue our active participation in key mining industry events, investment conferences, working through our Communications, Shareholder and Investor Relations departments.

Employees

Our strong employee base is highly valued and represents a key competitive advantage. Accordingly, we provide employees with:

- Suitable remuneration combined with an excellent social benefits package.
- Working conditions that are in keeping with international management standards and HSE requirements.
- Working conditions that comply with social and labour standards, as established by law and collective agreements.
- A clear salary and incentive framework.
- Training, professional and career development.
- A social partnership, clear internal communications and a supportive corporate culture.

Polymetal's management has committed significant time over the past few years to re-drafting the Company's employment terms and improving its health and safety systems.

Communication with employees is facilitated by the right of employees to form associations, such as workers' councils, which alongside collective agreements form the basis for dialogue at most of our subsidiary companies. An internal communication system identifies employee views and interests and highlights Company aims and goals. The corporate newspaper is an important communication mechanism and is produced and circulated on a monthly basis. We have also improved the processing of employee complaints and suggestions, encouraging an open and constructive dialogue. Social programmes are also developed using opinion polls and surveys that are regularly conducted across the Company.

Local communities

Polymetal maintains long-term, stable relationships with the local communities in its areas of operation. This is helped by clear and regular communication, care for the local environment and participation in projects that support community goals.

Our social responsibility priorities are:

- Job creation.
- Payment of taxes and social charges, which constitute a significant part of local and regional budget revenues.
- Implementation of projects that promote economic and social development.
- Environmental protection.
- Participation in projects that keep cultural traditions alive.
- Targeted aid to citizens in need of support.

We provide charitable support and draw up social and economic agreements with town and district authorities and associations of the indigenous minorities of the North (IMN). These long-term, targeted programmes are designed to develop local infrastructure and enhance education, healthcare and sports provision while preserving national and cultural traditions.

Our support also extends to participation in working groups and commissions set up by local authorities and advisory councils set up by NGOs. We work together with these partners to develop solutions for social support, assess proposals and review the results of joint projects.

Polymetal managers also collaborate with non-governmental environmental councils in a number of districts, working to support the indigenous population and vulnerable groups. In parallel, we monitor public opinion and sociological surveys conducted by specialised NGOs, refining our support framework and developing new programmes accordingly.

As with other stakeholders, we believe strongly in face to face contact. Therefore our managers hold regular meetings with local residents, conduct field surveys and meet representatives of the IMN, often in the most remote areas. Public hearings are held, at our behest, in a number of territories to find out how the local community views what we do. Surveys undertaken in 2010 revealed that local communities were, in the main, satisfied with their relationship with us.

Environmental management

Polymetal is a complex business that is geographically dispersed. The business has three main operations — exploration, extraction and processing of ore into the finished metal. Having identified gold and silver deposits with the necessary potential, we develop the sites and prepare them for the removal of the ore deposits which are then taken to one of our centralised processing hubs. Here the gold and silver are extracted using state of the art processing technologies. These hubs offer great efficiencies and economies of scale and allow us to apply the most up to date methods, with resulting benefits for employees, the environment and local communities.

Environmental management policy and principles

Polymetal fully understands the environmentally sensitive nature of precious metals extraction. We therefore minimise any negative effect of our operations on the environment and continually improve our management approach.

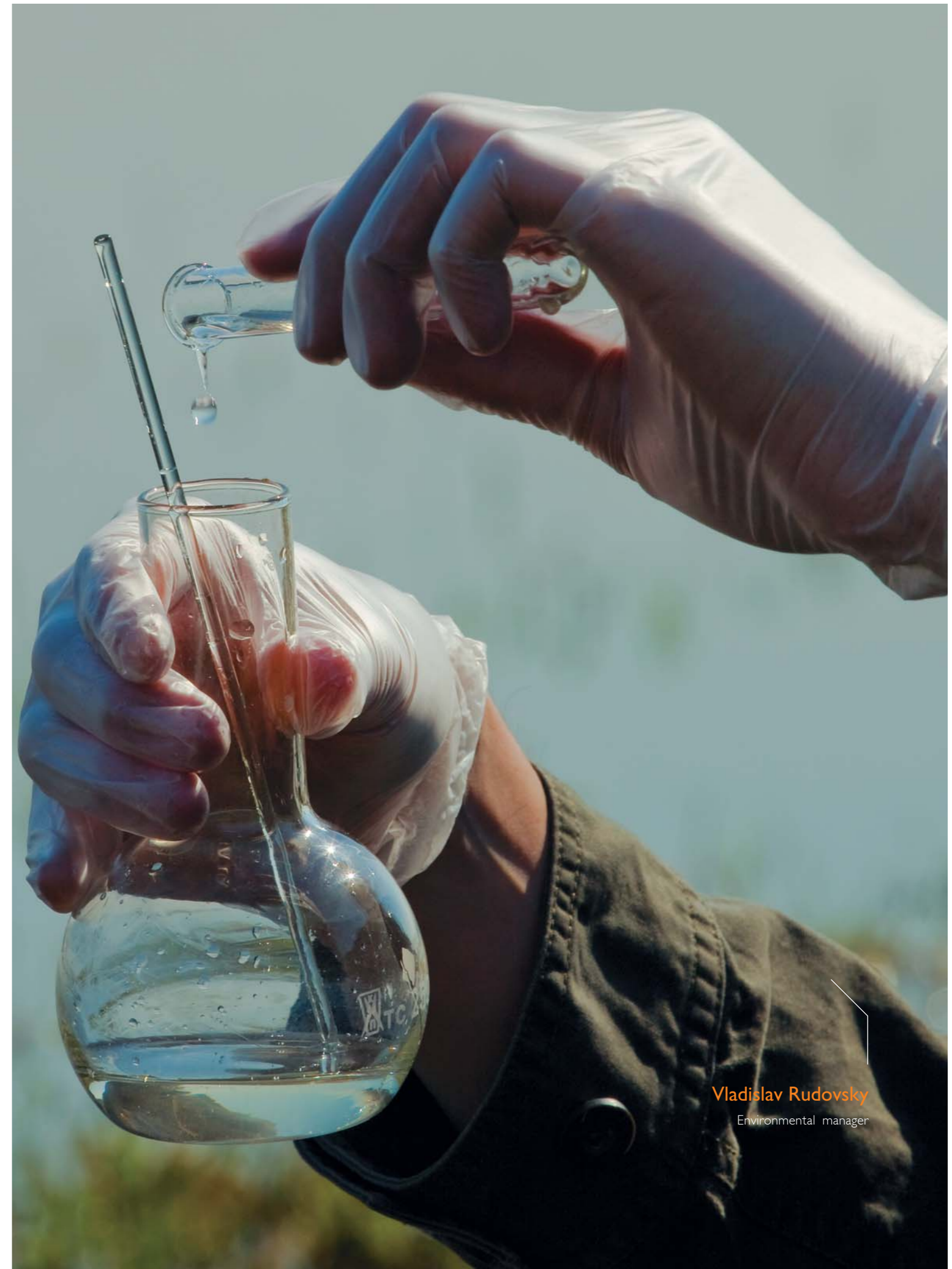
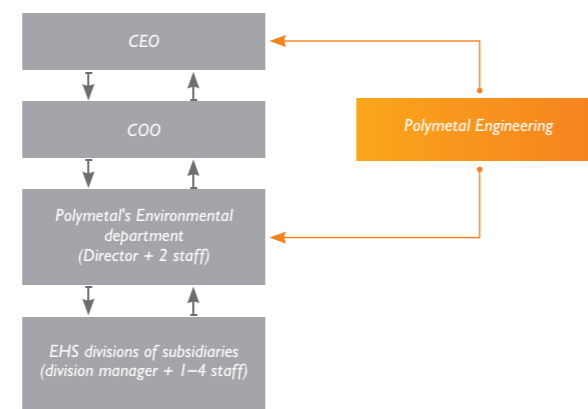
Our corporate environmental policy and principles are based on the legal Health, Safety, Security and Environment (HSSE) requirements of Russia and Kazakhstan, the World Bank, UN environmental protection principles and the Company's own performance targets.

Polymetal's HSSE principles are as follows:

- Cutting per unit consumption of natural resources.
- Utilisation and recycling of waste.
- Phasing out ecologically harmful substances and processes.
- Increasing environmental management efficiency throughout the production cycle.
- Involvement of all employees in environmental management programmes.
- Increasing the effectiveness and efficiency of industrial environmental controls and monitoring.
- Ongoing refinement and improvement of the Company's environmental management system.
- Prevention of accidents which have an environmental impact.

Managing environmental impacts

Polymetal has created an Environmental and Industrial Management System, which defines the framework within which our subsidiaries must operate and identifies all relevant environmental regulations. This information is always available to our subsidiary companies as they have primary responsibility for environmental management and compliance. They define an approach to compliance and to implementing and auditing associated procedures. In this, they are supported by Polymetal Engineering, which is our centre of excellence providing technical support for reducing environmental impacts.



Vladislav Rudovsky
Environmental manager

As well as the broad principles, Polymetal sets environmental goals, as follows:

- Comply with international, federal, regional, industry and corporate environmental management standards.
- Implement resource-efficient technologies and use materials with the lowest possible environmental footprint.
- Ensure the most efficient use of raw materials.
- Reduce the risk of emergencies associated with production processes and the transportation and storage of hazardous materials.
- Improve the speed and effectiveness of accident response procedures.
- Embed environmental factors in management decision making.
- Ensure that environmental controls are as effective as possible.
- Increase the effectiveness of environmental protection equipment.
- Continually improve environmental management and associated procedures.

selects the optimal processing technologies and designs mining and production facilities. In March 2010 Polymetal Engineering formed an Environmental Division which provides our subsidiaries with expertise and support for environmental protection and drafting of environmental standards.

Auditing environmental management

Polymetal operates environmental audits in line with the requirements of Russian legislation and modelled on those that would be required for an environmental management system, as defined by ISO 14001.

Environmental divisions conduct internal audits at each subsidiary on an annual basis — checking licences, permissions and associated monitoring results. Changes are made to procedures and processes where required. External audits are conducted by state supervisory authorities such as the Federal Service for Supervision of Natural Resource Usage.



Innovation at the Albazino–Amursk project

Polymetal is the first Russian company to commission a state of the art 'POX' system for extracting gold. Operating at the Albazino–Amursk facility, the system has been manufactured to Polymetal's specification and is designed to recover commercial material with high efficiency, thereby reducing waste and operating costs. When operating at full capacity, the Amursk system will also recover over 10 mW of heat energy that is utilised in the plant, further reducing carbon emissions and associated costs. This is a global first for Polymetal.

Our subsidiaries devise their own approaches to meeting these goals. To assist them, a Company-wide environmental strategy has been formulated, in order to facilitate a consistent approach to reporting on performance.

The strategy is designed to:

- Provide a framework for goal setting and reporting and set the direction of a revised Company-wide environmental management system, modelled on ISO 14001;
- Review the list of significant environmental impacts that are prioritised for action at Company and subsidiary level;
- Focus financial and production resources;
- Ensure that in-company, upstream and downstream environmental risks are minimised;
- Assure stakeholders that the Company adheres to local, national and relevant international environmental standards.

As described above, Polymetal Engineering plays a significant part in this process. It tests the viability of ores,

Employee environmental training

The Polymetal Human Resources department carries out an annual review of employee environmental training opportunities, through international, Russian and regional providers. We have also developed our own in-house training for environmental managers and attend relevant meetings and conferences. For example, in May 2010, our environmental managers attended the 2010 IFAT Trade Fair in Shanghai, China, which showcased environmental technologies and innovations. Each year our environmental managers also attend the All-Russian Industrial Ecologists' Seminar where they learn about new Russian environmental legislation.

Courses have included:

- Defining and implementing an environmental policy at a production facility (including how to organise environmental services, environmental manager's duties and responsibilities and ISO 14001).

- Environmental management in operations involving hazardous waste.
- Establishing toxic waste hazard classes.
- Mined-land reclamation.
- Water quality assessment.
- Environmental security for executives and employees managing environmental services and control systems.

Impact on water courses

Polymetal plants produce effluent in the form of utility fluids, industrial, quarry, stoker and drainage waste water, as well as rainfall run-off.

Utility fluids and industrial site rainfall run-off go through a purification process before it is re-used within production or discharged into water courses. Effluent



Water treatment at Mayskoye

Waste water from Mayskoye passes through a state of the art biological treatment plant. The resulting water is of a high enough quality to be discharged into local water courses, some of which are used for fishing. The system is highly automated, only requiring a three man team to manage and can treat 100m³ of water per day.

- Environmental control and monitoring: organisation and reporting.

discharges meet all relevant local and national environmental standards.

Ranewater that collects in quarries and waste dumps is cleaned before use as a dust suppressant in drier seasons.

Industrial waste water is retained within recirculating water systems operated at all of our plants. The systems differ across the subsidiaries, for example, some use sumps and trenches to collect dirty water, while others use carbon filters. Some water used in the processing of ore contains chemical reagents which are used to control levels of cyanide. This water is usually reused in production, providing a vital component in areas where natural water supplies are scarce, as for example, in Kazakhstan. At Varvara, recirculating water accounted for 1,425,552 m³, or 67% of total use in 2010.

All water courses running through our sites are carefully managed. Where modifications are required, such water courses are reinstated after mining operations have ceased. The quality of water running through our plants is also carefully monitored for contaminants, which may derive from upstream activity not within the control of the Company. In all cases, our plants obtain the necessary water abstraction approvals from government authorities.

Environmental monitoring

A dedicated environmental management service at each plant operated by the Company maintains environmental security and ensures compliance with relevant standards. The service carries out continuous monitoring of air quality, surface and underground water and snow cover. The monitoring results are analysed, and production technologies and control systems may be changed and abandonment and remediation operations reviewed. The associated environmental monitoring programme within each subsidiary is reviewed annually through the Company's internal audit programme.

The laboratories where environmental monitoring samples are tested have been certified and operate in compliance with relevant national and international legislation.

Environmental Performance Indicators

Air emissions

The main emissions from mining and ore processing derive from vehicle and industrial engines diesel power generators and vehicle movements. To manage these emissions, we use modern dust-trapping and gas purification equipment to clean the air before release into the atmosphere. We suppress quarry, stoker and access road dust in warm seasons, regularly monitor dust-trapping and gas purifying plant performance, sow grass on dust-forming surfaces and improves the performance of aspiration systems.

Waste and hazardous substances

The development of mineral deposits involves the production, disposal and recycling of significant amounts of solid waste. The bulk of such waste is generated during ore mining and its subsequent concentration. Other waste is produced in office areas and through equipment and vehicle maintenance.

Production waste derived from open-face mining, known as overburden, is temporarily stored in spoil banks. The waste generated during gold and silver ore concentration is known as tailings, and the volume of tailings is approximately the same as the total volume of ore that has been produced. In older plants this material is stored



Waste utilisation at Varvara

Varvara produces about 300 tonnes of waste annually, mainly packaging, rags and oil filters. In order to reduce transport and disposal impacts, three Koster-IM waste incineration units have been installed which dispose of all solid waste produced on site.

in tailings dumps or ponds and accounts for about 50% of such waste across our companies. The remaining 50% is stored in the form of cake, or dewatered mine tailings, which is collected on a specially prepared site whose foundations have been compacted and waterproofed to prevent hazardous substances from leaching into ground water. All our plants operate drain sumps which collect the cake effluent prior to treatment and eventual discharge.

In order to assess the environmental impact of overburden rock stored in spoil banks and tailings dumps, the chemical content is regularly analysed and samples bio-tested. Where the chemical constituency of the waste meets national standards this material is re-buried on site. Most of the overburden is used to reclaim previously mined land as well as to build access roads and create a foundation for industrial sites. The standards for volumes and make-up of overburden are defined by the Ministries of Environmental Protection of Russia and Kazakhstan.

Protection of forest and land resources

Polymetal's plants are predominantly located in permafrost, tundra and forest-tundra areas, where wooded land and forest cover is limited. Virtually none of the land occupied by our plants is fit for agriculture and forestry or for recreational purposes. While ore mining and concentration activities, as well as associated waste storage, require significant areas of land, we assess environmental impacts and minimise the operational

Energy conservation

We are working hard to improve the monitoring of energy use and energy efficiency. Each plant operates a heat and energy conservation programme, which is updated annually. In parallel with the new environmental strategy, we are also devising a Corporate Energy Conservation Policy. This sets out the framework for achieving energy efficiency targets at all of our plants. It will address the following:

- Recycling of oil based products.
- Installation of state of the art energy-efficient equipment.
- Implementation of automated systems to control heat and energy consumption.
- Use of energy saving lighting.
- Use of clean and renewable energy sources.
- Organisational changes required in order to reduce energy consumption.

Environmental management costs

In accordance with Government requirements in Russia and Kazakhstan, Polymetal is subject to quarterly environmental taxes. In 2010, these amounted to



Greening Varvara

Employees of Varvarinskoye have planted more than 600 tree seedlings next to the plant. Once the trees mature they will have great amenity value, as well as offering a natural dust barrier.

footprint in order to avoid permafrost degradation, and maintain the quality of topsoil in and around the site.

All our sites are subject to stringent land reclamation codes. Such reclamation work starts while the plant is still in operation but most is undertaken after mining operations are complete. Soil removed prior to extraction is returned for re-cultivation.

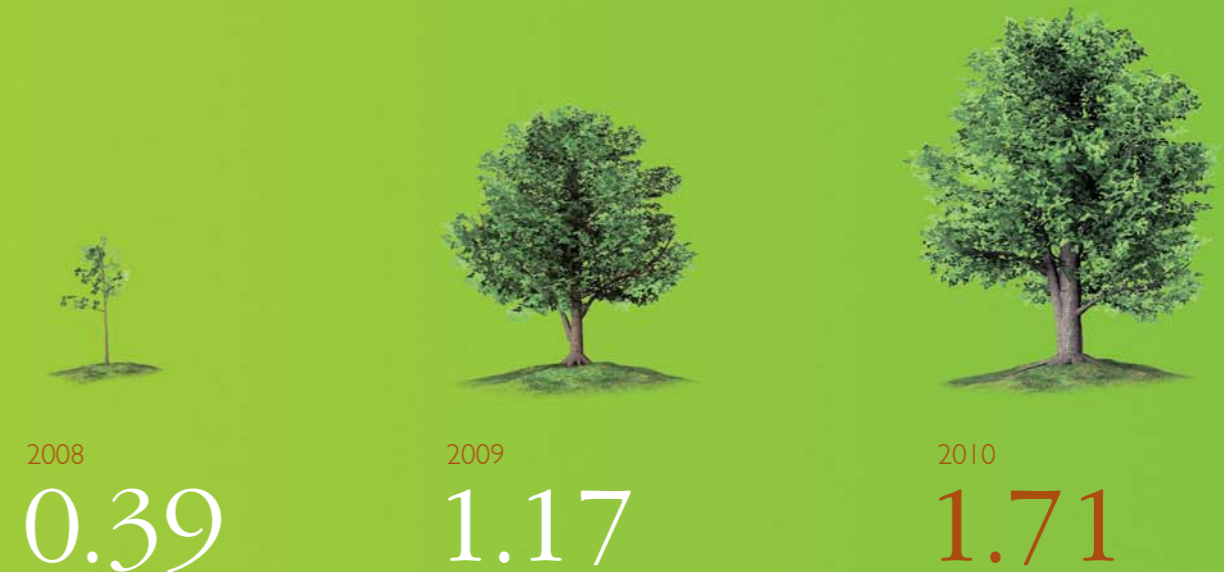
Buffer zones are set up around each plant with associated monitoring of air and water quality. The boundaries of all sites are landscaped using native species in order to reduce the visual impact of mining operations.

US\$1.71 million¹. This charge increased by 50% in 2010 over the previous year, reflecting the increased production levels.

In 2010, we also invested US\$3.02 million in our environmental management programme, including new plant and equipment designed to reduce impacts (more than three times the figure invested in 2009).

¹ Exchange rate: US\$1=30.37 RUB.

Pollution charges (US\$ million)



Environmental expenditure (US\$ million)





Ivan Kiryakov
Mill operator

The Company and its employees

Polymetal is committed to a continuous programme of employee development and improvement of associated management systems.

Our main human resource objectives are:



To build a team that is motivated to achieve business performance targets.



To create working conditions and a system of incentives to improve safety.



To supply operating plants and development projects with appropriately skilled personnel.



To operate a continuous employee skills improvement programme.

Polymetal has established the following strategic human resources goals in addition to adherence to the UN Global Compact Principles:

- Set up a system for employee relations and social partnerships that balances the interests of the employees and the Company.
- Ensure that there is a fair level of wages and benefits linked to productivity growth and collective and individual performance.
- Train and develop employees to supply Polymetal's subsidiaries with the range and quality of skills required.

- Increase standards of occupational safety and accident prevention.
- Improve the working environment at all production facilities.
- Develop a corporate culture and associated communication mechanisms that promote positive employee morale and a positive working experience.

Personnel policies

Employee recruitment policy

- Recruit against the medium-term needs of the business
- Use personal recommendations. Involve employees with relevant core skills in the selection process
- Empower subsidiaries to define their professional requirements and train and recruit accordingly
- Operate a competitive approach to selection, with equality for all candidates.
- Use a wide range of experts when appointing key posts
- Give priority to in-house candidates for key posts

Employee appraisal policy

- Appraise skills in line with performance targets. Use the RIS model (result/input/skills)
- Use feedback in meetings between individuals and managers
- Apply objectivity to appraisals using the 360 degree methodology
- Apply consistency in the methods used to monitor progress

Employee resources policy

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

Employee motivation policy

- Average out sectoral/regional pay levels.
- Use the KPI system
- Use an output-related payment system for production units
- Implement an effective social benefits system
- Ensure dialogue with and through workers' councils
- Take on board feedback and implement remedial action

Employee adaptation policy

- Ensure continuity of employment
- Encourage adaptation — from the workplace and the work team to the place of residence
- Ensure managers take responsibility for employees' professional development
- Ensure managers take responsibility for the successful integration of newly-recruited employees

Employee training policy

- Gear training to the tasks and goals required for work in the subsidiary/Company
- Develop and implement a distance learning system
- Prioritise developmental training which directly reflects the employee's skills

Organisational design policy

- Account for regional variations in working conditions and types of operations
- Minimise the levels of management.
- Centralise management functions*
- Streamline functions, common to all operating companies in the regions
- Introduce a rotating schedule where appropriate

Headcount policy

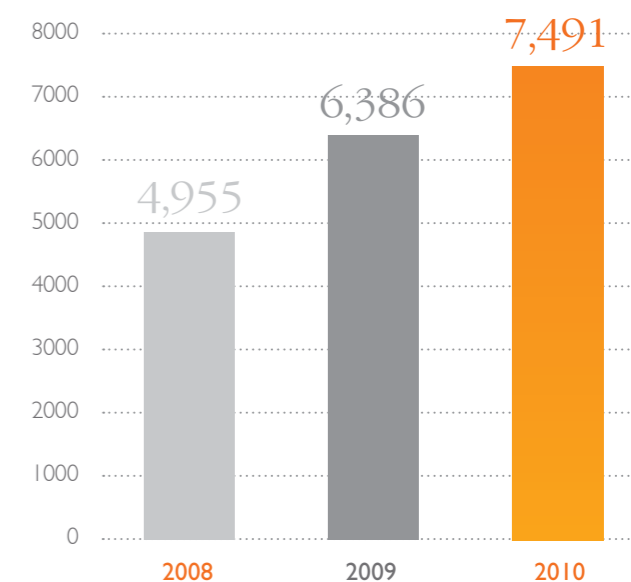
- Benchmark productivity figures against competitors and Western peers
- Introduce appropriate and effective technology
- Outsource non-core functions

* Polymetal Management Company manages Polymetal's subsidiaries.

Workforce details

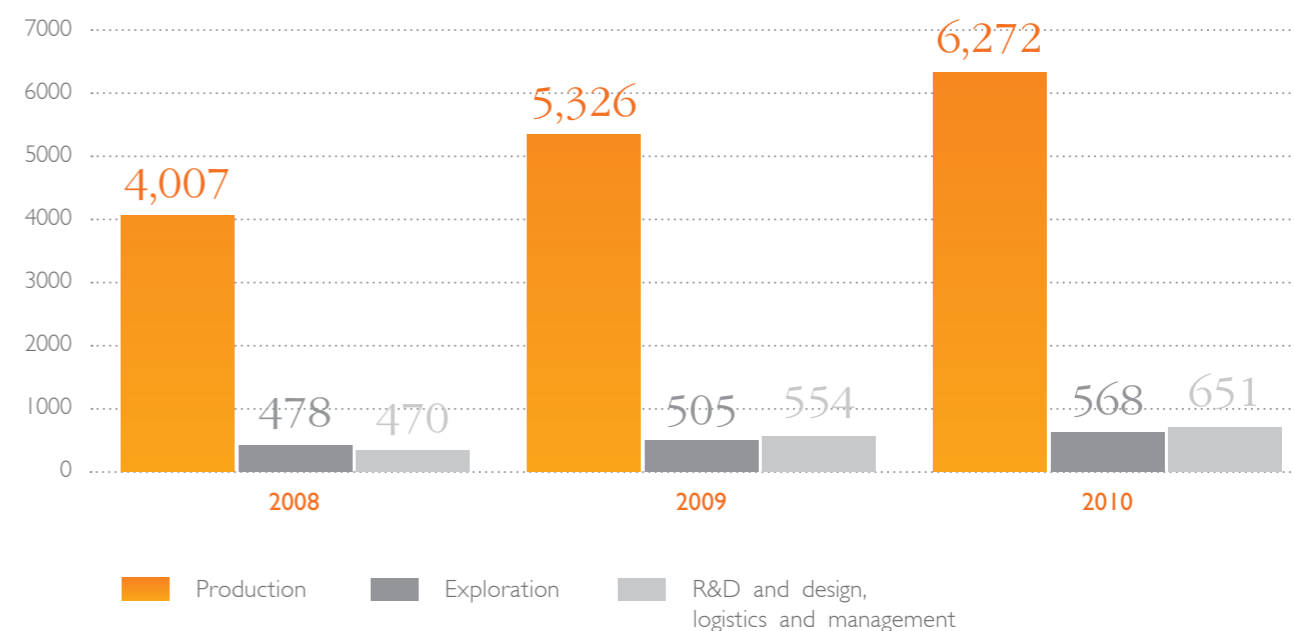
On 31st December 2010 the Company employed 7491 people. Over 90% of these employees work in extraction and exploration, most of them in shifts, due to the nature of the work and the remote location of some facilities. Depending on the location of a deposit, shift workers may account for between 40% (Dukat, Magadan Region) and 90% (Albazino, Khabarovsk Territory) of a plant's total headcount. The growth in employee numbers between 2009 and 2010 was largely due to the acquisition of new assets (Varvara, Mayskoye), as well as to the development of the Amursk POX and Omolon Hubs.

Polymetal's headcount*

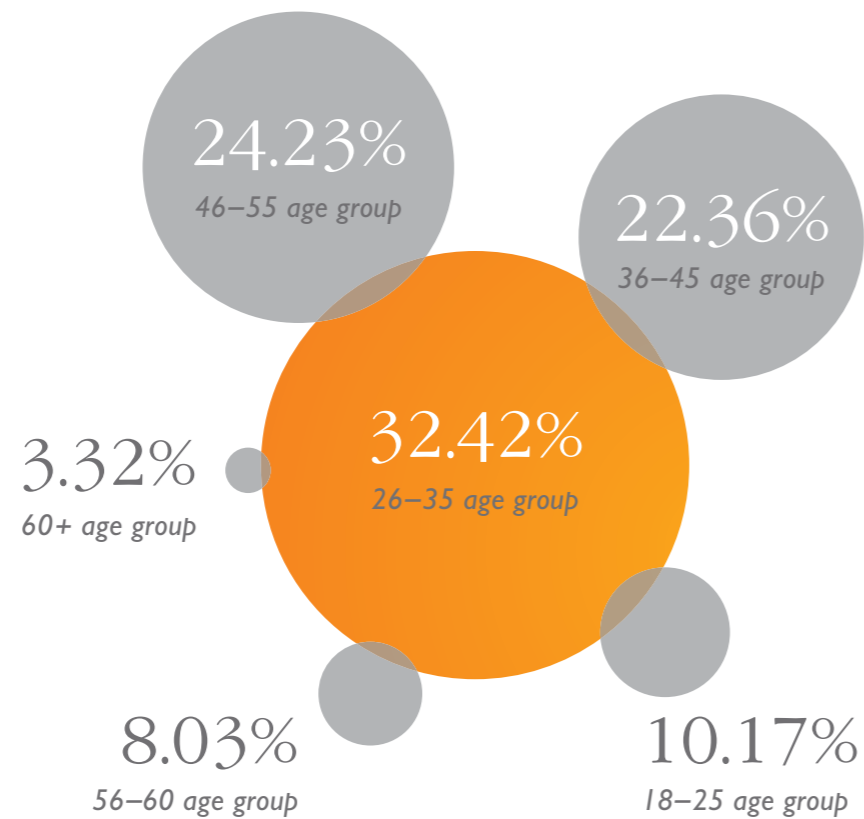


* On the payroll at each year end.

Headcount growth by area of employment



Employee age profile



Industrial and occupational safety

Polymetal's industrial and occupational safety programme is designed to:

- Achieve accident-free operations.
- Reduce employee accident rates.
- Implement best practice and universally accepted global occupational safety standards.

Our subsidiaries use modern, high performance technologies including large mining and ore preparation equipment. The operation of such complex vehicles and equipment requires the consistent application of robust health and safety procedures. In 2010, there were 24 accidents across all of the Company's operations. This was unacceptable, and we have therefore updated and strengthened our health and safety management system.

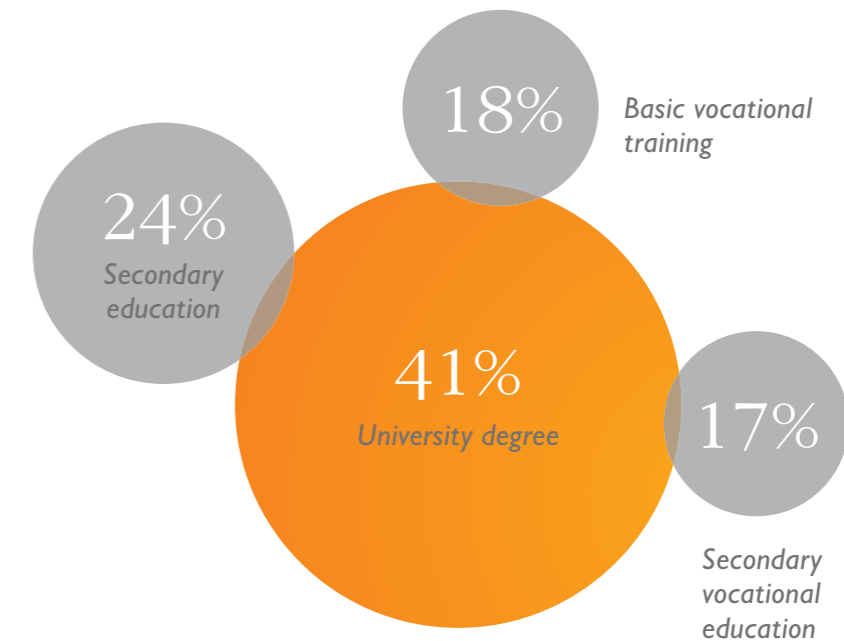
Occupational safety standards

The Company's occupational safety programmes comply with the relevant laws and standards in Russia and Kazakhstan, including:

- the Constitution;
- the Labour Code;
- federal laws;
- occupational and industrial safety standards.

A Company-wide Industrial and Occupational Safety Management System was implemented in 2006 and audited by SRK Consulting (UK), which confirmed that it complies with World Bank requirements. As we have expanded geographically and operationally, this base-line system has been updated, in line with the OHSAS 18001:2007 Occupational Health and Safety Management Systems Requirements Standard.

Education of employees (%)



Virtuoso display from Polymetal's employees

Polymetal dredge operators displayed their professional virtuosity on Miners' Day in 2010 — using the buckets of their 'mega-machines' to close a matchbox. The competition was filmed and the results viewed by Company managers who judged the winners.

While all the operators demonstrated an impressive level of control, the winner was Alexander Aktayev of Varvarinskoye, who passed all of the tests with great skill and determination — driving up, closing the matchbox and reversing. An impressive performance, given that he was operating the largest dredge, with a 13 m³ bucket! Second place went to Alexander Didenko of the Mayskoye Gold Mining Company, with third place going to Grigory Yaroshenko of the Omolon Gold Mining Company.

The Audience Choice award went to Andrei Leonenkov of the Lunnoye plant. On his first attempt the matchbox fell over. Undeterred, he used the bucket to pick it up and closed the box on his second attempt, to the sound of applause all round. Alexei Molchanov of Gold of Northern Ural merited an honorable mention from the judges for closing the matchbox with a 6 m³ bucket on the end of a 45-meter dragline boom!

Our system requires all employees to attend briefings and training sessions about safety procedures on each site. Each employee also receives illustrated information and a reference guide, detailing occupational safety arrangements and safe work procedures. Appropriate work wear and protective equipment is always provided and each of our subsidiaries is subject to ongoing internal audits against system requirements.

In 2010, 39 accidents were logged at our production facilities — resulting in injuries to 24 employees, six of which were fatal. Subsequent investigations showed that these accidents resulted from employees not complying with workplace safety rules in relation to equipment and vehicle use.

This fatality rate is unacceptable to the Company. Consequently steps have been taken to establish a much



Employee incentives

- Incentives for employees include:
- Salaries and bonuses relating to the performance of individual employees and the Company as a whole.
 - Supplementary payments for employees in accordance with labour laws and within relevant social programmes.
 - Non-financial incentives such as commendations and career promotion opportunities.

Decisions on salary levels take into account the following:

- The Company's business efficiency and performance.
- Inflation rates.
- Competitive salary levels in all areas of operation.

Our corporate remuneration policy complies with Russian laws, including official standards on benefits and



Satellite technology supports safe and efficient operations at Voroz quarry

Gold of Northern Ural is the first enterprise in the Sverdlovsk region to adopt an automated satellite-based dispatch system at its Voroz quarry and transportation complex. GPS technology is used to track the movement of every vehicle and piece of machinery. The associated software system takes this data and uses it to monitor all aspects of the production process, including vehicle fuel use, tyre pressures and ore movements. A dispatcher controls the entire process, greatly reducing potential production risks and increasing efficiency. The system has also optimised the work of crew foremen and dispatchers who supervise the production process within the quarry.

The system has also helped to streamline planned repairs and servicing of plant machinery, saving resources while maintaining production volumes. As the employees gain more experience with the system, they are identifying improvements and modifications. For example, trucks carrying hazardous loads have been equipped with Russia's GLONASS satellite navigation equipment, which will also be installed on all the quarry's commercial vehicles.

Salaries

Salary levels are:

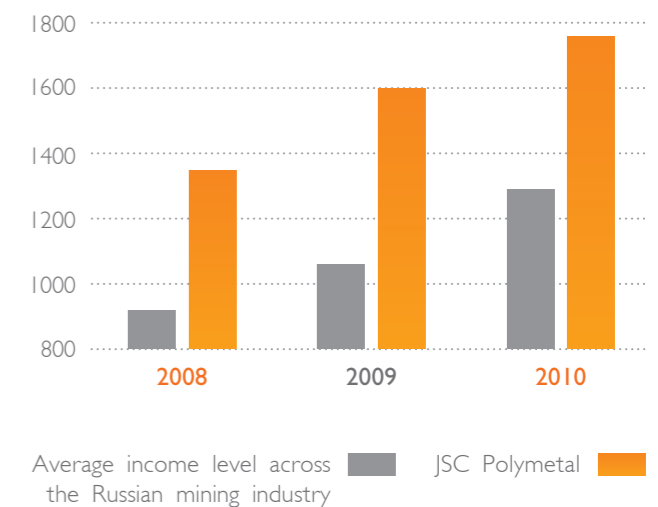
- linked to business performance results;
- linked to personal input and quality of work;
- compliant with the labour laws of Russia and Kazakhstan;
- compliant with collective agreements between employees and employer;
- set to provide a reasonable standard of living.

Our payroll and bonus system is designed to:

- Incentivise every employee to meet job-based objectives and goals, assessed through individual appraisal and team performance.
- Match the complexity, challenge and performance of the role and be competitive in the relevant job market (taking account of living and working conditions in remote areas). Remuneration packages are also designed to attract and retain employees with high professional and business capabilities.
- Stipulate basic criteria for all levels of operation. Managerial employees are required to meet targets, implement programmes and generate initiatives to increase net income, capitalisation and liquidity. Industrial employees are required to adhere to and outperform production plans and work programmes while complying with process standards and regulations, quality assurance, productivity growth, reasonable cost savings, industrial and occupational safety regulations and corporate culture standards.

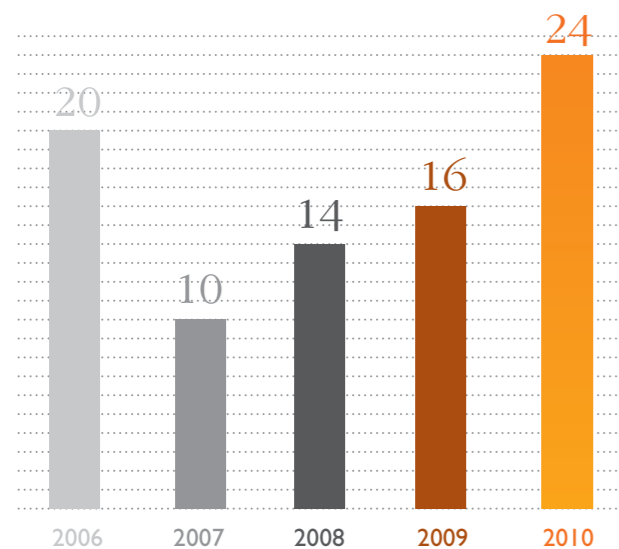
compensation for working in the far north and remote far eastern regions of Russia. The average income for our employees is higher than the average across the Russian mining industry (data sourced from the Russian Federation State Statistics Agency and Polymetal).

Average per employee income growth (US\$)



Source: Russian Federation State Statistics Agency

Employee industrial injury rate*



* Including fatalities: in 2006 — 1, in 2007 and 2008 — nil, in 2009 — 1, in 2010 — 6.

higher level of accountability for compliance with workplace safety regulations. In addition, the approach to safety management has been strengthened, placing a much greater emphasis on prevention, efficiency and employee motivation to strictly adhere to safety rules.

The following actions were taken in 2010:

- industrial and occupational safety services in the Company's subsidiaries were overhauled;
- clearer procedures were adopted to promote and ensure industrial safety;
- a mechanism was created (including financial liability and incentives) to encourage employees to behave in a safe and secure manner in the work place;
- more advanced technologies were adopted in certain areas, in order to reduce employee exposure to hazards;
- managers were trained in the requirements of integrated quality, environment and safety managements systems (ISO 9001, I4001, OHSAS 18001) by Det Norske Veritas, a leading independent certification body, which is licensed to operate in Russia.

The cost of these and other actions to improve occupational safety was US\$1.5 million in 2010, more than double the amount spent in 2009.

Employee share incentive programme

The incentive programme is designed to attract, motivate, reward, and retain key employees. It also aligns their interests with those of the shareholders, by linking long-term remuneration to Polymetal's share price performance. We have set up and financed a bonus fund of approximately 30 million ordinary shares, to be sold to participants at their nominal price of RUB1 per share, subject to certain performance goals being achieved.

- Acknowledgement by the CEO of Polymetal.
- Presentation of a memorable gift on behalf of Polymetal.
- Acknowledgement by plant management.

We have also instituted Polymetal's Honored Worker scheme, which is linked to financial rewards. Since 2009, managers have recommended employees for Russian Federation State and industry-sponsored awards. In 2010,



Non-financial incentives and awards

Polymetal rewards employees and workers' teams for achieving exceptional production results, long service and creative initiative.

Our plants have developed their own rewards systems for individual employees and teams of workers. These provide:

- Incentives and rewards for improved productivity.
- Rewards for long and diligent service, timed to coincide with personal or corporate anniversaries and major holiday celebrations. These are presented in the form of gifts, commendations and recognition on a wall of fame.
- Incentives and rewards for employees who devise an initiative that has a positive economic or social impact.

We offer the following specific rewards:

- Employee photographs on a wall of fame.
- Certificate signed by the CEO of Polymetal.

a total of 215 employees, about 4% of the workforce, were recognised in this way, including financial rewards.

The best-performing operating plants (defined by production results) and those under construction are also eligible for gold and silver medals.

Social protection and social partnerships

Polymetal employees receive a range of guarantees and benefits, covering health improvement, leisure, medical treatment and social security.

We also take responsibility for employees' living conditions (housing, catering and transportation to place of work) and provide supplementary health services, children's summer leisure activities, access to recreation facilities and the organisation of cultural and sports events.

We have many years' experience of working through collective agreements as a means of maintaining strong working relationships. At most Polymetal plants, the employees have formed workers' councils which act as a forum for managing labour and social issues.

Social programmes

Every Polymetal employee is provided with a mandatory medical and pension insurance policy, and employees' entitlements to paid holidays and sick leave are fully implemented.

The main types of social programmes are:

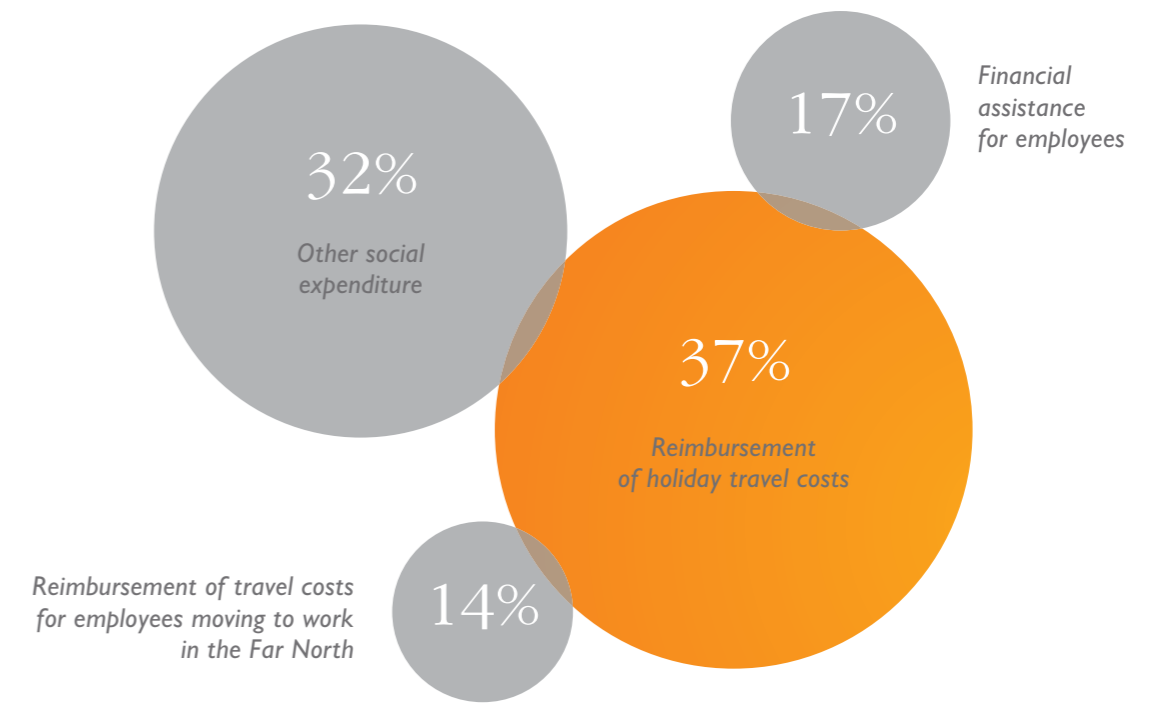
- Health improvement and personal development (healthcare benefits, treatment and recreation at health resorts, sports and cultural facilities).
- Arrangements to meet employees' social, cultural and every-day living needs (Company-sponsored accommodation, transport).
- Additional guarantees and allowances to key employees, taking account of skills shortages in regional labour markets.

Expenditure on social benefits exceeded US\$1,200 per employee in 2010.

Packages for employees include:

- Benefits, guarantees and remuneration for those employed in the Far North and other remote regions, complying with relevant national legislation and local regulations.
- Assistance for employees in difficult financial circumstances.
- Supplementary benefits for employees 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 the children of employees.
- Reimbursement of travel costs for employees recruited from distant regions, both for travelling to their place of work and when returning to their permanent residence, upon contract expiry.
- Reimbursement of holiday travel costs for employees and members of their families once every other year.
- Provision of accommodation.
- Reimbursement of return travel costs from home to the assembly point for rotation shift workers.
- Provision of daily transport, including air travel, for workers travelling to and from their place of work.
- Compensation for injuries incurred when at work.

Structure of social benefits



Support for daily living

Housing

We actively recruit skilled labour from the regions of Russia and the CIS, including young professionals and those with families, for whom we provide high-quality working and living conditions and leisure facilities. We also operate a series of rotation camps that provide accommodation for employees that are working away from their homes.

All rotation camps have canteens, bathing and laundry facilities, sports and fitness rooms, libraries and recreation facilities, satellite TV and mobile communications services. Plant management teams are continuously looking at ways of improving employees' living conditions.

Significant recent accommodation projects include:

- A new residential block for 160 occupants commissioned at the Sopka Kwartsevaya rotation camp (Magadan Region).
- A 220-occupant residential block renovated and reopened after a temporary shutdown at Kubaka (Magadan Region).
- Construction work completed at the Goltsovoye rotation camp, and a new canteen commissioned in 2011 (Magadan Region).
- The administrative building at Dukat renovated and converted to provide office and residential space. A second hostel renovated, offering furnished flats and rooms for 120 employees working at Dukat (Magadan Region).

- As part of the preparation for construction of the Amursk plant, Polymetal purchased an unfinished residential building in the town of Amursk (Khabarovsk Territory). The Company carried out capital repairs and commissioned the building in 2009. It offers accommodation to all employees from outside Amursk.

Catering

Since 2007, catering and cleaning services at our rotation camps and residential facilities have been outsourced to established regional and international providers. This has necessitated the overhaul and upgrading of many camp canteens and more regular, better planned deliveries of high quality food.

As new production facilities come on stream, the same high quality catering and cleaning services have been introduced, for example at the Albazino, Goltsovoye and Sopka Kwartsevaya deposits. Corporate catering and other services are also provided to those working on the construction of the Amursk plant.

Our plant management teams monitor the quality of food and diet and employee feedback is encouraged. We are committed to meeting the legitimate needs of rotation shift workers, who have to cope with harsh weather conditions, therefore, dialogue is maintained with contractors in order to maintain the best possible solutions for food deliveries, menu variety and quality of



Magadan Region goes 'football crazy'

For the past five years, we have sponsored an annual children's mini-football tournament in the Magadan Region. The 'Kozhany Myach' competition is the most significant grassroots sports event in the region, involving 500 young people in 42 teams that represent most of the local schools, sports clubs and neighbourhoods. Magadan goes football crazy during the tournament and is a paradise for football fans, with about 200 matches being played across the region.

Year-round indoor skating for the people of Omsukchan

As part of our sports and healthy lifestyle programme, in 2009 we upgraded and re-equipped an indoor ice rink in Omsukchan, Magadan Region. We followed this up in 2010 with more equipment, comfortable changing facilities, coaching and technical spaces, more storage, showers and toilets. Thanks to our support, the facility is available all year round, with rollerskating in the summer and ice skating in winter, making this the most popular recreation venue for the local community.

- Construction of a new hostel building for 52 occupants at the Khakanja rotation camp (Khabarovsk Territory).
- Two hostels, accommodating 99 people each, commissioned in 2010 at Albazino (Khabarovsk Territory). A plant workers' hostel for 58 occupants and a women's hostel for 54 occupants are about to be commissioned at Albazino. In addition, a 32 guest hotel has been opened in the first quarter of 2011 at Albazino.

service. Particular provision is made for those employees working in potentially hazardous conditions who also have particular dietary requirements.

Transport

We provide a daily transport service to and from employees' place of work. Those in rotation shifts have their travel fares paid, either from their homes or from assembly points.



Healthcare

We focus on the identification and prevention of adverse occupational conditions, therefore each plant organises medical check-ups for all employees and arranges for vaccinations, where required.

Polymetal has contracts with independent healthcare providers, under the terms of which, all employees have access to a full medical examination. All of our plants have medical facilities where employees can be examined and offered emergency care.

Promoting healthy lifestyles

Polymetal promotes healthy lifestyles and provides all employees with opportunities to take part in sports and leisure activities. This includes competitive sports and training in rented facilities or those specially equipped by the Company. Most plants employ professional sports coaches and hold sports competitions, family sports days and «Olympic Games». In the period 2008–2010, we purchased and upgraded gyms and fitness equipment, built and equipped sports grounds and organised employee competitions.

Sports related activities include:

- Renting of gyms and sports halls for employees of Dukat; provision of an aerobics room, two gyms and

outdoor sports facilities at the Kubaka rotation camp (Magadan Region).

- The Mayskoye rotation camp (Chukotka Region) has three sports halls and several mini-football pitches.
- A fitness centre is available at the Khakanja plant; employees of Khakanja also have the use of a local swimming pool. A skiing lodge has also been established near the town of Okhotsk (Khabarovsk Territory), for which the Company provides snow-ploughs and rest facilities.
- Regular football, volleyball, swimming and aerobics training sessions are offered to the employees of Voro (Sverdlovsk Region).

Polymetal employee teams traditionally participate in town and district-level sports competitions.

Social partnerships

Polymetal supports employees' rights to freedom of association and the ability to enter into collective agreements. Consequently, at most of our plants, employees have initiated a system of workers' councils and all forms of discrimination are ruled out. The Company also complies with all of the key labour principles of the UN Global Compact.

In summary, our relations with employees are based on the following principles:

- equal rights for all parties.
- accommodating mutual interests in decision-making about Company operations.
- strict compliance with national and local labour regulations.
- all parties commit to and fulfil obligations on a voluntary basis.
- constructive dialogue between all parties in relation to social and labour issues.

Strong working relationships are maintained through the following:

- Collective agreements signed at subsidiaries that joined Polymetal in 2009, including Varvarinskoye (Kazakhstan) and Mayskoye Gold Mining Company (Chukotka Region).
- The terms of existing collective agreements were extended for three years at Gold of Northern Ural (Sverdlovsk Region) and Okhotsk Mining and Exploration Company (Khabarovsk Territory).
- The collective agreement at Magadan Silver (Magadan Region) was upgraded to include reimbursement of certain travel costs for employees on rotation shifts.

offer a range of career opportunities and pathways, backed by excellent employment packages and social support. While external recruitment is a necessity, we work hard to retain skills and empower employees, giving preference to the promotion of internal candidates.

Selection, training and appraisal

A shortage of skills is particularly acute in the metals industry, and Polymetal therefore operates a comprehensive training programme, which is available to all employees.

While internal promotion is a priority, we search and select high quality candidates from across Russia, Kazakhstan and Uzbekistan. Emphasis is placed on relevant specialised skills along with experience of working at leading mining companies.

An appraisal system was implemented in 2010 to provide a framework for measuring employee development and career pathways. On the basis of the initial appraisals, detailed training plans were drawn up for 92 employees with a range of skills. Within this group, 28 were identified as ready for promotion and of these, 10 were promoted during the year.

As a result of the appraisals, some employees were sent on secondment to other Polymetal plants, with the



Polymetal promotes a spirit of invention

Polymetal is encouraging a spirit of invention through a Company-wide contest that aims to find solutions to pressing operational issues, the aim being to motivate employees, increase efficiency and reduce operating costs. The first contest was launched in 2010 and all employees were invited to submit solutions to a number of specific production issues identified by the Chief Engineers from each Polymetal company. The resulting 25 proposals offered interesting solutions to production challenges, and a number addressed changes to meal provision, improvement of elution at gold recovery plants and the development of mobile dwellings for prospectors. The best of the proposals will be implemented with their originators receiving awards.

- Where plants are still under construction or subsidiaries have recently joined Polymetal, local standards that meet Company requirements have been adopted, prior to the formation of workers' councils.

The benefits and guarantees offered to employees under the social partnership provisions exceed relevant legal requirements and are ranked in accordance with plant location and the level of hazard associated with the work.

Employee development

Polymetal aims to be an employer of choice for young, highly educated and ambitious professionals. We therefore

aim of exchanging experiences and expertise. A distance learning system is used for pre-certification training in industrial and occupational safety, and in production and management disciplines. This is a highly effective means of training employees in remote geographic areas, with associated cost savings.

Training to support ongoing skills development is important and 70% of executives and managers from Polymetal Engineering received such upgrading in 2010, including attendance at conferences and forums in Russia and abroad. Additionally, in-house training was provided in management system integration, based on ISO and OHSAS standards, as well as in specialist environmental issues. In parallel, vocational training courses were developed and taught by senior employees from relevant parts of the Company.

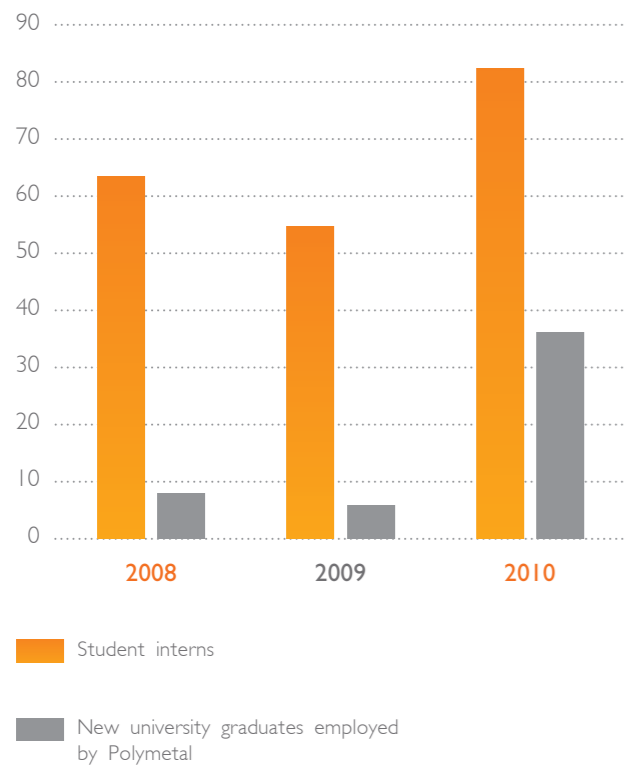
Number of employees trained



Training investment (US\$ million)



Intern and graduate intake at Polymetal's subsidiaries



In 2010, 2,016 employees benefited from a range of training programmes, reflecting a total investment of US\$0.51 million.

A young workforce

Polymetal is developing ways of attracting young people and developing their skills and experience across all its operations.

A key focus is the "Youth–Professionalism–Career" programme, which in 2010 offered 82 students work experience at eight of our plants. As a result, more than 50 of the students expressed a wish to continue the placement or apply for employment with Polymetal. In the same year, 37 university graduates were employed across our subsidiaries.

All students are provided with accommodation during their work experience; return travel fares to their places of work are reimbursed and they are paid a suitable salary. An extra stipend may be awarded to high–performing students, and in addition they may be offered specialist training.

Under the "Youth–Professionalism–Career" programme, the Company pays for employees' children to study for relevant university degrees and guarantees them employment after graduation, in accordance with their qualifications.

Each subsidiary must comply with Company regulations on work with young people. Individual adaptation plans are developed for recent graduates during the first year of their employment, based on which they may be promoted or included in the skilled reserve workforce. In 2010, groups of young specialists were established at five subsidiaries; individual adaptation plans were developed for each specialist and a production task assigned. There are now 33 such young specialists engaged across the Company. Their progress and that of other young employees is recognised in a column in The Northern Latitude, Polymetal's corporate newspaper.

In order to maintain the quality of recruits and skills development, we work closely with Russian higher education institutions.

Internal communications and corporate culture

We work hard to create a corporate culture that engenders enthusiasm and invites input to our strategy and goals. Our internal communication and information sharing system provides detailed strategy and operational updates, while accommodating feedback from employees and operational units.

Informing employees

Our monthly corporate newspaper, The Northern Latitude, is published in 6 different editions for each of Polymetal's operational areas. It is a crucial means of bringing together news on all workers' teams, reflecting the variety of regional cultures and working environment. Working with subsidiaries, The Northern Latitude organises professional and other competitions, promotes special projects and encourages employee initiatives. Ongoing surveys show that the newspaper is welcomed and respected by employees.

Employee feedback

A formal corporate feedback system was introduced in 2007 with the following objectives:

- To inform employees about current and future corporate goals and objectives, including production, social and employment issues.
- To obtain feedback on the effectiveness of management decisions.
- To respond to employee questions and suggestions.
- To take account of employees' views to assist managerial decision making.

Employee feedback is channelled through mailboxes installed at subsidiary plants; telephone hotlines to Company and plant management, including an annual opportunity for employees to speak directly to the Chief Executive of Polymetal; regular opportunities to discuss personal matters with line managers and executives; expert visits

All subsidiaries arrange "litter–pick Saturdays", cultural, sports and leisure events, camping trips, children's drawing and photo competitions and other artistic contests. In line with tradition, gifts are given to first–year schoolchildren for the Day of Knowledge (1st September); war veterans whose children and grandchildren work for the Company



The Polymetal Regions League — more than football

The Polymetal inter–regional five–a–side Football Cup made its debut in 2010. Teams were made up from employees who work at the Company's gold mining, geological prospecting and sites still under construction. Elimination tournaments were held in Khabarovsk, Magadan and the Urals, with the finals taking place in Khabarovsk on July 17–19.

The idea of holding a corporate tournament for teams from different sites was mooted some years ago; however, employee feedback to CEO Vitaly Nesis in December 2009 galvanised the effort. Marat Muradov of the Khakanja plant asked if the Company could hold tournaments on Miners' Day in sports such as football, table tennis and arm–wrestling.

As a result, the first Polymetal Inter–regional Cup brought together 11 teams from the production enterprises and the managing company. A few months later, the Gold of Northern Ural squad emerged as the first winners of the Cup.

The tournament is now to become a permanent fixture and will be followed by an inter–regional volleyball competition.

to remote operational areas to meet local teams; regular workers' meetings; The Northern Latitude and an enquiry form on the corporate website.

The Company has a clear procedure for providing written and oral responses to employee enquiries. It also operates a tracking system for idea generation and complaints and sets out executives' responsibility for the timely and adequate resolution of issues raised by employees. Executives who fail to respond adequately are advised on improvements to their approach.

In 2010, 866 employee messages were delivered through the feedback system across all the Company's subsidiaries, 47% more than in 2009. Replies were provided via one–to–one contact, at employee team meetings or in writing. The most urgent issues were responded to via hotline contact and through The Northern Latitude.

Corporate culture

Metallurgist's Day, which involves employees Company–wide, is a key event in the corporate calendar. Celebrations take place in all operational areas and include awards ceremonies, gala concerts, entertainment, sports competitions and events for the children of employees and local people. In 2010, the day was celebrated for the first time at our new operations at Goltsovoye, Kubaka, Albazino, Varvara and Mayskoye.

Geologist's Day and Miner's Day are also celebrated at our subsidiaries through awards ceremonies and sports competitions. The Northern Latitude highlights the work of our geologists and miners.

are recognised on Victory Day; employees are recognised on their birthdays and New Years parties are held where gifts are distributed. In 2010, all of the Company's plants held the first professional excellence competition, to coincide with Miner's Day.

The Company and society

Polymetal's businesses are the economic mainstays of the cities and regions in which they are located and bear a special responsibility for sustaining living conditions for the local population and for developing local economies.

Social policy

Polymetal's social policy is characterised by:

- Openness — in developing and implementing social programmes, promoting free exchange of information and collaboration with interested parties.
- Transparency — providing access to the Company and information to relevant stakeholders.
- Systematic approach — social programmes are ongoing and long-term and correspond with local community priorities.
- Significance — striving for a timely and relevant response to local community demands.
- Effectiveness — resources must be aligned to the needs of local communities.

The Company benefits local communities by:

- paying taxes;
- maintaining and enhancing local infrastructure and services;
- increasing the flow of people into the regions;

Valentina Shabelnikova, a consultant in the Department of Indigenous Minorities of the North in Khabarovsk Territory, Ministry of Natural Resources, comments:

"Polymetal's wide-ranging assistance addresses the most pressing problems that local village budgets simply cannot cope with. The people in these communities are involved at every stage, taking an active part in defining funding priorities and providing feedback to the Company as projects progress."



Direct and open dealings with indigenous peoples

In 2010 the Company signed agreements with organisations representing the small ethnic groups of the Khabarovsk Territory. Under the terms of these agreements, projects designed to improve the life of these groups are to receive direct funding from Polymetal.

While the Company has always provided such support, a direct agreement offers clear lines of communication and feedback and precisely defines the needs of indigenous peoples. Funds are allocated directly to regional representatives of their organisations. This greater degree of accountability will result in substantial improvements in the life of these groups and their communities.

Polymetal CEO Vitaly Nesis explains the rationale for these agreements: "We work closely with the organisations' representatives in order to determine priorities, well before funds are transferred. We believe that these organisations can make the best decisions on how the funding is used, rather than depending on local administrations. This approach is positive for all concerned and encourages responsibility and accountability. It is our way of doing something positive for communities and individuals".



Semen Kozlov
Reindeer breeder

- increasing employment opportunities for local people;
- providing professional training and education for local people involved in the Company's projects;
- supporting social and cultural events;
- providing financial and other assistance to vulnerable groups; and
- supporting ethnic traditions and indigenous populations and participating in non-governmental programmes.

tax payments from Polymetal to regional governments, in the period 2008–2010, were US\$402.29 million.

In 2010, the Company's Russian subsidiaries paid taxes and made payments to extra-budgetary funds² of US\$172.81 million, of which US\$90.40 million went to regional and local budgets. Taxes paid by the Company in Kazakhstan amounted to US\$12.33 million.

Tax payments by our subsidiaries account for the bulk of total budget revenues in a number of regions. In total,

Tax payments, 2008–2010 (US\$ million)¹



Working with indigenous peoples in Amursk, Khabarovsk Territory

We are actively involved in a consultative Council in the city of Amursk, Khabarovsk Territory that approves essential development projects in the area. The Council comprises delegates from ethnic communities, the city and regional administrations, as well as Polymetal. Accordingly, we have played an active part in helping to deliver the priority projects in Amursk in 2011.

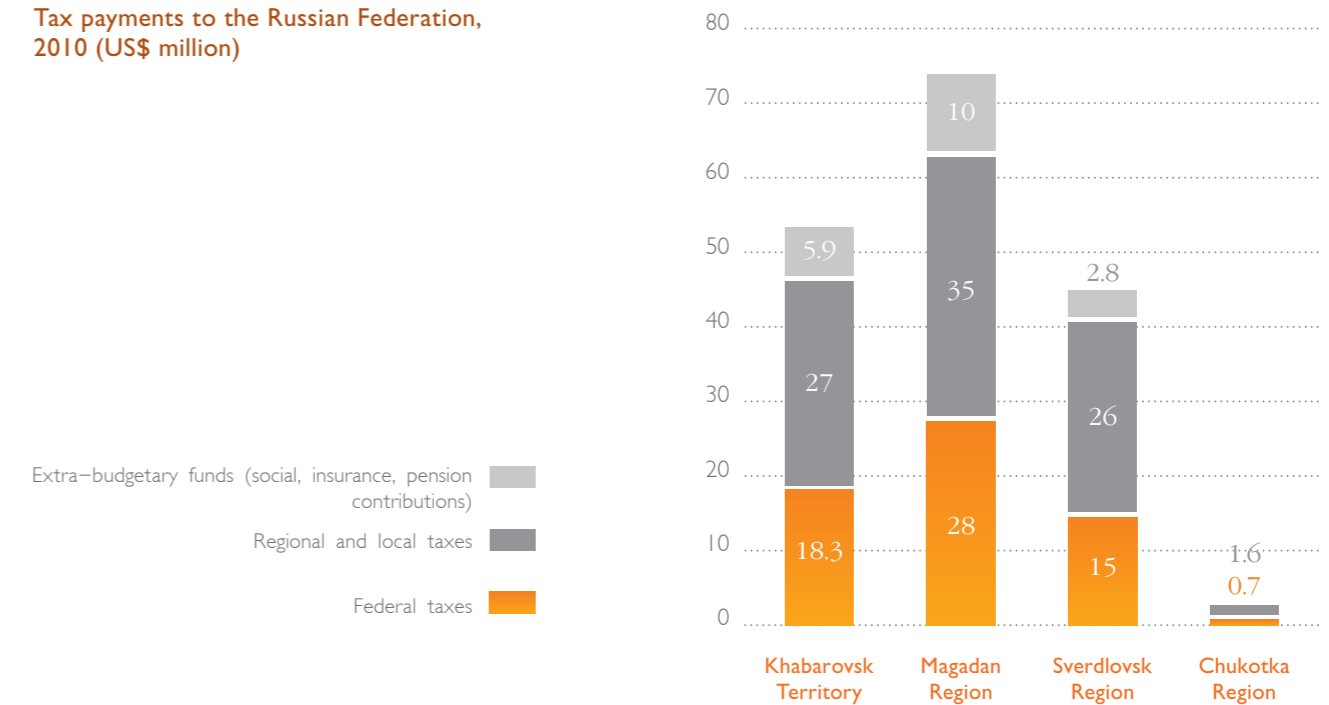
¹ Exchange rates: US\$1=30.37 RUB in 2010, US\$1=31.72 RUB in 2009, US\$1=24.85 RUB in 2008.

² Includes social, insurance and pension contributions.

Lyudmila Balabanova, Chair of the Polina Osipenko Association of Indigenous Minorities of the North summarises her experience:

"We have defined and justified priority projects, resulting in, for example, new gym equipment for the kindergarten and junior school. Just looking at the positive effect on the children is enough to brighten anyone's day! In February 2010 a team of medical specialists from Khabarovsk based themselves at our district Central hospital and provided thorough health checks for residents. The cardiovascular screening was particularly timely, as a result of which several people were referred for further treatment and transferred to Khabarovsk hospital."

Tax payments to the Russian Federation, 2010 (US\$ million)



Lyubov Passar, President of the Khabarovsk Territory Association of Indigenous Minorities of the North comments:

"Signing direct agreements certainly stimulates initiative and empowers ethnic community leaders. They make difficult decisions about funding projects that are crucial to preserve their way of life, language and culture."



Improving language skills in Taranovka

Polymetal is proud to have funded a language centre in Taranovka, Kazakhstan. The centre opened in 2010 and offers free Russian, Kazakh and English courses to anyone wishing to advance their language skills.

Reviving the Vykn–Kar Ethnic Sports Festival in Chukotka

We have been instrumental in reviving the Vykn–Kar Ethnic Sports Festival in Billings village, Chaunsk District, Chukotka Region. This popular annual festival saw local residents competing in a range of activities from fishing to cooking Chukchi meals. Unfortunately, due to financial constraints, the festival was cancelled in 2008 and 2009. In 2010 Polymetal stepped in and helped to revive this important event in the local calendar.

Social investment

Polymetal focuses its social investments on:

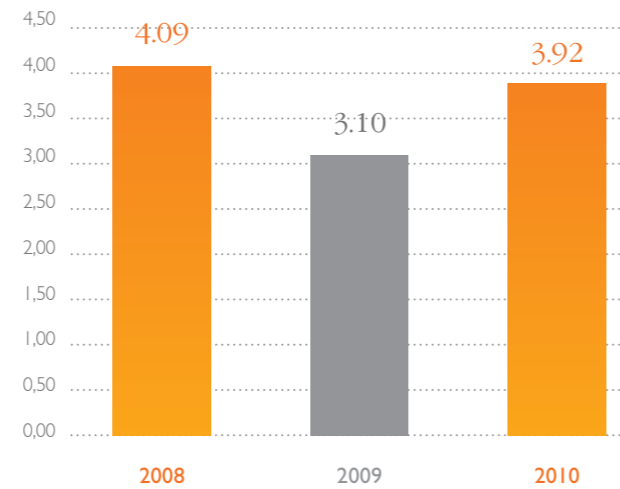
- education and healthcare;
- development of local infrastructure;
- sports and healthy lifestyles;
- local culture and creativity;
- support for indigenous minorities of the North (IMN).

We favour projects that achieve a tangible improvement in quality of life and help communities in remote areas. Between 2008 and 2010, the Company renovated hospitals and children's nurseries, installed children's playgrounds and sports pitches, supported youth sports teams, provided healthcare facilities and schools with modern equipment, arranged for teams of doctors to visit remote villages and contributed to charities and the most vulnerable groups in the community.

In total, the Company invested US\$11.11 million in community development between 2008 and 2010, including US\$3.92 invested in 2010.

We allocate our community investments through Social and Economic Cooperation Agreements with regional and local authorities. The number of such agreements in 2010 was 11.

Social investment in 2008–2010¹ (US\$ million)



Supporting indigenous peoples in the Khabarovsk Territory

Participants in the International Far Eastern Festival "The Living Timeline", held in the summer of 2010 in Khabarovsk, identified Polymetal as "The best enterprise promoting the preservation and development of ethnic cultures". The festival brought together over 300 representatives of indigenous peoples from Russia, USA, New Zealand and Korea, while Russia's Far East was represented by delegations from Yakutia, Buryatia, the Khabarovsk and Krasnoyarsk Territories and the Magadan and Sakhalin Regions.

In 2010, work started on the preparation of direct Social Partnership agreements with representatives of indigenous minorities of the North (IMN). This initiative started in the Khabarovsk Territory where, jointly with authorised IMN representatives, funds were invested in deer breeding communities to support their local culture and

traditional crafts, educational programmes and celebrations of IMN national holidays.

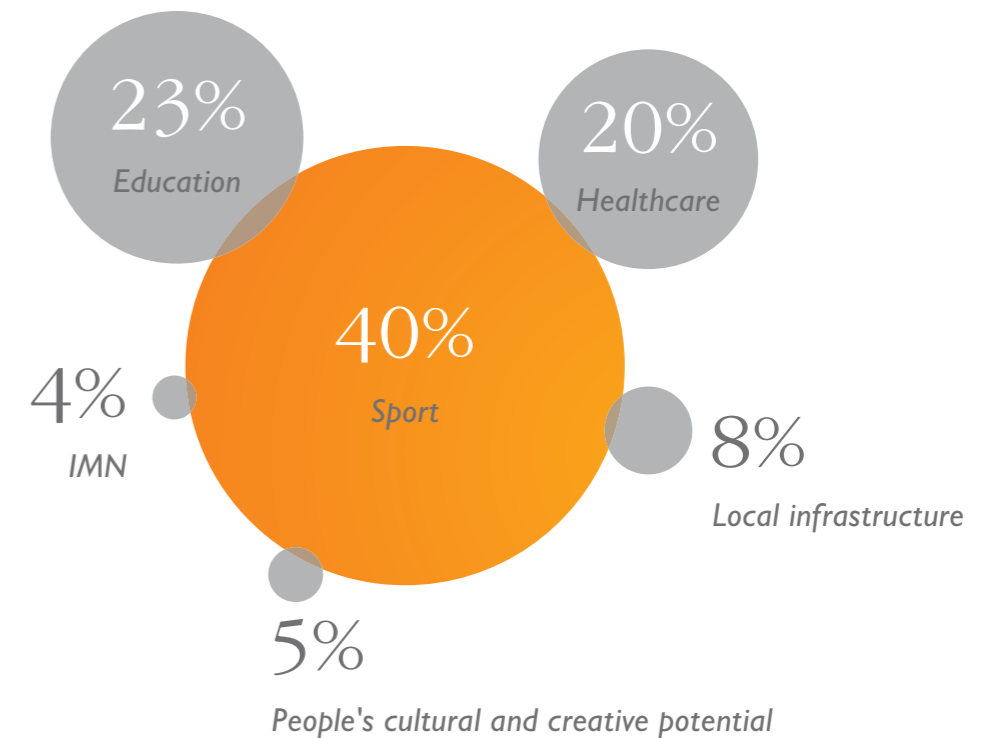
Financial assistance is also offered to vulnerable groups (for example, disabled, senior citizens, war veterans, large families or orphans), either directly or via NGOs representing the groups.

¹ 119.00 million roubles in 2010 (exchange rate 30.37); 98.30 million roubles in 2009 (exchange rate 31.72); 101.60 million roubles in 2008 (exchange rate 24.85).

Svetlana Olshevskaya, Deputy Head for social affairs in Okhotsk District Administration comments:

"There is a constant dialogue between the municipality, residents and specialists from the Okhotsk Mining and Exploration Company. Part of my job is to report on how Polymetal funds are spent, taking account of residents' concerns or ideas, as expressed in questionnaires. These meetings are held in different communities, helping us to monitor the success of funding and to generate views on further priorities. I am particularly pleased with the revival of the Festival of the North. This celebration has a 200 year history, but in the late 1990s interest dissipated with the demise of the collective farm system. Polymetal has been instrumental in reviving the Festival over the past five years and it now a major event in our social calendar. The Company has also helped us to purchase computers and TV sets for schools and hospitals, pillows and blankets for boarding schools and washing machines for kindergartens. Provision of tent fabric, radios and chainsaws has also helped to maintain the traditional business of reindeer breeding."

Distribution of social investments



Investment in regional development

Polymetal's investments in the regions are designed as long-term programmes that meet the needs of the communities and nurture their culture and creativity, including maintaining the traditions of indigenous populations.

These programmes are formed through close relationships with the community, taking into account the views of individuals, regional and local authorities and NGOs.

Programme	Priorities	Target groups	Investments in 2010 (US\$ million)	Investments in 2008–2010 (US\$ million) ¹
Support for education and healthcare	Repairs and restoration of healthcare and education facilities in remote areas (schools, nurseries, boarding schools, hospitals, outpatients' surgeries)	Inhabitants of the regions and their children (including IMN) Orphans	1.62	4.41
	Enhancement of health and educational institutions	Students in higher education and other graduates, young white-collar workers		
	Improving facilities and equipment in children's nurseries and schools in remote areas	Company employees		
	Supplying modern equipment to health and educational institutions	Teachers and doctors		
	Providing high quality medical services in remote areas			
Support for sports and healthy lifestyles	Repairs and restoration of indoor and outdoor sports facilities	Inhabitants of each region and their children	1.48	3.96
	Providing sports equipment for educational institutions, sports associations and centres	Company employees		
	Support for sports competitions and youth teams	Coaches and sports club managers		
	Providing the local population with regular opportunities to play sport	Professional, youth and amateur sports associations		
Development of local infrastructure	Road repair and restoration	Inhabitants of each region and their children	0.29	0.95
	Landscaping	Company employees		
	Infrastructure to support living needs in remote areas (purchase of public transport vehicles, fuel)			
Development of culture and creativity in the community	Providing opportunities for development and creativity in remote areas	Inhabitants of each region and their children	0.18	0.51
	Repairs and provision of material and equipment for cultural facilities	Company employees		
	Support for children's amateur performers' and arts groups, festivals and contests	Cultural and leisure centres Amateur performers, arts groups and associations		
	Support for popular events in urban and rural areas	NGOs and children's clubs		

¹ Exchange rates: US\$1=30.37 RUB in 2010, US\$1=31.72 RUB in 2009; US\$1=24.85 RUB in 2008.

continued

Programme	Priorities	Target groups	Investments in 2010 (US\$ million)	Investments in 2008–2010 (US\$ million) ¹
Support of indigenous minorities of the North (IMN)	Support of IMN traditional economic management, provision of transport and associated tools and materials	IMN representatives and their children	0.15	0.46
	Support of deer breeding programmes	Indigenous clans resident in the territories		
	Educational programmes	Deer breeders and fishermen		
	Support of traditional folk arts and crafts to preserve IMN cultural heritage and lifestyle	IMN orphans		
	Medical services	NGOs focusing on the support of indigenous populations Amateur performers' and arts groups		
Charity and sponsorship	Help for people in distress	Vulnerable groups	0.20	0.82
	Health treatment for children from remote areas	Orphans		
	Support for children's homes and orphanages	War veterans		
	Support for talented performing groups	Performers' and arts groups and associations		
		Charitable organisations		

Support for healthcare and education

Between 2008 and 2010, Polymetal actively supported and initiated improvements to health and education facilities across the regions in which it operates. This included:

- Repair work at kindergartens and schools, funding new equipment for medical institutions and assisting doctors to reach remote villages in the Khabarovsk Territory.
- Providing equipment and improving facilities at hospitals, kindergartens, schools, day centres and the Centre for Further Education in the Magadan Region.
- Repair work at many hospitals, health centres, schools and kindergartens in the Sverdlovsk Region.

- Providing funds to set up the "Centre for the development of the languages of the peoples of Kazakhstan". The Company also purchased equipment and furniture for a secondary school and hospital in Kazakhstan.
- Providing construction and other material for repair work at a primary school, arts school, healthcare facilities for children and a kindergarten in the Chukotka Region.



Working with Advita to improve children's health

Since 2009, children in communities close to our operations have benefited from funding for screening and treatment of cancer. This also includes the purchase of advanced equipment and disposable material for children's cancer wards, as well as financial assistance for their families during the treatment period. This support programme is offered in conjunction with the Advita Charitable Fund from St. Petersburg.

"Medical airlifts" raise spirits and levels of healthcare in remote communities

Polymetal has initiated a health screening programme in remote communities. This is a key social programme as local healthcare providers are often short of general and specialised medical resources. In 2010, for example, we sponsored a team of doctors to provide advanced healthcare services in the village of Kherpuchi, Polina Osipenko District, Khabarovsk Territory. This "Major Medical Screening" initiative, delivered with the agreement of the district administration, saw eleven consultants examine more than 1500 patients at the hospital and in homes. Delivered over four days, this "medical airlift" was a great success and an ongoing series of visits is planned.

Developing sport and promoting healthy lifestyles

Between 2008 and 2010, Polymetal supported and promoted a range of sports activities and infrastructure projects. These included:

- Building a sports complex, repairing sports facilities, purchasing sports equipment, supporting football and field hockey teams, Greco–Roman wrestling and weight–lifting competitions and organising sports tournaments in the Khabarovsk Territory.
- Rebuilding sports facilities, including a skating rink, purchasing sports equipment and assisting with football tournaments and supporting sports federations in the Magadan Region.
- Supporting sports clubs, a children’s hockey team, purchasing sports equipment, part funding ski facilities and supporting a mountain marathon in the Sverdlovsk Region.
- Preparing and installing a mini–football pitch in Kazakhstan.
- Assisting with repairs to sports facilities, supporting a children’s ice hockey team and organising a volleyball tournament in the Chukotka Region.

- Initiating free film screenings for children in Pevek (Chukotka Region).
- Providing support for the staging of municipal events, New Year and Christmas celebrations, co–organising arts festivals, competitions and gala cultural events across all regions.
- Organising Victory Day celebrations for veterans of World War II and Day of Knowledge celebrations for first year pupils.

Support for the indigenous minorities of the North

Between 2008 and 2010, Polymetal worked with and supported indigenous groups in remote areas. The Company provided these groups with support and funding to maintain and develop traditional customs and trading activities. This support included:

- Organising and sponsoring the Evenki celebration of the North, including the 365th anniversary of the Arka ethnic community in the Khabarovsk Territory.
- Assisted in the staging of the “Tambourine of Friendship” festival of folklore and ceremonial celebrations. Organising



Sputnik wins World Cup medal with help from Polymetal

Congratulations to Sputnik, Karpinsk’s junior hockey team. In 2010, the team won a World Cup silver medal in Sweden, playing against the best junior teams from Russia, Finland, Norway and Sweden. We are long standing sponsors of Sputnik and help with new equipment and travel expenses, allowing the team to play in tournaments across Russia and abroad.

Developing settlement infrastructure

Between 2008 and 2010, Polymetal helped to improve the living and working environment for residents in its regions of operation. This included:

- Building play and sports areas in many towns throughout the Khabarovsk and Magadan Regions.
- Purchasing emergency and local community vehicles, improving transport infrastructure and energy utilities across the Khabarovsk Territory, Magadan and Sverdlovsk Regions.
- Supporting flood victims in Kazakhstan.

a trip by the “Siun” folk song–and–dance ensemble from the village of Achan to the International Congress of Indigenous Minorities of the North in Moscow.

- Funding the 2nd International Far Eastern Festival “The Living Timeline” in Khabarovsk, which featured ensembles from the indigenous minorities of the North.
- Providing healthcare, transport and cultural event support for indigenous communities across the Magadan Region.
- Purchasing and delivering provisions, food, firewood, fuel and lubricants for reindeer herders, purchasing vehicles for local communities and supporting cultural celebrations across the Chukotka Region.

Developing cultural and creative potential

Between 2008 and 2010, Polymetal supported a wide range of cultural institutions, including:

- Rebuilding and refurbishing a cinema in Amursk (Khabarovsk Territory). Supporting singing and dancing competitions, repairing an art school and purchasing musical instruments in the Magadan Region.
- Organising a gala concert in Kazakhstan.

Appendix I. Social programmes

Priorities	Major Projects	Period	Location
Support for education and healthcare			
Repair and restoration of healthcare and education facilities in remote areas (schools, nurseries, boarding schools, hospitals, outpatients' surgeries)	Purchase and installation of a modular boiler–house, and repair and restoration work on the roof, lighting and consulting rooms at the local hospital	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Purchase of furniture for the inpatient department and equipment for the dentists' room at the Central District Hospital	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Repair work at a kindergarten	2009	Briakan, Polina Osipenko District, Khabarovsk Territory
	Repair work at secondary comprehensive school	2009–2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Building of a sports ground for a local school	2009	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Repairs to the roof of a kindergarten; purchase and installation of a prefabricated boiler room	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Completion of repair work in the medical and study rooms of a kindergarten	2008	Omsukchan, Omsukchan District, Magadan Region
	Construction of an extension to the kindergarten; building of children's summer playgrounds	2009–2010	Dukat, Omsukchan District, Magadan Region
	Repair work at an existing kindergarten and construction of a new kindergarten; repair work in the medical rooms	2009–2010	Omsukchan, Omsukchan District, Magadan Region
	Repairs to the gym at a secondary comprehensive school	2010	Omsukchan, Omsukchan District, Magadan Region
	Repairs to the central heating system at the Children's Arts and Crafts Centre (co–financed)	2009	Evensk, Severo–Evensky District, Magadan Region
	Repairs to the dining room at a boarding school	2009	Evensk, Severo–Evensky District, Magadan Region
	Replacement of window units and interior repairs; assembly of a new outdoor playground	2010	Evensk, Severo–Evensky District, Magadan Region
	Interior repair work at a secondary school	2010	Evensk, Severo–Evensky District, Magadan Region
	Repair work at a kindergarten, a gym and a recreation veranda	2009–2010	Seymchan, Srednekansky District, Magadan Region
Repair work at a secondary comprehensive school	2009	Seymchan, Srednekansky District, Magadan Region	
Repair work at a kindergarten	2009	Verhny Seymchan, Srednekansky District, Magadan Region	
Repairs to the Central District Hospital building	2009–2010	Omsukchan, Omsukchan District, Magadan Region	

continued

Priorities	Major Projects	Period	Location
	Repair work at the out-patients' dept. of the Central District Hospital, replacement of electric wiring and lighting	2009–2010	Seymchan, Srednekansky District, Magadan Region
	Interior repair work at the Central Municipal Hospital	2008	Karpinsk, Sverdlovsk Region
	Repair work at the acute vascular and outpatients' departments of the Central Municipal Hospital	2008	Krasnoturinsk, Sverdlovsk Region
	Repair work at the Municipal Children's Hospital: the intensive care unit, neonatal pathology department and catering facilities	2008–2010	Krasnoturinsk, Sverdlovsk Region
	Capital works at the women's health clinic facilities within a maternity home	2010	Krasnoturinsk, Sverdlovsk Region
	Funding of design estimates and state expert review for capital works at a municipal secondary school	2009	Degtyarsk, Sverdlovsk Region
	Interior refurbishment and repair work to convert a children's hospital to a health centre	2010	Krasnoturinsk, Sverdlovsk Region
	Repairs to the living quarters at the children's summer recreation camp "Voskhod"	2010	Krasnoturinsk, Sverdlovsk Region
	Replacement of double glazing and refurbishment of the reception area at the maternity department of the Central Municipal Hospital	2010	Karpinsk, Sverdlovsk Region
	Interior repair work at the Municipal Hospital	2010	Degtyarsk, Sverdlovsk Region
	Repair work at a school and kindergarten	2010	Vorontsovka, Sverdlovsk Region
	Setting up of the Centre for the Development of the Languages of the Peoples of Kazakhstan	2010	Taranovskoye, Kostanay Region, Republic of Kazakhstan
	Repair work at a secondary school	2010	Taranovskoye, Kostanay Region, Republic of Kazakhstan
	Provision of building materials for repair work at a primary school	2010	Ayon, Chaunsky District, Chukotka Region
	Assistance in repair work at the Children's Arts School	2010	Rytkuchi, Chaunsky District, Chukotka Region
	Assistance in repair work at a kindergarten	2010	Pevek, Chaunsky District, Chukotka Region
Enhancement of infrastructure and equipment modernisation at health and educational institutions	Purchase of medical equipment and electricity supply back-up for rural hospitals	2009	Kherpuchi, Glavny Stan, Polina Osipenko District, Khabarovsk Territory
	Support for the district obstetrics post	2009	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Purchase of equipment for medical rooms, sports rooms and playgrounds at rural kindergartens	2009	Kherpuchi, Oglongi, Polina Osipenko District, Khabarovsk Territory
	Purchase and installation of sports equipment for an out-of-school activities centre	2009	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Support for a kindergarten	2010	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Purchase of computer hardware for the Central District Hospital and medical equipment for its surgery department	2009–2010	Okhotsk, Khabarovsk Territory
	Purchase of computer hardware for a secondary comprehensive school	2010	Omsukchan, Omsukchan District, Magadan Region
	Support for Vocational Training School No.11	2008–2010	Omsukchan, Omsukchan District, Magadan Region
	Purchase of sports equipment for a kindergarten and purchase and assembly of children's playgrounds	2009	Evensk, Severo-Evensky District, Magadan Region
	Purchase of furniture for the assembly hall and equipment for the medical room of the village secondary school	2010	Evensk, Severo-Evensky District, Magadan Region

continued

Priorities	Major Projects	Period	Location
	Purchase of domestic appliances for the local boarding school	2010	Evensk, Severo-Evensky District, Magadan Region
	Purchase of furniture for the catering facilities and sports and outdoor games equipment for a kindergarten	2010	Seymchan, Srednekansky District, Magadan Region
	Purchase of sports equipment for a supplementary education centre	2010	Seymchan, Srednekansky District, Magadan Region
	Purchase of physiotherapy equipment for the Central Hospital	2010	Omsukchan, Omsukchan District, Magadan Region
	Purchase of medical equipment and funding for an ambulance for the Central Hospital	2009–2010	Evensk, Severo-Evensky District, Magadan Region
	Purchase of medical equipment for the Municipal Hospital	2010	Degtyarsk, Sverdlovsk Region
	Logistics and maintenance support for a school	2010	Vorontsovka, Sverdlovsk Region
	Purchase of computer hardware and furniture for a secondary school	2010	Varvarinka, Taranovsky District, Republic of Kazakhstan
	Purchase of an infant incubator for the Central District Hospital	2010	Taranovskoye, Kostanay Region, Republic of Kazakhstan
Improving facilities and equipment at children's nurseries and schools in remote areas	Purchase of medical, sports and playground equipment for a kindergarten	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Purchase of medical, sports and playground equipment for a kindergarten	2010	Oglongi, Polina Osipenko District, Khabarovsk Territory
	Purchase of sports equipment for a youth sports school	2010	Amursk, Khabarovsk Territory
	Purchase and assembly of children's community play grounds	2010	Amursk, Khabarovsk Territory
Facilitating high quality medical services in remote areas	Sponsorship of medical screening visits by groups of doctors to remote areas	2008–2010	Khabarovsk Territory
Support for sports and promoting healthy lifestyles			
Repairs, restoration and provision of equipment for indoor and outdoor sports facilities	Repair work at the Youth Stadium	2008–2009	Amursk, Khabarovsk Territory
	Purchase of sports equipment and replacement of double glazing for a youth sports school	2009–2010	Amursk, Khabarovsk Territory
	Building of a sports ground for a secondary school	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Repair work at a stadium	2010	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Repair work, provision of equipment and logistical support for a youth sports school	2008, 2010	Omsukchan, Omsukchan District, Magadan Region
	Repair work and purchase of sports equipment for a weights room	2010	Dukat, Omsukchan District, Magadan Region
	Help with construction materials for repair work at a youth sports school	2010	Pevek, Chaunsky District, Chukotka Region
Support for sports competitions and youth sports teams	Support for the Amurets Football Team	2009–2010	Amursk, Khabarovsk Territory
	Support for the Neftiannik-Khabarovsk Field Hockey Club	2008–2010	Khabarovsk
	Support for the Sputnik Children's Hockey and Football Club	2008–2010	Karpinsk, Sverdlovsk Region
	Sponsorship of a children's hockey team	2010	Pevek, Chaunsky District, Chukotka Region

continued

Priorities	Major Projects	Period	Location
Providing local communities with opportunities to play sport	Support for the Snow Leopard Children's hockey team	2010	Vorontsovka, Sverdlovsk Region
	Construction of a sports facility (first stage)	2008–2010	Okhotsk, Khabarovsk Territory
	Construction of a skateboarding facility	2009	Degtyarsk, Sverdlovsk Region
	Manufacturing and installation of a mini-football pitch	2010	Taranovskoye, Kostanay Region, Republic of Kazakhstan
	Help with the assembly of an open-air hockey pitch	2010	Pevek, Chaunsky District, Chukotka Region
	Rehabilitation, upgrading and commissioning of an indoor ice-rink; purchase of sports equipment	2009–2010	Omsukchan, Omsukchan District, Magadan Region
	Contribution to the organisation of a district youth hiking rally	2009	Polina Osipenko District, Khabarovsk Territory
	Organise the first Polymetal Mini-Football Cup tournament for amateur teams	2010	Amursk, Khabarovsk Territory
	Sponsorship of the regional "Leather Ball" tournament	2008–2010	Magadan
	Sponsorship and organisational support for the "Konzhak" Mountain Marathon	2008–2010	Sverdlovsk Region
	Organisation of matches for the "Rattan Ball" hockey tournament	2010	Krasnoturinsk, Sverdlovsk Region
	Organisation of a volleyball tournament for local teams	2010	Pevek, Chaunsky District, Chukotka Region

Development of local infrastructure

Building, repair and restoration of roads and other infrastructure	Pavement repairs the centre of town	2009	Omsukchan, Omsukchan District, Magadan Region
	Funding for highway repairs	2010	Vorontsovka, Sverdlovsk Region
	Construction of a communal bathing facility	2008–2010	Krasnoturinsk, Sverdlovsk Region
	Interior repairs and purchase of furniture for the Municipal Administration building	2010	Degtyarsk, Sverdlovsk Region
	Funding of a residential gasification project at the village of Vorontsovka (design and building works) and the construction of an external gas supply system for the village	2009–2010	Vorontsovka, Sverdlovsk Region
Landscaping and improvement of public amenities	Building of community play and sports grounds in towns and villages	2008–2010	Khabarovsk Territory
	Building of community play and sports grounds in towns and villages	2008–2010	Magadan Region
Essential logistical and financial support to improve living conditions in remote areas (including purchase of POL, public and social transport)	Purchase of an ambulance to serve remote villages	2010	Okhotsk, Khabarovsk Territory
	Purchase and delivery of a bus to serve local communities	2008	Polina Osipenko District, Khabarovsk Territory
	Purchase, delivery and assembly of a prefabricated boiler house	2009	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Purchase and delivery of a motor vehicle for commuters from remote villages	2009	Kherpuchi and Oglongi, Polina Osipenko District, Khabarovsk Territory
	Purchase and delivery of a purpose-built coach to provide mobile cultural services for residents of remote villages	2009	Amursk, Khabarovsk Territory
	Purchase and delivery of a coach for the Society of the Disabled	2009	Amursk, Khabarovsk Territory
	Purchase of an emergency vehicle for rescue workers	2010	Amursk, Khabarovsk Territory

continued

Priorities	Major Projects	Period	Location
Development of culture and creativity in the community			
Providing opportunities for development and creativity in remote areas; repairs and provision of equipment for cultural facilities	Purchase of lighting equipment for the House of Culture	2010	Amursk, Khabarovsk Territory
	Reconstruction of Youth cinema theatre, including interior and exterior repairs plus new control equipment, furniture and seating	2008–2010	Amursk, Khabarovsk Territory
	Design of a thematic exhibition at the Amur River region's Nature Museum	2010	Amursk, Khabarovsk Territory
	Repair work at the Leisure and Folk Arts Centre, purchase of new furniture, a sound system and lighting equipment	2008–2010	Omsukchan, Omsukchan District, Magadan Region
	Repair and replacement of windows at the local library	2010	Dukat, Omsukchan District, Magadan Region
	Repair work at the local House of Culture, purchase of sound and lighting equipment, and musical instruments for the children's brass band	2008–2009	Evensk, Severo-Evensky District, Magadan Region
	Purchase of furniture for the House of Culture	2010	Kherpuchi, Polina Osipenko District, Khabarovsk Territory
	Purchase and installation of essential equipment for the Children's Arts and Crafts School	2009	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Repair and building work at the Children's Arts and Crafts School	2010	Evensk, Severo-Evensky District, Magadan Region
	Purchase and delivery of lighting and sound equipment for the local House of Culture	2009	Polina Osipenko, Polina Osipenko District, Khabarovsk Territory
	Purchase of a modular stage for the town's holiday celebrations	2010	Karpinsk, Sverdlovsk Region
	Co-financing of a project to carry out capital works at the Children's Arts Centre and to purchase musical instruments	2009–2010	Evensk, Severo-Evensky District, Magadan Region
	Support for children's performances and arts groups, festivals, competitions and popular events in rural and urban areas	Sponsorship support for the local youth popular song and dance contest, "The Shooting Stars"	2009
Sponsorship support for a geological exhibition at the museum of the eco-biological "Natural Historian" centre		2010	Amursk, Khabarovsk Territory
Support for the Youth Information Centre for the promotion of children's and youth cinema and television		2010	Amursk, Khabarovsk Territory
Organisation of a gala concert for the local residents to celebrate Children's Day		2010	Taranovskoye village, Taranovsky Region, Republic of Kazakhstan
Organisation of free showings of the latest films during winter school holidays		2010	Pevek, Chaunsky District, Chukotka Region
Organisation and support for Day of the Town and Victory Day celebrations, New Year's fetes for local children, Christmas charity events and recognising first-grade pupils on the Day of Knowledge		2008–2010	All regions

Support of Indigenous Minorities of the North (IMN)

Support of IMN traditions, provision of transport and materials	Purchase of catering equipment for a boarding school for deer breeders' children	2010	Arka, Okhotsk District, Khabarovsk Territory
	Support for the Balygchan tribal community, including supply of fuel and purchase of Buran snowmobiles to assist deer breeders	2008–2010	Srednekansky District, Magadan Region
	Support for Buksunda, a District voluntary organisation representing indigenous minorities of the North	2008–2010	Omsukchan District, Magadan Region
	Supply of special equipment for deer breeders	2008	Severo-Evensk District, Magadan Region
	Purchase of a diesel power block	2010	Evensk, Severo-Evensky District, Magadan Region

continued

Priorities	Major Projects	Period	Location
	Establishment of venues to host national celebrations	2010	Evensk, Severo-Evensky District, Magadan Region
	Purchase of New Year gifts for IMN children	2008–2010	Magadan Region, Khabarovsk Territory, Chukotka Region
	Assistance to reindeer herders from Brigade No.9 through the purchase and delivery of provisions, fuel and lubricants, a snowmobile, all-terrain vehicle with a trailer, to assist deer breeders	2009–2010	Chaunsky District, Chukotka Region
Support of traditional folk arts and crafts, helping to preserve the IMN cultural heritage and lifestyle	Organisation and sponsorship of the Evenki Holiday of the North, which was revived with the help of the Company	2009–2010	Arka, Okhotsk District, Khabarovsk Territory
	Organisation of a special thematic session, "The Tribal Camp", for 20 Evenki children (10 of whom are orphans), at the Diuasak summer recreation camp	2009	Khabarovsk Territory
	Assistance in staging "The Tambourine of Friendship" festival and other folk celebrations	2008–2010	Khabarovsk Territory
	Organise an appearance by the "Siun" folk song-and-dance ensemble, from the village of Achan, at the International Congress of Indigenous Ethnic Minorities of the North in Moscow	2009	Achan, Khabarovsk Territory
	Sponsorship of the 2nd International Far Eastern Festival, "A Living Timeline"	2010	Khabarovsk
	Holding of a children's art contest, "Motifs from the Northern Wind"	2010	Khabarovsk
	Support of IMN non-government organisations	2008–2010	All regions
	Contribute to the "The Last Trail" celebrations	2008–2010	Vladimirovka, Polina Osipenko District, Khabarovsk Territory
	Logistical and financial support for a specialist publication, the "Vestnik Severa" bulletin	2009–2010	Evensk, Severo-Evensky District, Magadan Region
	Support for the "Khebdenek", "Bakaldydyak" and "Northern Civilisation" Evenki national celebrations	2008–2010	Magadan Region
Support for the annual Miss Dyuran contest for representatives of indigenous peoples	2008–2010	Magadan	
Support for the International Day of Indigenous Peoples	2010	Yanranay, Pevek, Chaunsky District, Chukotka Region	
Purchase of traditional musical instruments, "yara" tambourines, for the local folk song and dance ensembles	2010	Pevek, Chaunsky District, Chukotka Region	
Sponsorship of the "Vykn-kar" festival of national sporting contests	2010	Billings, Chaunsky District, Chukotka Region	
Medical services	Provision of mobile medical care for the local population	2008–2010	Srednekansky District, Magadan Region

Appendix II. Public recognition of Polymetal and its subsidiaries

№	Year	Place
2006		
1	Gold of Northern Ural was recognised as the best mining company based on its relationships with employees and local communities. This recognition came from Government, The Union of Industrialists and Entrepreneurs and the Federation of the Trade Unions of the Sverdlovsk Region.	Sverdlovsk Region
2007		
2	Polymetal won a Sponsor of the Year 2007 award from the city of Magadan, for "Support for Projects with a Social Impact".	Magadan Region
3	Gold of Northern Ural was awarded a certificate of honour, from the Sverdlovsk Region Ministry of Natural Resources for a major contribution to the development of the gold-mining industry in the Urals. In particular, reference was made to the strong production figures and a responsible social policy.	Sverdlovsk Region
4	Gold of Northern Ural was recognised as the best mining company based on its relationships with employees and local communities. This recognition came from Government, The Union of Industrialists and Entrepreneurs and the Federation of the Trade Unions of the Sverdlovsk Region.	Sverdlovsk Region
2008		
5	Polymetal won an award at the 11th Federal Annual Reports Competition, organised by the Ministry of Economic Development of the Russian Federation, MICEX and "Securities Market" magazine, in the category "Best Corporate Social Responsibility Report".	Moscow
6	Polymetal received a letter of gratitude from the organising committee of the 3rd Far Eastern International Economic Forum for its financial support and active involvement in the work of the forum.	Khabarovsk Territory
7	Polymetal won an award in the Sponsor of the Year 2008 competition in the category "Support for Projects with a Social Impact".	Magadan Region
8	A letter of gratitude from the mayor of the city of Magadan for supporting the children's mini-football tournament "Leather Ball 2008".	Magadan Region
9	Gold of Northern Ural was recognised as the best mining company based on its relationships with employees and local communities. Under competition rules, any company which wins on at least three occasions is awarded the status of "Business laureate — Star of the Urals". This recognition came from Government, The Union of Industrialists and Entrepreneurs and the Federation of the Trade Unions of the Sverdlovsk Region.	Sverdlovsk Region
10	Polymetal received a letter of gratitude from the management of a municipal training institution, the Krasnoturinsk Industrial College, for help in organising a scientific and technical conference, "Ecological Problems of the Modern Age".	Sverdlovsk Region
11	Polymetal received a letter of gratitude, on the occasion of the 250th anniversary of the Turinsk Mines. The letter recognised Polymetal's significant contribution to the socio-economic development of the Krasnoturinsk municipal district, and its active involvement in civic events, business cooperation, initiative and civic responsibility.	Sverdlovsk Region
12	Polymetal received a letter of gratitude from L.L. Karamsheva, head of the Chaunsk District directorate of the Russian Pension Fund, "For its work with elderly people and people with disabilities living in the Chaunsk District, and for providing help and assistance".	Chukotka Region
13	Polymetal received an expression of gratitude from T.V. Gaman, head of the main social services directorate of the Chaunsk municipal district administration, "For active involvement in providing sponsorship and material support for needy and disadvantaged people living in the Chukotka Region".	Chukotka Region
14	Polymetal received an expression of gratitude from the culture, sport, tourism and youth policy directorate of the Chaunsk municipal district administration "For creating the environment and opportunities for people living in the Chaunsk District to develop themselves successfully and effectively in the areas of sport and physical education".	Chukotka Region

continued

Nº	Year	Place
15	Polymetal received an expression of gratitude from the director of the primary school and nursery in the Chaunsk District, "For providing assistance by donating construction materials and equipment for a primary school-kindergarten in the village of Ayon".	Chukotka Region
16	Polymetal received a letter of gratitude from the Kostanay regional centre for healthy lifestyles, for active cooperation in developing a culture of healthy living.	Kazakhstan
2009		
17	Polymetal received a letter of gratitude from the organising committee of the 4th Far Eastern International Economic Forum, for its active involvement in the work of the forum.	Khabarovsk Territory
18	Polymetal received a letter of gratitude from the "Robinzon" health and education camp, for providing assistance and in honour of the 20th anniversary of the founding of the camp.	Khabarovsk Territory
19	Polymetal won an award in the Sponsor of the Year 2009 competition in the category "Support for Projects with a Social Impact". The Company was given a diploma and a commemorative token.	Magadan Region
20	Magadan silver won an award in the Zolotaya Opora 2009 competition, in the "Industrial Consumers" category, "For conscientiously fulfilling its obligations to energy suppliers and increasing economic security in 2008."	Magadan Region
21	Polymetal received a letter of gratitude from the education directorate at the Magadan mayor's office for providing sponsorship for a formal awards ceremony for graduates from general educational institutions in the city of Magadan (in the academic year 2008–2009).	Magadan Region
22	Polymetal received a letter of gratitude from the management of the Magadan regional pre-school children's home, a municipal educational institution, for showing understanding, attention and concern for orphans and children no longer in the care of their parents.	Magadan Region
23	Polymetal received a letter of gratitude from the Sverdlovsk Region Ministry of Culture for a major contribution to the organising of "Volshebnyaya Stroka 2009", an all-Russian festival showcasing children's literary creativity.	Sverdlovsk Region
24	Polymetal received a letter of gratitude from the regional administration for help in organising and staging "Serebryanoye Kopytse 2009", a competition and festival showcasing children's creativity.	Sverdlovsk Region
25	Polymetal received an expression of gratitude from the director of Pioner, a municipal unitary enterprise and strategic business unit, "For providing technical aid in rendering emergency breakdown assistance for a vehicle which was transporting food for reindeer herders".	Chukotka Region
2010		
26	Polymetal received a letter of gratitude in honour of the 20th anniversary of the founding of the inter-regional association "Far East and Trans-Baykal". This was for active involvement in the development and implementation of projects which are of major significance to the socio-economic development of Russia's eastern regions.	Khabarovsk Territory
27	Polymetal received a letter of gratitude from L.V. Passar, president of the Association of indigenous ethnic minorities of the North in the Khabarovsk Territory, for providing assistance and support for events run by the regional voluntary organisation.	Khabarovsk Territory
28	Polymetal received a letter of gratitude from the government of the Khabarovsk Territory for assistance in arranging for a delegation from the Amursk, Polina Osipenko and Okhotsk districts to participate in "The Living Timeline", the 2nd International Far Eastern Festival of Arts and Crafts of Indigenous Peoples.	Khabarovsk Territory
29	Polymetal won the "Best Company Facilitating the Preservation and Development of Ethnic Cultures" competition at "The Living Timeline", the 2nd International Far Eastern Festival of Arts and Crafts of Indigenous Peoples.	Khabarovsk Territory
30	Polymetal received a letter of gratitude from the Khabarovsk Territory voluntary organisation representing parents of children with disabilities, for ongoing financial support.	Khabarovsk Territory
31	Polymetal received a letter of gratitude from the department of culture in Amursk, for providing help in modernising the cultural environment and active creative cooperation.	Khabarovsk Territory
32	Polymetal won an award in the Sponsor of the Year 2010 competition in the category "Support for Projects with a Social Impact".	Magadan Region
33	Polymetal received letters of gratitude from the governor of the Magadan Region for contributing to the preparations for and staging of regional elections on 10 October 2010.	Magadan Region
34	Polymetal received a letter of gratitude from the physical education, sport and tourism committee at the Magadan city mayor's office, for charitable assistance in staging competitions and purchasing sports equipment for the Edelweiss children's club ice hockey team.	Magadan Region
35	Polymetal received a letter of gratitude from the deputy chairman of the Sverdlovsk Region government and the minister of industry and science, for help in extinguishing forest fires in the Sverdlovsk Region in the summer of 2010.	Sverdlovsk Region
36	Polymetal received a letter of gratitude from the director of children's Olympic reserve sports school for New Year's presents for children taking part in athletics competitions.	Sverdlovsk Region

continued

Nº	Year	Place
37	Polymetal received a letter of gratitude from the editor-in-chief of a municipal autonomous establishment, the Krasnoturinsk information centre, for providing assistance in arranging the "Golden Ring of the Northern Ural" car race around the towns of the Northern Administrative District.	Sverdlovsk Region
38	Polymetal received a letter of gratitude from the administration of Sverdlovsk Region's Northern Administrative District for help in preparing and holding a session for chairmen of councils of veterans from municipal districts in the Northern Administrative District.	Sverdlovsk Region
39	Polymetal received an expression of gratitude from the council of representatives of indigenous ethnic minorities at the administration of the Chaunsk District "for help in organising a national celebration in honour of the International Day of Indigenous Peoples of the World in the village of Yanranay and the town of Pevek".	Chukotka Region
40	Polymetal received expressions of gratitude from the head of the social services department for helping children from disadvantaged and low-income families in the Chaunsk District relating to the "Help get ready for school" event.	Chukotka Region
41	Polymetal received a letter of gratitude from the directorate for the affairs of indigenous ethnic minorities of the North at the government of the Chukotka Region, "For help in staging the Bekyn-kar national cultural and sporting celebration in the ethnic community of Billings".	Chukotka Region
42	Polymetal received a letter of gratitude from the acting head of the administration of the Chaunsk District for providing assistance in the staging of sports events and for a contribution to the development of sport and physical education.	Chukotka Region
43	Polymetal received an expression of gratitude from the director of the Chaunsk local history museum for help in organising the "Echo of the Gulag" cultural event in memory of victims of political repression.	Chukotka Region
44	Polymetal received a letter of gratitude from the director of the "Sports Centre" (municipal physical education and sport institution). This referred to its help in staging competitions for the "District Cup," to mark the 80th anniversary of the founding of the Chukotka Region and for a contribution to the development of sport in the Chaunsk District.	Chukotka Region
45	Polymetal received a letter of gratitude from the director of the local history museum for targeted donations to support the implementation of the "I love my land" educational project.	Chukotka Region
46	Polymetal received a letter of gratitude from the head of the Rytkuchi rural settlement for help provided over the course of 2010 to reindeer herders from Brigade No.9 of the Chaunsk municipal unitary enterprise and strategic business unit. The Company supplied food and fuel, provided transport and donated presents for World War II veterans, elderly people, children with disabilities and children from disadvantaged families.	Chukotka Region

Abbreviations:

CIS — Commonwealth of Independent States
 POX — pressure oxidation
 TCC — total cash cost

Units of measure

Koz	Thousand ounces
Kt	Thousand tonnes
Moz	Million ounces



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