GREEN FINANCING FRAMEWORK

SEPTEMBER 2020

POLYMETAL INTERNATIONAL PLC

Index

Introduction

Business description

Polymetal International plc (together with its subsidiaries - **the "Group" or "Polymetal"**) is a leading gold and silver producer. Our portfolio comprises 9 producing assets and 2 major development projects across Russia and Kazakhstan and an impressive project pipeline that will ensure the future growth of the business.

As a major employer in its regions of operation, Polymetal is a sustainability - and responsibility - driven company. Polymetal's strategy and culture places great emphasis on integrating sustainability and maintaining good governance practices to create long-term value for all of its stakeholders throughout the whole production cycle.

Within its sector, Polymetal has achieved operational excellence and has developed a substantial growth pipeline resulting in consistent delivery of significant dividends to its shareholders Since its premium listing on the LSE in 2011, Polymetal has met its production guidance each year while growing its business from an intermediate producer to a leading gold mining company.

Today, Polymetal **is a top-10 gold and top-5 primary silver producer** globally and a constituent of FTSE 100, FTSE Gold Mines, STOXX 600.

In the full value chain from gold extraction to the end customer, Polymetal is positioned as an ore extractor and producer of gold and silver.

Mining cycle

Our investment in the skills and expertise that support key competencies, backed by strong financial discipline, ensures a robust performance throughout the cycle.

Explore	We replenish reserves through active brownfield and greenfield exploration, and have a robust evaluation system to select high-quality assets for further development.
Develop	We have a track record of delivering on time and within budget, including on growth projects in challenging locations without access to infrastructure.
Mine	We have a strong skill set in selective open-pit and underground mining, incorporating global best practices and robust grade and dilution control.
Transport	In the remote regions of our operation, we have acquired vital skills for inbound logistics of consumables and outbound transportation of ores and concentrates to make the best use of our hub strategy.
Process	We employ both conventional (such as flotation or heap leaching) and leading processing technologies (such as POX) that maximise recoveries at our plants.
Sell	We sell gold and silver bars, mainly to banks, and precious metals concentrates to offtakers throughout the global market.
Close/ reclaim	We manage the end-of mine life responsibly, employing environmental best practice and a duty of care to local communities during the closure/ rehabilitation process.

Our important economic contribution lies in the products we help deliver. In 2019, revenue was derived principally from the sale of gold and silver bullion (48%), copper, gold and silver concentrate (32%) and doré (20%) – sold mainly in Russia and Kazakhstan, as well as East Asia and Europe.

As key players in the value chain of these products, we comply with applicable national and international regulations regarding product quality, shipment and transportation. Beyond this, we have a responsibility to manage risks when selecting our commercial partners.

Sustainability principles

We understand the impact that mining has on communities and countries in which we operate, and our responsibility to keep employees and contractors safe at all times and conserve the land where we operate for future generations. This is why we are guided by the following principles:

- We take a very long-term view of both positive and negative impacts of our activities;
- We believe stability and transparency breed predictability, certainty, and efficiency;
- We are extremely averse to significant sustainability risks and are prepared to invest to mitigate them;
- We believe the fair sharing of the economic benefits of mining between stakeholders is necessary for maintaining the social licence to operate;
- We take into account the whole value chain of our final product.

As key players in the value chain of these products, we comply with applicable national and international regulations regarding product quality, shipment and transportation. Beyond this, we have a responsibility to manage risks when selecting our commercial partners.

Sustainability risk management

We are deeply committed to sustainability and continuous improvement, which translates into safer working conditions for our employees, responsible environmental management, support for our local communities and growing economic value for our stakeholders. Our policies and standards cover key sustainability areas.

We have developed Risk Management System (RMS) to help minimise risks across the business, achieve our strategic objectives and create sustainable value for our stakeholders.

We look at potential risks to our employees, as well as local residents and the environment. Our robust risk management system takes into account sustainability matters, ensuring that risks are appropriately identified, assessed against tolerance levels and managed Group-wide.

The risk management system meets international standards and is externally audited for compliance. Our risk management is supported by a bottom-up approach and reviewed from the top down. This ensures all employees are engaged in the process, while our Board and executive management ensure alignment with our Group strategy. The Board is ultimately responsible for defining the principal risks that are pertinent to the Group and assessing the potential impact on our business model, day-to-day operations, future performance, stakeholders, our solvency or liquidity. There is a particular focus on sustainability and the possible environmental impacts.

Climate change approach

We fully recognise that climate change will require us to be more carbon neutral. Polymetal aims to continuously improve energy efficiency at our mines, innovate in extraction methods that minimise greenhouse gas (GHG) emissions and engage business partners to enhance GHG transparency. We have adopted a Climate Management System, which sets out our approach to measuring carbon footprint and assessing and mitigating climate-related risks and identifying opportunities.

Our key GHG impacts are related to our mining, transportation and processing activities where energy use is significant. To run our operations, we use purchased electricity, diesel fuel, natural gas, coal, solar and wind energy. Diesel accounts for almost 50% of our total energy consumption and is used for mobile mining equipment, heating and electricity generation. Electricity self-generation is sometimes the only practical way to provide energy supply due to the remoteness of our sites from industrial centres and centralised power supplies. We manage our energy use through the yearly reviewed Energy Efficiency Programme, actively improving energy efficiency at the existing mines and embedding energy efficiency into new project design by using up-to-date technologies and equipment.

Alongside our energy management efforts, renewable energy plays a crucial role in our strategy to reduce emissions. Although it still represents a small share in the total electricity generated (<1%), we are constantly looking for more opportunities to use renewable energy at our sites, particularly at remote ones that lack connection to grid power, aiming by 2025 to achieve 7% of total electricity generation sourcing from renewable supply.

We are decarbonizing our transport and equipment. At our Mayskoye mine in Russia, we are already operating electric load haul dumps (LHDs) that not only reduce our carbon footprint, but also cut ventilation costs by up to 30% and we are testing electric dump trucks. There is also a process of electrification of the underground mining fleet and moving to an electric-driven conveyor ore transportation system.

Safe and environmentally responsible mine

Polymetal is shifting towards highest standards of environmental protection, including safer methods of waste storage.

Dry stacking is proven and is the most sustainable dry stack tailings method used to store filtered tailings produced from the mine processing plant after gold and other metals are extracted. Polymetal is committed not to use wet tailings which is associated with high risk of seepage to environment at any of its newly constructed operations.

Filtered dry stack eliminates risks of dam failure or tailings run out, it has higher water efficiency and the lowest water management costs, as well as allowing for progressive rehabilitation of the land.

Dry stacking

Technology:

Tailings are dewatered prior to being placed in a tailings management facility (TMF).

Dewatering tailings to higher degrees than paste using filter-press technology produces a filtered wet (saturated) and dry (unsaturated) cake with low moisture content. These filtered tailings are then transported by conveyor or truck, deposited, spread and compacted to form an unsaturated tailings deposit. This type of tailings storage produces a stable deposit usually requiring no retention bunding and is referred to as ‘dry stack’.

Environmental benefits

Safety and pollution control:

- No risk of dam failure: structure of waste deposition is stable
- No risk of pollutant leaching and release, including seepage to groundwater as waste is physically and chemically stable
- Improved safety for wildlife – no dam means no risk for birds
- Allows progressive rehabilitation (vegetation can be planted in stages as mining continues)

Low environmental impact:

- Reduced land use thanks to higher density of dry stacks (up to 20%)
- Reduced consumption of water as water is recovered and re-used

We commit not to use wet tailings at our newly constructed operations.

Approach to Sustainability and Material Issues

Maintaining high standards of corporate governance and sustainable development underpins our license to operate and maintains public trust in our business. Sustainability is one of our strategic priorities, alongside robust performance, delivering growth and securing our future.

We have set four strategic objectives within the governance/sustainability pillar:

- **Engage and support local communities:** building trusted relationships with communities, governments and suppliers to demonstrate our wider contribution. We make substantial long-term investments in our communities and wider societal contributions through the taxes we pay and the jobs we create. Ongoing and rigorous stakeholder engagement is at the heart of how we maintain a trusted presence.

- **Reduce our environmental footprint:** continuously investing in technological innovations that make our operations more resource-efficient and climate-friendly. We focus on high-grade deposits to decrease our environmental footprint and adhere to zero-harm principles when designing and operating our mines. We do everything we can to prevent environmental incidents, minimise air and water pollution, increase energy efficiency, switch to clean transport and use more renewable energy, especially in the regions that have no access to the electricity grid.

- **Ensure sustainable and inclusive growth:** developing our talent with proper training and ensuring job satisfaction with fair reward and recognition. At the same time, we strategically attract the best of tomorrow's talent. Our remuneration structure, training and social benefits are already positioning us as employer of choice in our regions. To ensure a secure future pipeline of talent, we have excellent relationships with universities, technical colleges and recruitment agencies.

- **Further develop best-in-class governance:** managing ESG risks and opportunities requires decisive leadership and transparent reporting. With a formal commitment from the top of the organization through ESG performance-related pay, a particular focus is on upholding human rights and equal opportunities among our teams and within our communities.

Focus on material issues

Maintaining high standards of corporate governance and sustainable development requires a focused approach on the issues that stakeholders tell us are the most material to Polymetal – and to society and the environment. We engage with our stakeholders through a range of channels and any feedback or concerns inform our material decisions, as well as our disclosure and risk management.

Material issues include:

- Socio-economic value creation
- Health and safety
- Communities
- People
- Water
- Environmental management
- Climate change
- Waste
- Suppliers and partners
- Compliance

Material aspect	Targets	Performance 2019
Water	• Decrease fresh water use for tonne of ore processed by 11% by 2023 (2018 base year) • Maintain high quality of discharge water	• 26% y-o-y reduction of total fresh water use • 87% of water reused/recycled
Climate change	• Decrease GHG intensity by 5% by 2023 (2018 base year) • By 2025 to achieve 7% of renewable energy of the total electricity generation • Improve energy efficiency	• 14% reduction of carbon footprint of ounce of GE • Climate management system implemented at 100% of operating sites with relevant staff training • Assessed Scope 3 emissions
Waste	• 15% of dry tailings storage by 2024 • Annually reuse 16% of waste generated by 2023	• 10% of tailings dry stacked • 14% of waste reused

ESG leadership and sustainability reporting

The value that we place on environmental, social and governance (ESG) issue has contributed to Polymetal's international recognition as a leading ESG advocate within Russia and the CIS.

In 2019, the Group was reaffirmed as a member of the Dow Jones Sustainability and FTSE4Good indices, while MSCI ESG Ratings score improved from BBB to A, ISS-Oekom upgraded Polymetal's rating from C to C+, and Sustainalytics score improved to 88 with Leader position in precious metals group among 55 peers. Polymetal has also been a constituent of the FTSE4Good Index since 2015 and was awarded the highest score (5/5) for corporate governance, risk management, labour standards, pollution and resources and anti-corruption.

Polymetal discloses yearly qualitative and quantitative data in the Sustainability Report, which is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI SRS). Since 2019, the Group has also aligned its sustainability disclosures with Metals & Mining Sustainability Accounting Standard (SASB Standard) published by the Sustainability Accounting Standards Board and the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). PwC performs the independent limited assurance of the information prepared in accordance with the GRI SRS and SASB Standard.

Polymetal supports the UN Global Compact, Cyanide Code and EITI. As a premium UK-listed company, Polymetal is compliant with the UK Corporate Governance Code.

To learn more about Polymetal's sustainability initiatives, please visit: **https://www.polymetalinternational.com/en/sustainability** or see our latest sustainability report at: **https://www.polymetalinternational.com/en/sustainability/our-progress/data-center/.**

Sustainability-linked financing

As of today, Polymetal has two sustainability-linked loans:

Material aspect	Outstanding amount, $m	Sustainability targets
ESG rating linked loan	80	Sustainability score estimated by an independent agency Sustainalytics
Sustainability KPI linked loans	75	Group's key environmental and social KPIs
Total sustainability-linked financings	155	

As of 1 August 2020

Rationale for green financing

Green financing is a natural extension of the sustainability efforts that are conducted throughout the organisation. More importantly, it is a tool to align the company's interests and the interests of the society at large by financing the further transition to a responsible mining. It gives us trusting relationships with our lenders and stakeholders, and pride and commitment among our employees.

The purpose of the framework is to create a standard for green financing that can be used with a number of Polymetal's sources of funding. The framework establishes the terms and conditions for the management of funds and for follow-up and reporting to lenders and investors. Polymetal hopes to continue to broaden its lenders base by attracting like-minded creditors that seek to target their funds towards environmentally friendly projects.

Our major initiatives include transitioning our mines to dry tailings, reducing our fresh water usage and carbon footprint, electrification of our fleet at certain mines and our first investments in renewable energy at remote operations using best available technology.

We believe that the using of green financing could contribute to fostering the transition to a low-carbon economy and safer environment, giving financial backing to the projects enabling this transition.

Green Financing Framework

Polymetal sees the green financing as an ideal tool to finance the transition to a low carbon economy and safer environment and to ensure responsible financing which aligns capital with the company's stronger ESG performance, as well as contributes to sustainable development by earmarking the proceeds for projects and expenditures that fall within the Eligible Categories.

The aim of this Green Financing Framework is to facilitate transparency, disclosure, integrity and quality in Polymetal's Green Loans for interested investors and stakeholders.

The eligible green projects are financed or refinanced by potential green financing instruments include green loans, green project finance and any other financial instruments (together **the "Green Loans"**, and each individually **a "Green Loan"**).

The Green Financing Framework has been developed to address the four key pillars in line with the LMA's Green Loan Principles ("GLP"):

1. Use of Proceeds
2. Process for Projects Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Green Financing Framework may, from time to time, be updated and will apply to any Green Loans issued by Polymetal after its publication.

Use of Proceeds

The proceeds raised via Green Loans ("Proceeds") will be exclusively used to finance and/or refinance, in whole or in part, the Eligible Green Projects (defined below) owned by subsidiaries or affiliates of the Polymetal Group ("Eligible Green Projects") and which falls into the Eligible Project Categories. Polymetal will finance assets that support low-carbon and climate change resilient growth, efficiency of waste and water management. The primary targets are climate impact mitigation, such as increased energy efficiency, use of renewable energy, as well as environmental impact reduction such as reduced waste and emissions.

The proceeds of a Green Loan under the Framework will be allocated to projects that fall under the Green Eligible Categories. Eligible Green Projects may include capital expenditures, including capital expenditures related to improvement of Eligible Green Projects, research and development, materials acquisition cost, acquisitions of assets, renovation and repair.

Below is the list of Eligible Green Projects for each of the Eligible Project Categories applicable to Polymetal. The green projects will be verified for compliance with the following eligibility criteria and the relevant Sustainable Development Goals.

Eligible Green Project categories	Eligibility criteria	Eligible Green Projects	Relevant Sustainable Development Goals
Clean transportation projects	Projects aimed at construction, development, operation, acquisition and maintenance of infrastructure for cleaner vehicles with a lower environmental impact for the Group's fleet Promote energy savings and increases efficiency of energy use	• Electric vehicles • Low carbon haulage systems and machinery (electricity sourced from the grid network sourcing hydropower)	SDG 11: Sustainable cities and communities
Renewable energy projects	Projects aimed at increasing the Group production of renewable energy, through acquisitions, construction or maintenance projects	• Solar energy generation plants (PV) • Wind energy generation plants	SDG 7: Affordable and Clean Energy SDG 13: Climate Action
Energy efficiency	Projects aimed at increasing the Group production of renewable energy, through acquisitions, construction or maintenance projects	• Projects with the purpose of improving energy efficiency of units sourcing energy from grid	SDG 13: Climate Action SDG12: Responsible consumption and production
Pollution prevention and control	Solutions that improves water treatment and water quality Solutions that promote waste prevention and reduction and safer waste management / disposal Projects aimed at soil remediation	• Water and wastewater treatment and purification plants, networks and appliances • Water treatment aiming to improve water reuse rate, minimize discharge of water pollutants • Dry stacking storages construction • Waste sorting and recycling • Waste reuse	SDG 6: Clean water and sanitation SDG 12: Responsible consumption and production

Project Evaluation and Selection

In order to ensure a diligent project selection and evaluation process, Polymetal will apply the following approach:

- To ensure eligibility for green financing, Polymetal has set up a dedicated cross-departmental Green Financing Committee with representatives from the from corporate finance, sustainability, operational, energy and environmental, procurement, design, construction department and on case-by-case basis, with representatives from Group's business units, aimed at identifying and selecting Eligible Green Projects.
- Eligible Green Projects of Polymetal are aligned with national environmental and technical legal requirements.

The Green Financing Committee's role will be to:

1. Review, select, validate and monitor the compliance of Eligible Green Projects with Polymetal's existing sustainability risks management processes and the Green Financing Framework;
2. Identify the proper impact metrics that best describes the environmental benefits;
3. Draft, verify and validate annual reporting for the lenders;
4. Review the Framework to reflect any changes about the Group's sustainability strategies and initiatives.

Management of Proceeds

Polymetal has set up a Green Loan register and has put internal systems in place to track the allocation of the Proceeds internally. This allows for comprehensive monitoring of allocated and to be allocated amounts.

Net proceeds of Green Loans will be allocated in different ways:

a) Refinancing of projects that qualify as Eligible Green Projects
b) Investments into projects under development that qualify as Eligible Green Projects.
c) Unallocated proceeds: Investments in any form of cash, bank deposit or other form of available current financial assets including refinancing of short-term loans.

Unallocated proceeds cannot be invested in facilities generating energy from fossil fuel. Polymetal intends to fully allocate the Proceeds within 24 months from the issuance or drawdown date of each Green Loan.

Until full allocation, the Green Financing Committee will approve at least annually the amount of net proceeds that has been allocated to Eligible Green Projects.

Reporting

Polymetal commits to provide lenders the Green Loan Report ("Green Loan Report") on an annual basis until the full allocation of the Proceeds, and on a timely basis upon material changes of projects, with the first reporting published within 60 days from the first anniversary after the launch of the green financing instrument, and with the final report published within 60 days from the end of the availability period.

The Green Loan Report will consist of reporting on the allocation of proceeds ("Allocation Reporting") and on impact ("Impact Reporting"), as defined below for each Green Loan.

Allocation Reporting

The reporting will provide the following information:

- Distribution of the Green Portfolio per category
- Geographical distribution of the Green Portfolio
- The balance of both allocated and unallocated amounts

The final allocation reporting will be verified by an auditor.

Impact Reporting

Polymetal will prepare a set of reporting indicators to describe the environmental benefits as a result of projects implementation. The type of indicators will depend on the type of asset or activity financed by the loan. The table in Appendix includes a description of the reporting indicators per project category.

The impact reporting will be unaudited and will contain information about expected future impacts for ongoing projects and actual impacts for realised/refinanced projects (once available).

External review

To secure alignment with national and international guidelines Polymetal has obtained an external third-party opinion on the GFF. The second opinion has received Medium Green verification from Centre for International Climate and Environmental Research (CICERO) and a governance score of Good.

All information about Polymetal's focus on green financing with links to the framework, second opinions, reporting is available at **https://www.polymetalinternational.com/en/investors-and-media/disclosure-center/corporate-documents/**

Appendix

Impact Reporting

Polymetal will publish annually a performance report to describe the benefits achieved as a result of projects implementation. Each type of asset or activity financed by the green instruments will have its own set of indicators.

The table below include a description of the reporting indicators per project category:

Project category	Impact Reporting
Renewable energy	• Installed capacity (kW) • Energy production (kWh/year) • GHG emissions avoided (tons of CO2 equivalent (tCO2eq) / tons of product) compared to diesel generator • The share (%) of renewable energy in relation to the total energy usage at the unit/operation.
Clean transportation	• Number new vehicles • Reduction in energy consumption (per tonne of rock moved) • GHG direct emissions (Scope 1) avoided (tons of CO2 equivalent (tCO2eq))
Energy efficiency	• Energy savings (from grid)
Sustainable water management	• Fresh water savings (m3) • Volume of recycled water (%) • Water quality improvement indicators
Sustainable waste management	• Water supply savings (m3) • Surface (m2) • Hazardous and non-hazardous waste volumes • Earthwork (m3) • Volumes of waste reused • Land use reduction

Disclaimer

This document (the Green Financing Framework) is intended to provide non-exhaustive, general information. It may contain certain forward-looking statements that reflect the Polymetal's management's current views with respect to future events and financial and operational performance of the Polymetal Group. These forward-looking statements are based on Polymetal's current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Polymetal to control or estimate precisely, including changes in the regulatory environment, future market developments, fluctuations in the price and availability of fuel and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. Polymetal does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation.

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