

Strong performance in challenging times

Annual Report 2020



Polymetal International plc is a leading precious metals mining group, operating in Russia and Kazakhstan. A major employer in its regions of operation, Polymetal is one of the most sustainability and responsibility-driven companies in the sector.

Top 10

world gold producer

2nd largest

gold producer in Russia

2 major

development projects

9 operations

in Russia and Kazakhstan

1st

POX pioneer in FSU

The only gold mining company in

FTSE 100

Strategic report

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2020 was a very challenging year but we delivered on our promises, made progress with development and growth projects and, more importantly, supported our employees and their families during this difficult time.

Supporting the wellbeing of our employees
06



Delivering on our targets
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Advancing medium-term growth projects
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Sustainability safeguards our future
12

Strong performance in challenging times



Through a combination of quality assets and exemplary governance, Polymetal has proved its sector-leading position.”

Sustainability reaps rewards

Sustainability remains our primary strategic objective, operating with a conscious attitude towards the environment in remote parts of the world. We take our role as a responsible miner very seriously and we also believe in sharing the value that we create; not only with our shareholders but also through \$18 million in community investments and \$28 million in environmental investments. We contribute significantly to the Russian and Kazakh economies, paying \$432 million in taxes (up 85%) in 2020.

We continue to promote a safety-positive culture and are pleased to report zero fatalities across Group employees and contractors during 2020. Maintaining this level of performance remains a core goal for the business.

We are committed to mitigating climate change and have adapted our operations by reducing carbon emissions and harnessing low-carbon technologies. Estimating how climate change impacts our financial performance and setting long-term goals on reducing greenhouse gas emissions are priorities on our agenda for 2021.

We have made significant progress in integrating sustainability into all areas of our business and our efforts are being recognised by independent, external agencies. Our inclusion in the Dow Jones World Sustainability Index for the first time in 2020 was particularly rewarding.

Sector-leading shareholder returns

Over the last 5 years, through a combination of quality assets and exemplary governance, Polymetal has proven its sector-leading position with a 198% TSR, outperforming the gold price fourfold, and our FTSE 100 peers by 167%. We’ve also sustained a 4.1% five-year average dividend yield, which is a testament to our disciplined capital allocation, long-term vision and purpose-driven value creation. In 2020, we generated record free cash flow of \$610 million and paid out dividends totalling \$481 million. The Board proposes a final dividend for 2020 of \$0.89 per share, a 112% increase year-on-year.

This year has created huge challenges for businesses around the world, as the global pandemic impacted upon and changed the way we live and work. Our number one priority has been keeping our employees safe and caring for the welfare of the communities in which we operate.

Alongside this, we have worked hard to maintain business continuity and to keep the delivery of our major projects on schedule. We have experienced macroeconomic turbulence in the marketplace, which has led to a rapid growth in the level and volatility of commodity prices. However, as often in times of crisis, gold has benefited from being viewed as a ‘safe-haven asset’ by investors.

Maturing as a business

Since our IPO in 2011, Polymetal has evolved dramatically. We have more than doubled production from 609 to 1,559 GE Koz, built seven new mines, grown our reserve base from 14.3 to 27.9 GE Moz and developed our competence in refractory ore processing, creating significant free cash flow and a steady dividend flow to our shareholders.

We have made a conscious choice to invest in larger longer-life assets whilst also retaining a preference for viable, high-grade profiles that fit well with Polymetal’s technical competencies. This is further amplified by the strength of our project pipeline, with Nezhda, POX-2 and Veduga all underpinning our future growth.

The business continues to mature. At the year-end, Polymetal was the only gold mining company in the FTSE 100 and is the second largest producer in Russia. In 2020, we were proud to be ranked among the world’s top ten gold mining companies for the first time.

Warm thanks for support

Finally, none of this would have been possible without strong leadership and a dedicated workforce. Our Company is led by a highly competent and experienced Group CEO and management team. I would like to take this opportunity to thank them and all our employees for staying strong in what has been a demanding year – and delivering an outstanding performance. I would also like to voice my appreciation for the support that I have received from my Board colleagues and our shareholders.

2021 is likely to be a highly volatile year as the financial fallout from the pandemic becomes more obvious. So, I’m pleased to report that our Company is in good shape and will be able to take advantage of the current positive stage in the precious metals cycle.

Ian Cockerill
Board Chair

Investment case

Six reasons to invest in Polymetal

Within its sector, Polymetal has acquired the reputation of achieving operational excellence and developing a growth pipeline that is the envy of its peers, resulting in consistent delivery of significant dividends to its shareholders. With its focus on high-grade assets and leading competence in the treatment of refractory ores, allied with strong capital discipline and exemplary governance, the Company continues to create sustainable value.

➤ Read more on pages 08–21, 24–29

1	Focus on high-grade assets ➤ Read more on pages 14, 30–49	Return on investment in the precious metals industry is reliant on grades and mining conditions. We achieve better returns and lower risks from our project portfolio by setting appropriate thresholds on head grades and largely focusing on open-pit mines.
2	Leading competence in treatment of refractory ores ➤ Read more on pages 10–11, 39–40	Polymetal has been developing refractory ore deposits since 2007. Our pressure oxidation (POX) processing hub in Amursk, which is now undergoing a major expansion, was key to extracting value from Albazino, Mayskoye, and, more recently, Kyzyl, as well as Nezhda in the near future. Moreover, as more and more gold resources globally tend to be refractory, our technological expertise in environmentally friendly refractory ore processing will be a key strategic advantage, including being in the market buying third-party feedstock.
3	Strong capital discipline ➤ Read more on pages 15, 16–27, 72, 81	We engender a strong focus on capital discipline throughout the business; maximising risk-adjusted return on capital is our priority in all investment decisions. We do not retain excess cash and return free cash flow to shareholders through substantial dividend payments while maintaining a safe leverage level.
4	ESG leadership ➤ Read more on pages 06–07, 12–13, 15, 50–71	Our commitment to and progress made in integrating sustainability throughout every aspect of our business practices has led to Polymetal’s international recognition as an ESG leader within our industry, and inclusion in the Dow Jones World Sustainability and FTSE4Good indices.
5	Investing in exploration ➤ Read more on pages 32–34	Investment in both greenfield and near-mine exploration provides us with a cost-effective increase in our reserve base and, along with successful acquisitions, is the key source of our long-term growth.
6	Operational excellence ➤ Read more on pages 08–09, 30–49	We pride ourselves on our operational excellence and delivering on our promises to shareholders. Despite difficult trading conditions, we beat our production guidance for the ninth consecutive year.

Responding effectively to 2020's challenges



Polymetal responded effectively to the global challenges of 2020, demonstrating the resilience of its business and delivering strong operating results.

Managing the risks and impacts of Covid-19

The Covid-19 pandemic remains the most pressing operational risk for the Company. We handled the situation responsibly, delivering fully on our production targets and growth projects. We maintained strict precautionary procedures at all our sites with the primary goal of safeguarding our people and we continue to focus on protecting our employees, contractors and local communities.

Significantly, at Polymetal, we had 1,475 confirmed cases of Covid-19 during the year. Protective measures contained the outbreaks at Mayskoye and Olcha (Omolon hub) with no impact on production or mining and processing activities. Five Polymetal employees have died of the disease and I express my condolences to the families and friends of these colleagues.

\$1,086m

Net profit
(+125%)



We've been able to minimise the impact of the Covid-19 pandemic and protect our people, communities and operations. Against this backdrop, we are pleased to report a record profit for the year. A strong operating performance, favourable commodity prices and a stable cost base underpin the significant increase in the Group's cash flow and dividends, combined with a material reduction in leverage."

People remain a key focus

Polymetal is a major employer in its regions of operation in Russia and Kazakhstan. We employ more than 12,000 people and their health and safety is paramount to the success of the Company. We have made solid progress across the business to ensure the effective, day-to-day running of workplace safety management systems. There were no fatal accidents during 2020 at Polymetal, which is a cause for celebration, without losing sight of our ongoing commitment to always achieving zero fatalities. LTIFR stood at 0.12, a decrease of 38% year-on-year.

In the current complex environment, we remain committed to the long-term wellbeing of our people and communities. We have an ongoing programme supporting job creation, development of regional infrastructure, welfare, education and culture. Our investment decisions are informed by an open dialogue with local communities and indigenous peoples.

Succeeding in challenging times

While 2020 was a year when the ability of businesses to withstand global challenges was severely tested, Polymetal responded effectively and demonstrated resilience by delivering strong operating results. We improved production by 4% year-on-year and outperformed our guidance by 4% on the back of both higher volumes and higher grades. Revenues also grew by 28% due to much stronger commodity prices.

Kyzyl stood out as the stellar performer: annual gold production was 382 Koz, up 11% year-on-year, with positive grade reconciliations translating to above-plan results. Varvara also achieved a 16% increase in gold production, delivering 159 Koz on the back of higher third-party ore volume. Our other mature mines performed in line with expectations.

Our total cash costs of \$638/GE oz remained at low levels, meeting targets and allowing us to generate a healthy free cash flow margin. Adjusted EBITDA increased by 57% to \$1,686 million, while free cash flow more than doubled to \$610 million. The underlying return on equity increased to 30% (2019: 19%). This allowed Polymetal to pay a substantial 56% dividend payout, while decreasing the leverage ratio to 0.80x Net debt/EBITDA.

We also diverted some of the excess free cash flow resulting from higher commodity prices to investment in our business and accelerated spending across the project portfolio, notably accelerated pre-stripping at Veduga, as well as construction works at Ural Flotation and Kutyn.

Ambitious growth plans on track

Despite Covid-related challenges, we also made significant progress on advancing our key strategic goals and construction at our development projects is on schedule. At Nezhda – Russia's fourth largest gold reserve – the construction is now approaching completion in 2021, with the processing plant building and some infrastructure facilities already finished and major equipment items installed. We have also entered into our first large-scale, public-private partnership to provide grid power to Nezhda, both enhancing operational economics and drastically reducing its environmental footprint. First production at Nezhda is scheduled for Q4 2021.

At Amursk POX-2, which will enable us to process all refractory concentrates in-house, we reached two important milestones: the delivery and installation of the autoclave – the core component – and the arrival of the oxygen plant. This means that we have everything in place for the smooth progression of the construction project in 2021–23. We think that this project has the potential to both create greater value for the business and provide more career opportunities for local engineers and technical staff as well as leveraging young talent.

Looking to future growth, we believe that the Veduga gold deposit has the greatest development potential within our project pipeline. Additional exploration and feasibility studies are in progress and we are hopeful of Board approval for construction in 2021.

We have made good progress at our brownfield projects. The substantial reserve addition at East Bakyrchik extends the life-of-mine at Kyzyl to 30 years, with open-pit mining continuing until 2036. The construction of the heap leaching operation at Kutyn has been approved by the Board and will extend the life-of-mine at Albazino. In the meantime, we continue to develop our exploration portfolio through partnerships with exploration juniors.

Working towards a better and safer world

Alongside our obvious and ongoing concerns about the impact of the pandemic on the wellbeing of our employees and contractors, we have continued to reinforce health and safety procedures to prevent accidents across our operations. In 2020, this resulted in achieving our target of zero fatalities, something that we will endeavour to repeat in 2021.

Our commitment to sustainability remains absolute and we are investing in energy-efficient technologies and in responsible waste and water management to help achieve ambitious environmental targets for the business. We are making good progress with the introduction of dry-stack

tailings technology across our sites and, in line with the new Global Industry Standard on Tailings Management, we will be fully compliant at all our operations by 2023.

Elsewhere, we are seeing positive results from our efforts to upgrade to energy-efficient equipment, replace diesel with renewable energy or grid electricity and decarbonise transport. These have all contributed to a 4% reduction in our carbon footprint during the last year. In 2021, we intend to estimate financial impacts from climate change and set long-term goals on GHG reduction.

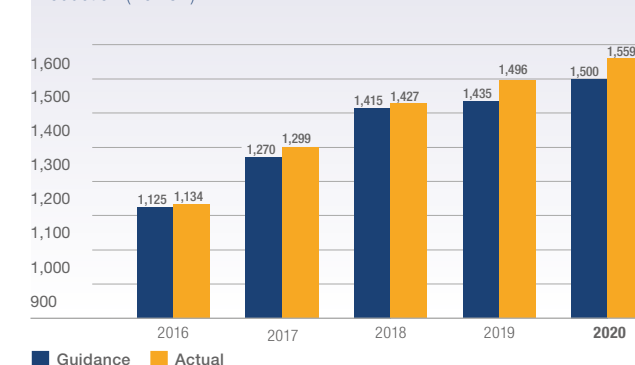
In 2020, Polymetal was again at the forefront of the Russian metals and mining industry with its \$125 million green loan with Société Générale, which will attract long-term, low-carbon financing. This also supports the Company's goal of raising \$280 million in green and sustainability-linked loans.

Polymetal cannot determine the long-term direction of the gold price or have an impact on the pandemic or geopolitical situation. We can, however, stay true to our objectives of producing strong results in the most sustainable way, generating strong cash flow and contributing to the benefit and wellbeing of all our stakeholders in both good and challenging times.

Vitaly Nesis
Group CEO

ROBUST PERFORMANCE¹

Production (Koz GE)



¹ Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.



Link to strategy:
Governance and sustainability

Supporting the wellbeing of our employees

The safety and wellbeing of our employees is paramount to Polymetal and fundamental to our business continuity.

Health and safety

At Polymetal, our primary focus is to ensure the effective, day-to-day running of workplace safety management systems. In 2020, we suffered no fatalities, for either our employees or contractors – a target that is always our top priority. We also significantly improved injury performance with LTIFR standing at 0.12, a 38% decrease year-on-year.

This solid progress reflects the work we have been undertaking with great conviction. In 2020, the safety programme focused on the continued advancement of a safety culture, contractor safety and implementation of digital technologies – all with an ongoing commitment to always achieving zero fatalities.

➔ Read more on pages 50–53, 56, 64, 92, 127

Our response to Covid-19

In 2020, the coronavirus pandemic was the most pressing operational risk for the Company. It highlighted the importance of the wellbeing of our employees and our community investments in healthcare. The preventive measures taken at both office facilities and remote sites were effective and ensured business continuity and minimal infection rates. Polymetal also continues to provide financial and operational support to healthcare facilities across all its regions of operation with \$3.4 million spent in 2020.

➔ Read more on pages 50, 67, 88, 114–115, 132

0.12

LTIFR
(-38%)

\$17.9m

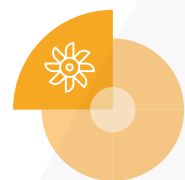
Social investments,
including Covid-19 support



We remain vigilant and have a range of measures in place, aimed at protecting our employees and contractors in light of the Covid-19 pandemic.”

Vitaly Savchenko
Chief Operating Officer





Link to strategy:
**Robust
performance**

\$1,086m

Net profit
(+125%)

\$608m

Dividends proposed for the year
(+58%)



We are pleased to report record-breaking earnings for the year, underpinned by a robust operating performance and favourable commodity prices. The Company beat production guidance, generated significant free cash flow and delivered substantial dividends to our shareholders while decreasing the level of leverage.”

Vitaly Nesis
Group CEO

Delivering on our targets

2020 was a successful year for Polymetal despite Covid-19. We were able to minimise the impact of the pandemic on our operations, continued to exceed production targets and enjoyed a record free cash flow on the back of favourable commodity prices.

Operating performance

In 2020, the Company beat the production guidance through a consistently robust operating performance. Gold equivalent output amounted to 1,559 Koz, a 4% increase year-on-year and 4% above the original production guidance of 1.5 Moz.

📖 Read more on pages 25, 28–31, 36–45

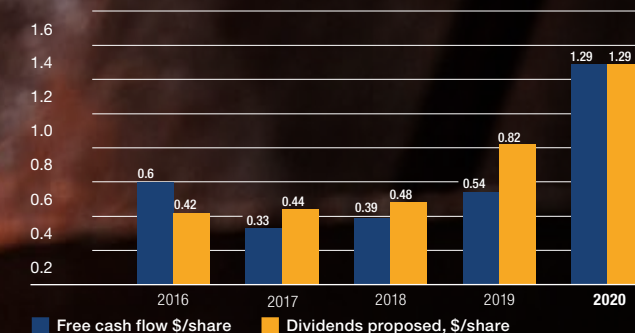
Financial performance

Strong operating results and a favourable commodity price environment enabled us to achieve record profits of \$1,086 million and generate significant free cash flow of \$610 million. This translated into value creation for all our stakeholders and allowed us to sustain a sector-leading dividend yield of 6.3% in 2020¹.

📖 Read more on pages 72–85

¹ DPS proposed for 2020 (\$1.29) divided by 2020 average share price (\$20.4).

TRANSLATING CASH FLOW INTO DIVIDENDS
(\$)





Link to strategy:
Delivering growth

Advancing medium-term growth projects

Construction and development activities at two key projects, Nezhda and POX-2, progressed on schedule despite the significant challenges posed by Covid-related disruptions.

POX-2

The construction of POX-2 is of strategic importance to Polymetal and will allow us to gain a unique competitive advantage in refractory gold processing. In August 2020, the autoclave vessel was installed at the POX-2 construction site. It was a crucial project milestone and we accomplished it on time despite Covid-related restrictions and complex logistics. The autoclave building framework, concentrate storage facility and the majority of concrete work for the desorption/electrolysis building and oxygen station have been completed. These mark our consistent progress towards start-up in Q3 2023.

➕ Read more on pages 05, 25, 35, 40

19%

IRR
Risky upside case

400+

Jobs to be created
by 2023

Nezhda

At Nezhda – Russia's fourth largest gold deposit – the processing plant building was completed and most of the key equipment installed. In 2020, Polymetal entered into the first large-scale, public-private partnership to construct a grid power line to Nezhda, which will provide substantial cost savings and a 75% decrease in carbon footprint. First production is on track to commence in Q4 2021 with a full ramp-up in 2022.

➕ Read more on pages 25, 46–47, 118

4.4 Moz

Nezhda reserves of GE
at 3.6 g/t

950+

Jobs to be created
at Nezhda

POX-2 (image right)

Construction and installation
both progressing well.

Nezhda (image far right)

First production on track to start in Q4.

40%

POX-2 completion score

On track to launch in

2023

82%

Nezhda completion score

On track to launch in

2021

66

At POX-2, the autoclave vessel has been successfully installed. In 2021, we expect the first ounces from Nezhda. Covid-related restrictions, precautionary measures and cases of the disease on site have not slowed down our key projects execution."

Roman Shestakov

Deputy CEO, Project Development and Construction



Link to strategy:
Governance and
sustainability

36%

Decrease in fresh water consumption intensity¹

4%

Decrease in GHG intensity
Scope 1 + Scope 2

40%

Qualified female personnel

Sustainability safeguards our future

Delivering consistently robust investor returns in a sustainable and responsible way requires us to always be innovative and accountable for our actions.

Climate change and environmental protection

Global climate change will require us to be more resilient and forward-thinking. This means innovating in extraction methods to minimise greenhouse gas (GHG) emissions, while assessing the potential impacts of a changing climate on our business. In 2020, we saw a 4% reduction in GHG emissions intensity attributable to energy efficiency initiatives, replacement of diesel with grid electricity or renewable energy sources and transport decarbonising.

➤ Read more on pages 25, 56, 58–60, 97

Tailings

Today Polymetal operates two dry stacking facilities at Amursk and Voro mines, alongside our eight conventional tailings dams. At all new sites, we are committed to dry stacking only, with the share increasing annually. In line with the new Global Industry Standard on Tailings Management, we will be fully compliant at all our operations by 2023. Our target is to dispose of 15% of all tailings as dry stacks by 2024.

➤ Read more on pages 36–46, 50, 57, 62, 92

Diversity

We value the diversity of views and backgrounds as set out in our Diversity and Inclusion Policy, which was updated in 2020. In 2020, Polymetal co-founded the non-profit organisation Women in Mining Russia, together with other mining companies and industry-related partners, with the aim of promoting the position of women in the mining industry in Russia.

➤ Read more on pages 25, 56, 65, 122–125



Sustainability remains the cornerstone of Polymetal's business model. The last 12 months amidst the pandemic have reinforced our commitment to working in partnership with communities, governments, industry peers and expert organisations to effectively address environmental, social and governance (ESG) challenges.”

Daria Goncharova
Chief Sustainability Officer

¹ Excluding water for non-technological purposes.

Success based on sustainability and innovation

Polymetal has investments in a portfolio of nine gold and silver mines while also developing a strong growth pipeline. A pre-eminent precious metals group with interests in Russia and Kazakhstan, its focus on sustainability and innovation are key to achieving long-term benefits for all its stakeholders.

Polymetal today

Top 10

world gold producer

9 operations

across 2 countries

2 major

development projects

Leader

in refractory ore processing

LSE, MOEX, AIX

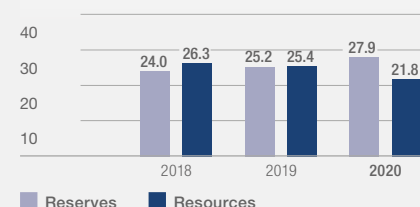
listing

FTSE 100

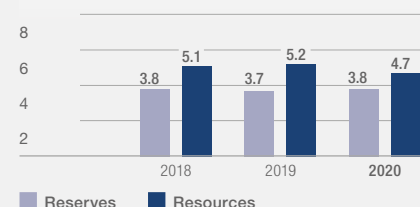
constituent

Reserves and resources

RESERVES AND RESOURCES
(GE Moz)



AVERAGE RESERVE GRADE
(GE g/t)



Production

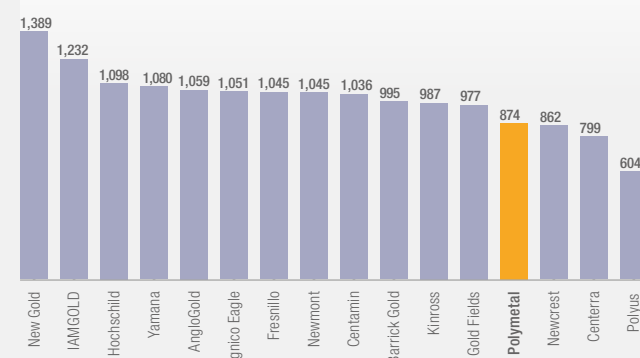
PRODUCTION¹
(GE Koz)



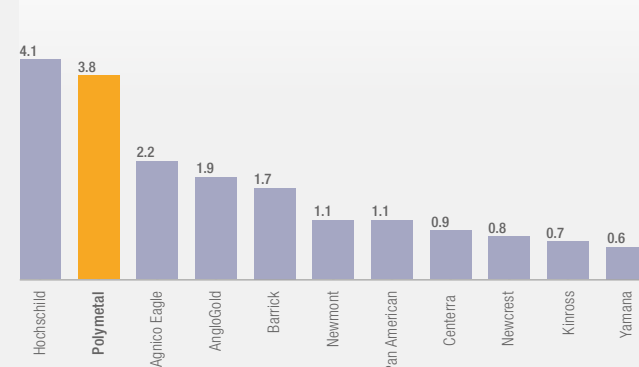
¹ Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.

Profile among peers

ALL-IN SUSTAINING CASH COSTS
(\$/GE oz)



AVERAGE RESERVE GRADE
(g/t/GE)



Key financial figures

Revenue

\$2,865m

(+28%)

Total cash cost¹

\$638/GE oz

(-3%)

Adjusted EBITDA¹

\$1,686m

(+57%)

Dividends paid

\$481m

(+100%)

All-in sustaining cash cost¹

\$874/GE oz

(+1%)

Free cash flow¹

\$610m

(+138%)

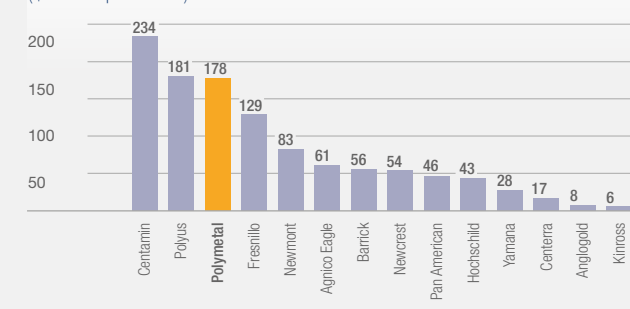
Net profit¹

\$1,086m

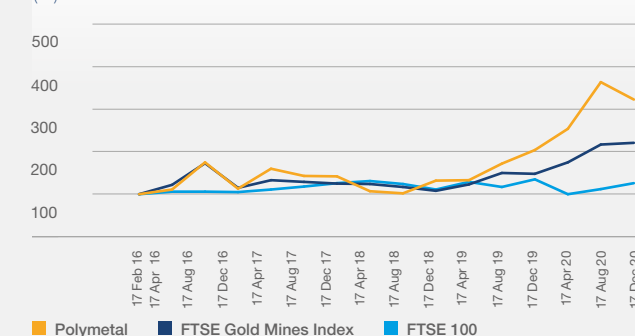
(+125%)

¹ Defined in the Alternative performance measures section on pages 216–217.

DIVIDEND PAID IN 2016–2020
(\$/GE oz produced)



TOTAL SHAREHOLDER RETURN (REBASED)
(%)



Sustainability

Fatalities

0

(2019: 2)

GHG intensity, t of CO₂e per Kt of ore processed

76.3

(-4%)

Water recycled and reused

89%

(+2pp)

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA

- **First and only** company with major assets in the CIS
- **8%** y-o-y score improvement

SUSTAINALYTICS

- **1st** among 60 precious metals companies
- Score linked to the loan margin

REFINITIV

- ESG score **A**

MSCI

- ESG rating **A**
- Member of **ESG Leaders Index**

FTSE4Good

- Overall Score: **4.4/5.0**

ISS

- ESG score **C+**

Growing a high-quality asset base

Our operations consist of high-quality assets, a strong growth pipeline and an expanding exploration programme. Often in remote regions, we have nine gold and silver mines across Russia and Kazakhstan, with two major development projects, Amursk POX-2 and Nezhda, in the Russian regions of Khabarovsk and Sakha.

- Operating mine
- Development projects
- Further growth opportunities
- Competence centre
- City/town
- Sea port

1

Kyzyl
GE production (Koz)
382
Reserves (GE Moz)
10.1
Adjusted EBITDA
\$507m
AISC (\$/GE oz)
\$554
Processing
2.0 Mtpa flotation + POX/
concentrate off-take

2

Varvara
GE production (Koz)
159
Reserves (GE Moz)
1.7
Adjusted EBITDA
\$128m
AISC (\$/GE oz)
\$1,179
Processing
3.0 Mtpa leaching for gold
ore, 0.65 Mtpa flotation for
copper ore

3

Voro
GE production (Koz)
89
Reserves (GE Moz)
1.7
Adjusted EBITDA
\$99m
AISC (\$/GE oz)
\$679
Processing
1.05 Mtpa CIP circuit,
22 ktpa heap leach circuit

4

Mayskoye
GE production (Koz)
139
Reserves (GE Moz)
1.8
Adjusted EBITDA
\$139m
AISC (\$/GE oz)
\$1,020
Processing
910 Ktpa flotation, Amursk
POX, third-party offtake

5

Omolon
GE production (Koz)
210
Reserves (GE Moz)
0.6
Adjusted EBITDA
\$252m
AISC (\$/GE oz)
\$773
Processing
850 Ktpa CIP/Merrill-
Crowe (Kubaka), 1.0 Mtpa
heap leach (Birkachan)

6

Dukat
GE production (SE Koz)
199
Reserves (GE Moz)
1.2
Adjusted EBITDA
\$229m
AISC (\$/SE oz)
\$11
Processing
2.05 Mtpa flotation
(Omsukchan) + 465 Ktpa
Merrill-Crowe (Lunnoye)/
concentrate offtake

7

Svetloye
GE production (Koz)
120
Reserves (GE Moz)
0.5
Adjusted EBITDA
\$167m
AISC (\$/GE oz)
\$484
Processing
1.3 Mtpa heap leach

8

Albazino
GE production (Koz)
261
Reserves (GE Moz)
2.4
Adjusted EBITDA
\$264m
AISC (\$/GE oz)
\$946
Processing
1.6 Mtpa flotation + POX
and CIL processing
at Amursk

9

Amursk POX-1
GE production (Koz)
487
Recovery %
94.3
Processing
Concentrate POX +
cyanidation
Amursk POX-2
Expected annual
production (GE Koz)
500
Annual average
concentrate processing
(Kt)
300
Processing
High-temperature POX,
intensive cyanidation



We operate in
2
countries and 11 regions

We cover
11
time zones

10

Nezhda
Expected annual
production (Koz)
180
Reserves (GE Moz)
4.4
Processing
Flotation/Gravity
concentration + off-take/
Amursk POX

11

Prognoz
Expected annual
production (SE Moz)
13.5
Reserves (SE Moz)
142
Processing
Flotation

12

Viksha
Mineral resources
(PdE Moz)
5.7
Ore Reserves (JORC)
estimate expected in
H1 2021
Processing
Flotation + off-take

13

Veduga
Expected annual
production (Koz)
220
Reserves (GE Moz)
2.7
Processing
1.5 Mtpa conventional
flotation + Amursk POX

123
licensed properties

Responsibility and efficiency underpin our resilience

We are building a resilient business by managing our impacts and driving sustainable value for all our stakeholders.

Factors determining long-term growth

Market trends and opportunities

Our investments in attractively priced high-quality assets enable us to generate a consistently sustainable free cash flow and deliver returns for our shareholders.

Read more on pages 20–23

Governance

We are committed to maintaining world-class ethical standards that drive behaviours across every aspect of our business.

Read more on pages 102–115

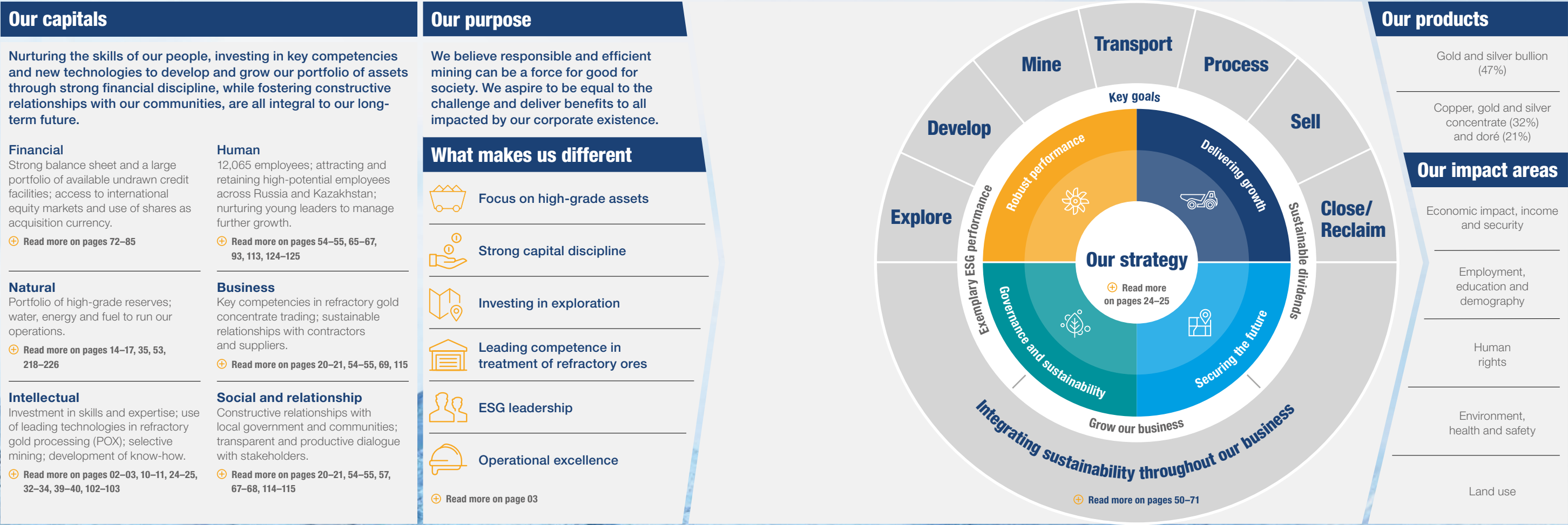
Material issues and risk management

Material issues for our stakeholders and the Company are analysed and inform a robust risk management system to mitigate potential risks to the sustainability and success of the business.

Read more on pages 56–57, 86–97

Our markets

- Russia
- Kazakhstan
- East Asia
- Europe



The role of gold

A precious metal for a safer world

Gold plays a unique role in the global economy, both in the financial security it provides for people at all levels of society and through enabling advances in medical, environmental and communication technologies.

Financial stability and investment

Gold holds dual appeal as an investment and as a luxury consumer good. For nearly five decades, it has delivered returns of some 12%; on a par with stocks and outperforming bonds and commodities. But its value as a safe-haven asset is vastly increased during periods of political and economic uncertainty when interest rates are depressed and the stock market is volatile, as has proved the case during the Covid-19 crisis.

Technology

Gold and technology are an integral part of everyday living. Gold's unique properties and excellent conductivity are vital to the electronics industry, significantly information and communications technology. It doesn't degrade or rust so is used in critical safety functions such as automotive braking systems and in-vehicle airbags. Gold is also a crucial component in a host of medical diagnostic tools and treatments, including cancer, dysentery, malaria and HIV/AIDS.

Building sustainable communities

Gold mining companies worldwide have a positive impact on the lives of their employees and local communities where they operate, developing sustainable, diverse and thriving economies. Often located in remote regions, new infrastructure (roads, housing, schools, water and sanitation, medical facilities) provided for operations also benefits the wider community. Employment, training and education offer increased skills and opportunities for employees and the young. The use of cleaner and renewable energy, the preservation of biodiversity and restoration all help to reduce environmental impacts.

Value distribution

Economic sustainability

Polymetal's gold production creates economic value for our people and for local communities while, in our role as corporate citizens, we support the wealth of the country through taxes and generate substantial returns for our shareholders.

Stakeholder engagement

Read more on pages 54–55, 68, 109, 112–114

Most relevant UN SDGs

Read more on page 53 and in our Sustainability Report

\$99m

Other

Relevant SDG



\$67m

Debt providers

Relevant SDG



\$481m

Equity providers

Relevant SDG



\$432m

Taxes

Relevant SDG



\$583m

Capex

Relevant SDG



\$781m

Suppliers and contractors

Relevant SDG



\$422m

Employees

Relevant SDG



Value distribution 2020
\$2,865m
Revenue

Successfully responding to market opportunities

2020 was a unique year for the precious metals industry with the Covid-19 pandemic driving gold and silver prices to record highs while disrupting both demand and supply.

Gold

In 2020, the average annual gold price reached an all-time high of \$1,770/oz, an increase of 27% year-on-year. This was largely due to the Covid-19 crisis and subsequent economic developments. Prices were moderately up, exceeding \$1,650/oz in early March, but the pandemic sparked a fall across all asset classes and gold dropped to its 2020 minimum price of \$1,474/oz.

However, by the end of March, investors started to look to safe-haven assets and this immediately affected the gold price, which peaked in August at a high price of \$2,067/oz. Following this spike, gold stabilised at around \$1,900/oz and rallied during Q4 until a second surge in the pandemic and the presidential election in the US, which resulted in a year-end gold price of \$1,889/oz, delivering a 25% annual return.

During 2020, a time of market uncertainty, ultra-low interest rates and economic slowdown, gold ETF demand more than doubled to a record 877 tonnes¹ – 23% of total gold demand (2019: 9%) and the second largest category after bars and coins, which was up 3% at 896 tonnes. For the eleventh consecutive year, central banks (led by Turkey, India and Russia) were net buyers of gold. Jewellery demand dropped by 34% to its lowest annual level of 1,412 tonnes¹ and the technology sector fell by 7% year-on-year to 302 tonnes¹. Overall, the total gold demand for the year decreased by 14% to 3,760 tonnes¹.

Global gold supply in 2020 was down 4% to 4,633 tonnes as mine production fell by 4% to 3,401 tonnes¹ (mainly Covid-related) and recycled gold supply rose by only 1% to 1,297 tonnes¹.

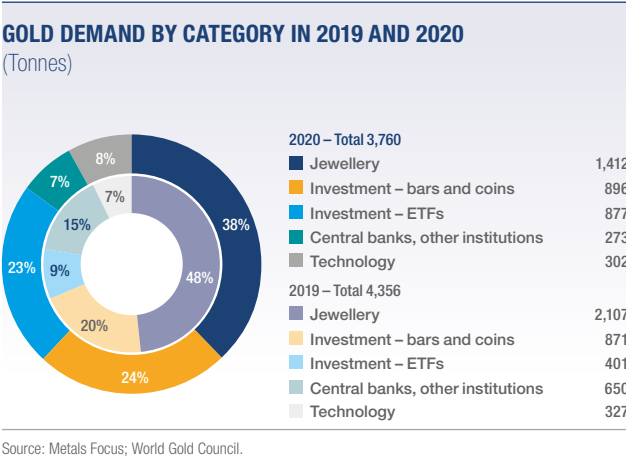
Silver

2020 was a year of three remarkable trends for silver. Having started the year by largely tracking gold dynamics, the silver price subsequently slumped to \$12/oz in March. It did not then, however, see the same dramatic upturn as gold, which led to the gold/silver ratio moving to a record of 127x briefly in March, remaining around 100x until July, when the silver price started to rebound. It then outperformed gold, both because of an improved global demand, particularly in the Chinese industrial market, and the growth in silver ETF holdings. In August, silver reached a five-year high of \$29/oz and tracked gold dynamics with the gold/silver ratio staying at around 80x. The silver price averaged \$20.5/oz, a 27% year-on-year increase, while the year-end price stood at \$26/oz, a 47% annual return.

Mine production around the world

In 2020, global gold mine production fell by 4% year-on-year to 3,401 tonnes¹ primarily due to Covid-related disruptions. Output in China, the world’s largest gold producing country, was also impacted by more rigorous environmental standards and the consolidation of smaller producers. Some nations, however, recorded an increase attributable to newly commissioned mines and brownfield expansions: Turkey (+ 21%), Burkina Faso (+19%), Kazakhstan (+7%) and Russia (+3%). Some 45% of all silver production is based in the Americas and likely to be further impacted by severe Covid-19 restrictions.

1 Gold Demand Trends Full Year and Q4 2020 by World Gold Council.



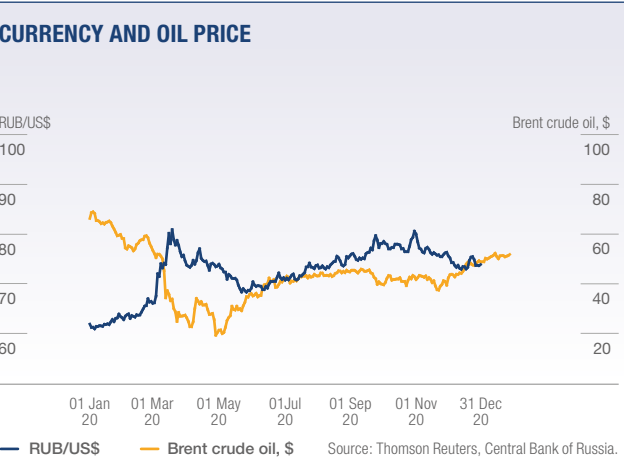
Our operating environment

Hard rock mining is the second largest industry in Russia after oil and gas, which largely drives the country’s economic performance. The precious metals sector, however, has a vast resource potential, which still remains underexplored with a lack of investment in the sector, due mainly to tight and complex exploration regulations as well as the limited availability of foreign investment.

In 2020, Brent crude oil started the year at \$68 per barrel, but global lockdowns and initial disagreements between key producing countries about supply volumes drove the benchmark Brent price to the record low value of \$19 per barrel in April. This decline was gradually offset by OPEC+ (an agreement to a record cut in oil production) and hopes for a quick recovery in demand resulted in Brent crude oil rebounding above \$50 per barrel in late December.

Driven by oil price dynamics, the Rouble fell sharply along with other emerging currencies, as low as 80 RUB/US\$ at one point in Q1. A broad-based rebound strengthened the Rouble to 68–70 RUB/US\$ in June. The Central Bank of Russia initiated monetary easing to stimulate economic recovery, and the key rate was set at 4.25% from 31 July. In October-November, when the geopolitical situation escalated, the Rouble depreciated back to 80 RUB/US\$. The full-year average exchange rate weakened by 11% year-on-year to 72.3 RUB/US\$ in 2020 (2019: 64.7 RUB/US\$). This had a material positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs and higher margins, which were partially offset by the 4.9% inflation rate (the highest since 2016). Russia remains among the lowest-cost major gold producing countries.

The Russian economy, like that of all countries, was negatively impacted by the global Covid-19 pandemic and contracted by 3.1%. In contrast, gold production was up 3% year-on-year to approximately 341 tonnes.



In 2020, the Kazakhstan economy² declined by 2.4%. While the mining sector was down, refined gold production increased by 7% year-on-year to approximately 82 tonnes. Tenge performance was driven by Covid-19 developments: the average exchange rate for the year stood at 413 KZT/US\$, rising by 9% (2019: 383 KZT/US\$) and having a positive impact on the Kazakh gold mining economy. Inflation picked up to 7.5% year-on-year.

2 Short-term economic indicator.

\$1,771/oz

Average LBMA gold price
(+27%)

3,760 tonnes

Global gold demand 2020
(-14%)

How we respond to these trends

In 2020, our focus was on safety, sustainability of production and cash flows. The Company implemented a number of strict measures to fight the spread of the Covid-19 virus among our employees, and allow our operations and projects to progress (read more on pages 50, 67, 88, 114–115, 132. Our solid annual production of 1,559 Koz (a 4% year-on-year increase) is attributable to a robust performance at Kyzyl as well as strong contributions from Varvara and Albazino. The positive gold price environment also spurred management decisions to start the development of previously inactive zones at some of our mines. Increased output supported by high metal prices and favourable exchange rates resulted in record EBITDA and free cash flow of \$1,686 million and \$610 million respectively. Our full-year TCC were below the original guidance of \$650–700/GE oz as sharp devaluation of domestic currencies outweighed additional Covid-related costs and a price driven increase in royalties. The pandemic and positive price environment led to our decision to advance investments in projects in a bid to neutralise the impact of the pandemic on project schedules. This resulted in capital expenditure for the year being 8% higher than the guidance at \$583 million.

To learn more about our market risk management process, please see page 95.

Creating a positive future

Capital allocation
Adherence to strong capital discipline is the foundation of our strategy
[➤ Read more on pages 26–27](#)

Remuneration
See how we link our remuneration to performance
[➤ Read more on pages 128–149](#)

Key goals

Pay significant and sustainable dividends through the cycle

[➤ Read more on pages 09, 26–27, 29, 54, 72, 81, 194](#)

Continue to grow our business without diluting its quality

[➤ Read more on pages 05, 10–11, 35, 85, 102](#)

Exemplary ESG performance

[➤ Read more on pages 06–07, 12–13, 15, 50–71](#)

Our strategic priorities		Risks	Performance in 2020		Targets for 2021
	Robust performance Ensure robust operating and financial performance at existing mines Focus on the full-capacity utilisation and robust cost performance of our operating mines by driving continued operating improvement. Continuously extend life-of-mine by investing in near-mine exploration. This will allow us to generate free cash flow and translate it into significant dividends.	• Production risk • Taxation risk • Market risk • Currency risk • Liquidity risk • Interest-rate risk	1.56 Moz GE produced in 2020, up 4% year-on-year and 4% above original guidance	\$608m Dividend proposed (\$1.29 per share)	• 1.5 Moz GE produced • Development projects at existing operations, aimed at either extending the life-of-mine or reducing costs • \$700–750/GE oz Total Cash Costs guidance • Commitment to a zero-fatalities target and further improvements across health and safety
	Delivering growth Deliver medium-term growth through advancing Nezhda and POX-2 Nezhda is Russia's fourth largest gold property. Low-capital intensity makes it an excellent fit for Polymetal's core capabilities. POX-2 will unlock the value of refractory reserves. The aim is for 100% of the Company's refractory ore to be processed in-house.	• Market risk • Exploration risk • Construction and development risks	Nezhda • Concentrator building, site roads, infrastructure completed • Equipment installation • Construction of the power line linking the site to the grid in progress	POX-2 • Detailed engineering is 95% finalised by Hatch (POX) and 50% by Polymetal (other areas) • Building metal framework and concentrate storage facility completed • Autoclave delivered and installed	Nezhda: • Commissioning and first production in Q4 2021 POX-2: • Construction works at POX area (Hatch scope) and other processing areas (Polymetal scope) • Internal and external infrastructure • Installation of cryogenic oxygen equipment
	Securing the future Build and advance long-term growth pipeline At the same time as delivering free cash flow, we want to secure high-quality sources of long-term growth through our own greenfield exploration programme. We are actively looking at targets within the Former Soviet Union where we can create value with our core competencies.	• Exploration risk • Construction and development risks • Market risk	2.2 Moz of gold initial Ore Reserves estimate at East Bakyrchik (Kyzyl)	399 Koz of gold Ore Reserves estimate at Peschery extending Voro life-of-mine	• Complete Ore Reserve estimate at Veduga • Complete initial Ore Reserve estimate at Tomtor REM project • Prepare initial Ore Reserve estimate at Talgiy (Albazino hub) • Continue exploration at existing JVs with juniors and enter into several new strategic partnerships
	Governance and sustainability Maintain high standards of corporate governance and sustainable development Maintaining high standards of corporate governance and sustainable development gives us a licence to operate and the much-needed trust of all stakeholders. Health and safety at our operations is a key priority.	• Health and safety risk • Environmental risk • Legal and compliance risk • Human capital risk • Political risk	33% female directors	4% Decrease of GHG intensity (Scope 1 + Scope 2)	• Co-founded the non-profit organisation Women in Mining Russia • Signed a \$125 million green loan with Société Générale under the Green Financing Framework • Signed Memorandum of Understanding with SMT Scharf AG for a potential strategic co-operation in underground electric vehicles development • Included in the Dow Jones Sustainability World and Emerging Markets Indices • Improved CDP Climate Change score from D to B- • Ultimate goal of zero fatalities and LTIFR ≤ 0.2 at all operations • Improve equality and diversity, including women's representation in the Talent Pool • Update climate change scenarios and implement mitigating actions required to achieve the 2°C trajectory • Continuous reduction of fresh water use • Further implementation of dry stack storage method across the Group • Continued compliance with global and local best practices

Most relevant UN SDGs:
[➤ Read more on page 53 and in our Sustainability Report](#)



Committed to superior, sustainable dividends

Dividends are a shareholder's right. We prioritise the payment of regular dividends over investment in growth.

Dividend Policy adjusted to increase transparency and continue significant payouts

In August 2020, the Polymetal Board of Directors amended the Dividend Policy, replacing the special dividend with a discretionary element in the final dividend payment, allowing the Board to pay out up to 100% of free cash flow for the year.

Starting from 2021, the Board will now have discretion to increase the final dividend amount to a maximum annual payout of 100% of free cash flow (provided that it is greater than 50% of underlying net income). The minimum regular dividend remains unchanged at 50% of underlying net income for the interim and final dividends, subject to a hard ceiling of a Net debt/Adjusted EBITDA ratio below 2.5x. Polymetal will continue to pay out dividends on a semi-annual basis.

The revised Dividend Policy recognises the Group's commitment to provide superior sustainable dividends and return cash flows to shareholders throughout the cycle. It also adds predictability into the capital allocation approach by increasing the transparency of the dividend decision-making process. With the maximum annual payout of 100% of free cash flow, we further support maintaining a strong and efficient balance sheet with the target leverage ratio of no more than 1.5x.

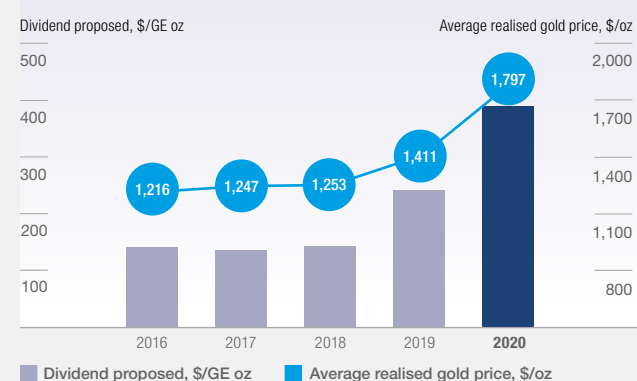
Regular dividend

50%

of underlying net income (+Board discretion to increase the final dividend to a maximum annual payout of 100% of FCF)

Shareholder returns stems from disciplined capital allocation and portfolio management. In 2020, Polymetal generated significant free cash flow of \$610 million (2019: \$256 million) driven by strong commodity prices and an excellent operational performance. As a result, the Net debt/Adjusted EBITDA ratio decreased to 0.8x from 1.4x in 2020, well below the Group's target leverage ratio of 1.5x.

DIVIDEND PER OUNCE PRODUCED¹



¹ Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.

In view of the strong balance sheet and underlying business performance in 2020, the Board has proposed a final dividend of \$0.89 per share (approximately \$419 million), which includes \$0.74 per share representing 50% of underlying net earnings for the second half of 2020 and a discretionary element of \$0.15 per share, adjusting the total dividend for 2020 to 100% of free cash flow for the full year 2020. This will bring the total dividend declared for 2020 to \$1.29 per share (or \$390 per ounce of gold equivalent production) up 57% compared to \$0.82 per share in 2019.

From the free cash flow for 2012–2020 totalling \$2.3 billion, Polymetal has paid out \$2.4 billion to shareholders through dividends in each year since the IPO. This provides a sector-leading dividend yield of 4.1% over the five-year period and 6.3%² in 2020.

Top 3 dividend payer in the sector

4.1%

5-year dividend yield on a paid basis

198%

5-year total shareholder return (as of February 2021)

² DPS proposed for 2020 (\$1.29) divided by 2020 average share price (\$20.4).

Disciplined portfolio management

Our business model is our key strength, providing a platform for both growth and significant shareholder returns by generating a sustainable free cash flow throughout the cycle.

We impose strong capital discipline on all investment decisions across the business:

- We apply high IRR hurdle rates (starting from 12% real unlevered at a \$1,200/oz gold price for a base case project).
- Our strong preference is for high-grade, low-cost and low capital intensity projects with development optionality.
- We minimise our capital costs by employing a centralised hub-based system that handles ore from different high-grade sources.
- We preserve our focus by streamlining high-cost and short-lived assets.

In 2020, Polymetal advanced the construction of its two key growth projects – Nezhda and POX-2. Nezhda will start contributing to free cash flow and dividends by 2022, while POX-2 will fully de-risk our business model by bringing all concentrate processing in-house and eliminating our dependence on concentrate offtake from the second half of 2023.

A substantial reserve addition at East Bakyrchik was another important milestone in 2020 and one which extends the life-of-mine at Kyzyl to 30 years. Polymetal also delivered successful exploration results at other deposits in its portfolio, leading to a 10% increase in the Group's Ore Reserves.

In 2020, Polymetal continued with its disposal of non-core assets by selling the North Kaluga and Sopka sites. An investment decision will be made about Veduga in Q4 2021.

Investment that considers sustainability

We ensure that ESG factors are incorporated into our capital allocation and investment criteria

Polymetal targets long-term returns and ensures that ESG factors are captured throughout the investment process. We use sustainable financial instruments such as green loans and ESG-linked loans to ensure responsible financing that aligns capital with the Company's strategy and strong ESG performance.

In 2020, Polymetal adopted the Green Financing Framework, which establishes the principles of proceeds allocation and the eligibility criteria for green projects. Polymetal is actively investing in the transition to a low-carbon economy and safer environment:

- We are decarbonising our transport and equipment with the aim of achieving the sourcing of 7% of our total electricity generation from renewable technologies by 2025.
- We are moving towards the highest standards of environmental protection, including greener processing technologies (POX).
- We are investing in sustainable water management and safer methods of waste storage. We are committed to using only dry stacking technology at our new operations, and will not build new wet tailings.

➔ Read more on pages 02, 05, 15, 50, 60, 126–127

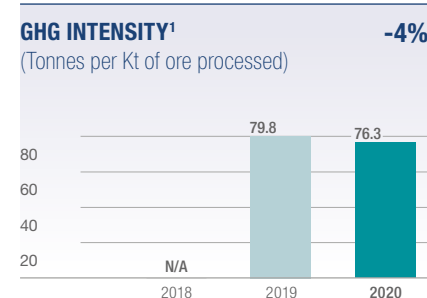
Targeting

7%

renewable electricity generation by 2025

Measuring our strategic success

Sustainability

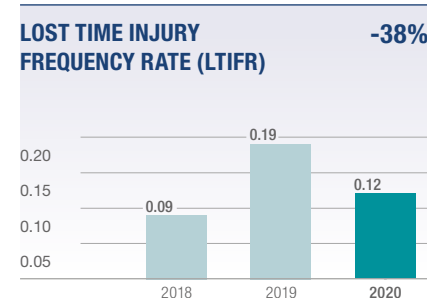


Reducing GHG emissions: we are taking steps to build a truly sustainable economy by measuring and disclosing our environmental impact.

We achieved a 4% decrease in our GHG emission intensity (measured as Scope 1 and Scope 2 emissions per 1,000 tonnes of ore processed) in 2020.

Relevance to strategy

Governance and sustainability



An improvement in the health and safety of employees at our operations is a key priority with a goal of zero fatalities.

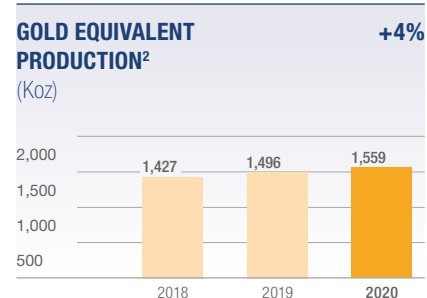
No fatal accidents among the Group workforce or its contractors occurred in 2020 (compared with two employee fatalities and one contractor fatality in 2019). The lost time injury frequency rate (LTIFR) among the Group's employees decreased by 38% year-on-year to 0.12.

Relevance to strategy

Governance and sustainability

KPI linked to executive remuneration

Operating



Annual target for gold equivalent (GE) production is an indicator to the market of our confidence in delivering stable and reliable growth.

In 2020, gold equivalent output amounted to 1,559 Koz, a 4% increase year-on-year and 4% above the original production guidance of 1.5 Moz.

Relevance to strategy

Robust performance

KPI linked to executive remuneration



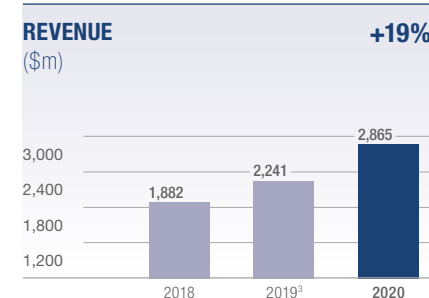
Extending mine life through near-mine exploration and new discoveries from greenfield exploration both contribute to the Company's long-term growth prospects.

In 2020, the Company increased its ore reserves by 10% to 27.9 Moz of GE driven by successful exploration results at Kyzyl, Prognoz and Voro.

Relevance to strategy

Securing the future

Financial

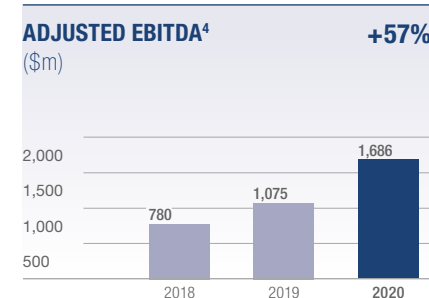


Top-line indicator, heavily dependent on commodity prices but also driven by the delivery of production volumes.

In 2020, revenue increased by 28% year-on-year to \$2,865 million driven by growth in gold and silver average-realised prices. Gold and silver sales were broadly in line with production volume trends.

Relevance to strategy

Robust performance

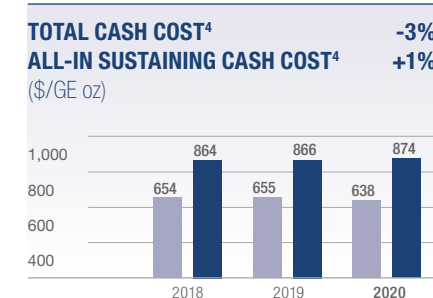


Adjusted EBITDA provides an indicator of our ability to generate operating cash flows from the current business.

In 2020, Adjusted EBITDA increased by 57% year-on-year to \$1,686 million, with an Adjusted EBITDA margin of 59%, reflecting a 27% increase in gold and silver average realised prices against a stable cost base.

Relevance to strategy

Robust performance



■ Total cash cost ■ All-in sustaining cash cost

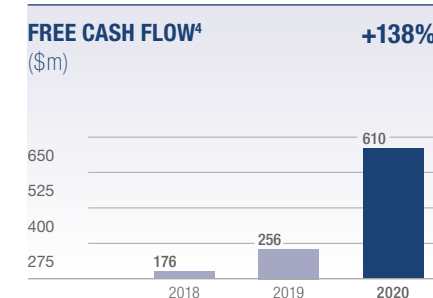
High-grade, full capacity utilisation and continued operational improvement, as well as foreign exchange rates and oil price are the key drivers behind total cash cost (TCC) per ounce.

TCC was \$638/GE oz, down 3% year-on-year. AISC was broadly unchanged at \$874/GE oz. The depreciation of the RUB and KZT against the US\$ and cost improvements outweighed additional Covid-related costs and inflationary pressures.

Relevance to strategy

Robust performance

KPI linked to executive remuneration



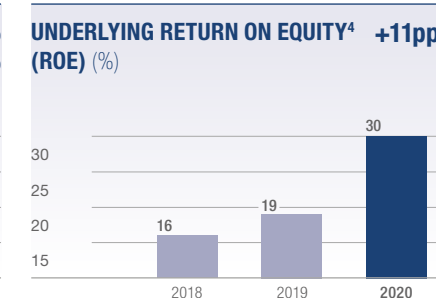
A key indicator in any business; generating a healthy free cash flow enables us to provide significant cash returns for shareholders.

The Company continued to generate significant free cash flow that amounted to \$610 million, supported by a net cash operating inflow of \$1,192 million.

Relevance to strategy

Robust performance

¹ A new methodology has been applied since 2020 for more precise disclosure of emissions; data for 2019 has been restated accordingly for comparative purposes. Data for 2018 calculated using the old methodology is considered to be unrepresentative.

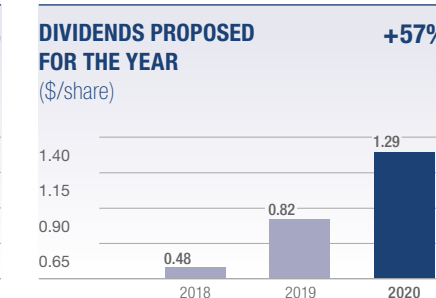


Return on equity (ROE) is one of the most important metrics for evaluating a company's profitability and measures the efficiency with which a company generates income using the funds that shareholders have invested.

In 2020, ROE (based on underlying net earnings and average equity adjusted for translation reserve) was 30% (2019: 19%) and remains one of the highest in the sector.

Relevance to strategy

Robust performance



Our aim is to deliver meaningful dividends to our shareholders at all stages of both the commodity cycle and our investment cycle.

In 2020, dividends of \$608 million (\$1.29 per share) were proposed, compared with \$0.82 per share in 2019.

Relevance to strategy

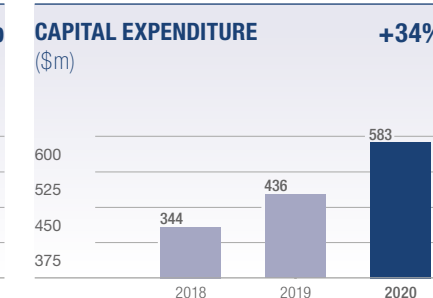
Robust performance

² Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.

³ Excluding Kapan in 2019 (disposed in January 2019).

⁴ Defined in the Alternative performance measures section on page 216–217.

⁵ Profit for the financial period.



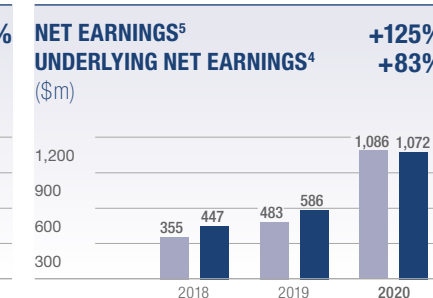
Our rigorous approach to all investment decisions ensures tight controls on capital expenditure, boosting the return on capital invested for shareholders and the sustainable development of the business.

Capital expenditure was \$583 million, up 34% year-on-year, and 8% above the guidance due to accelerated spending in a bid to neutralise the impact of the pandemic on project schedules.

Relevance to strategy

Delivering growth

KPI linked to executive remuneration



■ Net earnings ■ Underlying net earnings

Underlying net income is a comprehensive benchmark of our core profitability, excluding foreign exchange gains/losses, impairments and one-off non-recurring items.

Underlying net earnings increased by 83% to \$1,072 million on the back of higher operating profit.

Relevance to strategy

Robust performance

A successful year despite the pandemic



We have worked hard to maintain business continuity and to keep the delivery of our major projects on schedule.”

Vitaly Savchenko
Chief Operating Officer

1,402 Koz

Gold production
(+6%)

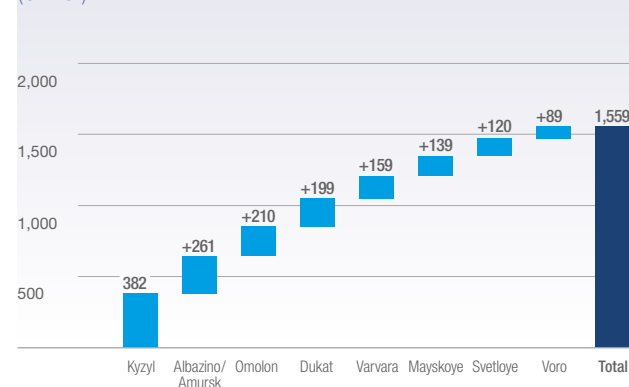
18.8 Moz

Silver production
(-13%)

Key operating highlights

	2020	2019	Change, %
Stripping, Mt	166.8	158.6	+5%
Underground development, km	90.0	105.8	-15%
Ore mined, Mt	15.8	17.2	-8%
Open-pit	11.6	13.0	-11%
Underground	4.2	4.2	-1%
Ore processed, Mt	15.4	15.0	+3%
Average grade in ore processed (gold equivalent, g/t)	3.9	3.85	+2%
Production			
Gold, Koz	1,402	1,316	+6%
Silver, Moz	18.8	21.6	-13%
Gold equivalent, Koz ¹	1,559	1,496	+4%
Sales			
Gold, Koz	1,392	1,366	+2%
Silver, Moz	19.3	22.1	-13%
Gold equivalent, Koz ²	1,622	1,628	-0%
Average headcount	12,065	11,611	+4%
Health and safety			
Fatalities			
Employees	0	2	-100%
Contractors	0	1	-100%
LTIFR (Employees) ³	0.12	0.19	-38%
DIS (Employees) ⁴	1,583	1,760	-10%

GOLD EQUIVALENT PRODUCTION BY MINE IN 2020 (GE Koz)



¹ Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.

² Based on actual realised prices.

³ LTIFR – lost time injury frequency rate per 200,000 hours worked.

⁴ DIS – days lost due to work-related injuries.

In 2020, Polymetal improved safety performance and beat production guidance. Gold equivalent output grew by 4% year-on-year to 1,559 Koz.

Resilient operating performance

Despite two Covid-19 outbreaks at Mayskoye and Olcha (Omolon hub) in the second half of 2020, Polymetal had no interruptions either in production or its supply chain. The Company's gold equivalent production for the year amounted to 1,559 Koz, an increase of 4% over 2019 and 4% above the original production guidance of 1.5 Moz. Strong contributions from Kyzyl, Varvara and Albazino offset planned grade decline at Voro and lower production at Svetloye.

Gold production for the full year was up 6%, while silver output decreased by 13% on the back of planned grade decline at Dukat and lower silver production at Omolon (as Kubaka mill processed gold-rich ore through the CIP circuit as opposed to Sopka ore with higher silver content though the Merrill-Crowe circuit in 2019). Gold sales of 1,392 Koz were up 2% year-on-year, while silver sales were down 13% year-on-year at 19.3 Moz, broadly in line with production dynamics.

No fatal accidents occurred among the Group's workforce or its contractors in 2020 (compared with two employee fatalities and one contractor fatality in 2019). Lost time injury frequency rate (LTIFR) among the Group's employees decreased by 38% year-on-year to 0.12. In 2020, the Company started to use the DIS metric (days lost due to work-related injuries) as the main Health and Safety KPI. For the full year, DIS amounted to 1,583 days, a 10% decrease compared with 2019.

To read more about precautionary procedures put in place at all production sites and offices due to the pandemic refer to pages 50, 67, 88, 114–115.

Analysis of production results

Mining

Stripping volumes in 2020 grew by 5% to 166.8 Mt of rock moved, driven mostly by stripping at Kyzyl and Nezhda. At Albazino, open-pit mining has started at the Farida ore zone and is expected to last until 2023.

Underground development decreased by 15% to 90 km (2019: 106 km), mainly due to the decrease at Dukat, where underground development volumes declined following the decommissioning of the Goltsovoye underground mine. This was partially offset by the increase in underground development at Albazino, as stoping commenced at Ekaterina, as well as the extension of planned underground capacity at Birkachan (Omolon hub).

Total ore mined decreased by 8% year-on-year to 15.8 Mt (2019: 17.2 Mt), mainly due to the completion of open-pit mining at Voro in January 2020 and lower mining volumes at Varvara, where the circuits have been processing high-margin third-party ore.

Processing

The volume of ore processed increased 3% over the previous year to 15.4 Mt (2019: 15.0 Mt), driven mostly by the increased throughput at Varvara and higher heap-leach output at Omolon, while other mines operated at a stable pace.

The average gold equivalent grade in ore processed increased by 2% year-on-year to 3.9 g/t, above the average reserve grade of 3.8 g/t. Scheduled moderate grade declines at Voro were offset by Kyzyl outperforming expectations on gold grade, as well as higher gold grade in ore processed at Mayskoye mainly attributable to a lower dilution level and higher volumes of oxidised ore being mined and processed.

Production and sales

In 2020, Polymetal continued to deliver robust operating results. Production grew by 4% year-on-year to 1,559 Koz GE, 4% above the original production guidance of 1.5 Moz.

Kyzyl was the key driver behind this performance: full-year gold production was at 382 Koz and exceeded budget on the back of higher grades, particularly in the first half of 2020. At Albazino/Amursk, the total gold output was up 8% year-on-year to 261 Koz, due to the increased throughput and higher gold recovery. At Omolon, gold equivalent production was up 7% year-on-year to 210 Koz on the back of large volumes of gold-rich ore from both Birkachan underground mine and Yelochka being processed through the carbon-in-pump (CIP) circuit, as well as higher stacking volumes of gold-rich ore at the heap leach facility. Gold equivalent production at Dukat totalled 199 Koz, down 3% year-on-year on the back of a planned decline in silver grade at the Omsukchan concentrator. Varvara gold equivalent output grew by 16% to reach 159 Koz, driven by larger volumes of high-grade third-party ore through the flotation circuit. Gold production at Mayskoye totalled 139 Koz, an 8% increase over 2019, positively impacted by the higher grade attributable to lower dilution and increased recoveries. Gold equivalent production at Svetloye decreased by 11% to 120 Koz mostly due to the preparatory works ahead of commissioning of the new heap leaching areas. Voro gold equivalent production decreased by 16% to 89 Koz while the CIP plant turned to processing lower-grade stockpiles when open-pit mining was completed in January 2020.

Operating review continued

Metal sales in 2020 of 1,622 Koz of gold equivalent remained stable compared with 2019, broadly following production dynamics. While most of the sales comprised refined metals, we continue to sell concentrates from Dukat (gold/silver), Mayskoye (refractory gold) and Kyzyl (double refractory gold) to offtakers. Offtake allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries, with this being one of our core competencies.

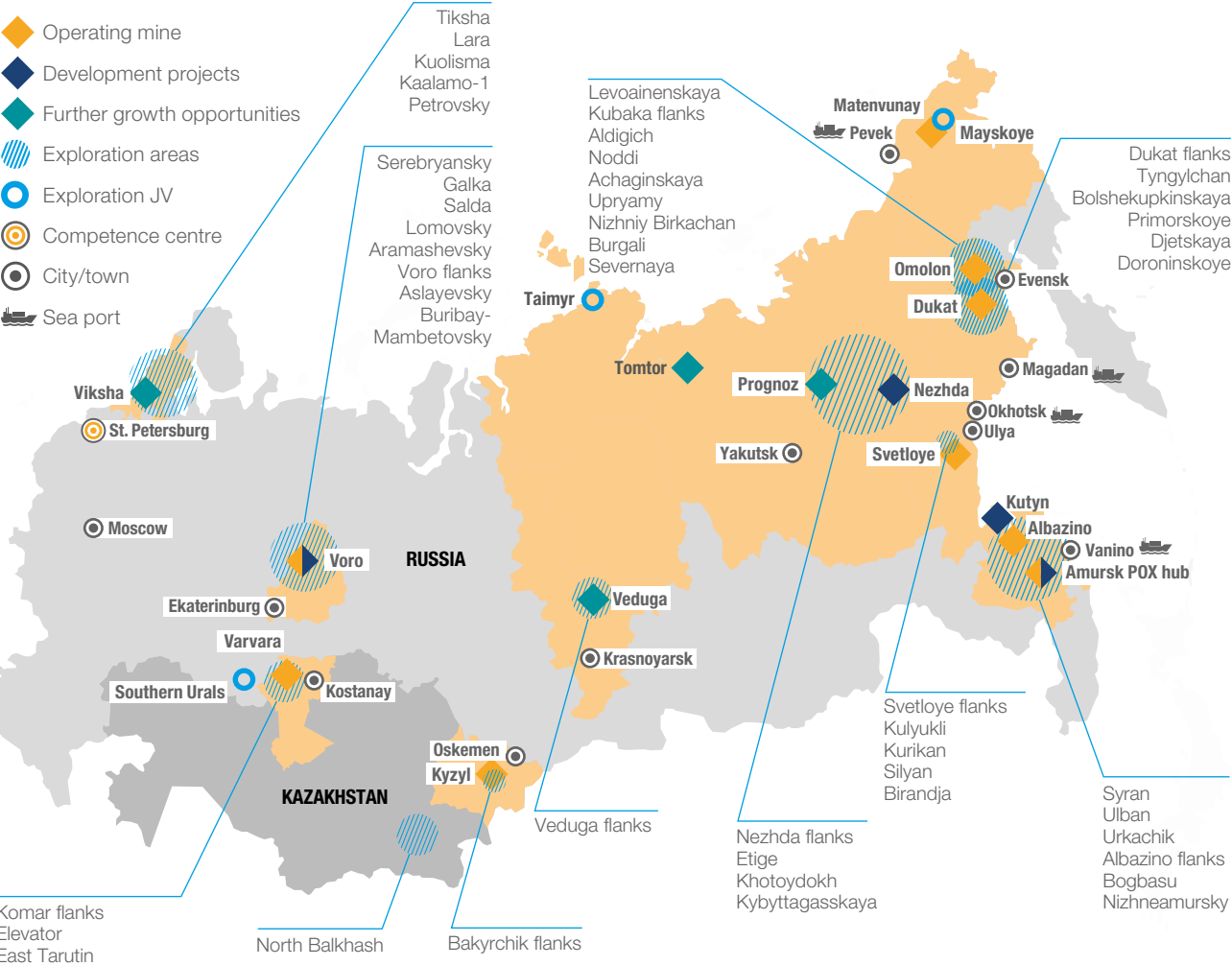
Exploration

Greenfield and brownfield exploration is a core element in our strategy for driving long-term growth and has proved to be one of the most efficient growth sources for Polymetal historically. Extending mine life through near-mine exploration at existing operations and new discoveries from greenfield exploration both contribute to the Company's long-term development prospects. Our exploration activities are focused on eight regions in Russia (Khabarovsk, Krasnoyarsk, Magadan, Karelia, Bashkortostan, Yakutia, Chukotka and Ural) as well as in Kazakhstan.

Our key exploration objectives in 2020 were:

- Brownfield exploration projects in close proximity to the Company's operating assets, notably: exploration drilling at Kyzyl's second ore zone, East Bakyrchik (2.4 km); Varvara (8.1 km of exploration drilling at Elevator); Omolon (4.5 km of exploration drilling at Burgali and 1 km at Nizhny Birkachan); Dukat (2.9 km of exploration drilling at Doroninskoye); Voro (4.5 km and 3.9 km of drilling at Voro flanks and Salda, respectively) and Albazino (9.3 km of exploration drilling at Albazino flanks and 42.4 km at Talgiy).
- Initial ore reserves estimate for East Bakyrchik (Kyzyl) based on data from the exploration campaign in 2015–2020, including 29.9 km of drilling (168 diamond drill holes).
- Updated ore reserves and mineral resources estimate at the Kutyn gold project based on the results of drilling conducted in 2017–2019.
- Initial ore reserves estimate for Prognoz.
- Further development of co-operation with junior exploration companies and several new strategic partnerships.

Our exploration sites



Joint ventures with junior exploration companies

As part of the Company's efforts to build and advance its long-term growth pipeline, Polymetal is pursuing grassroots, greenfield exploration through joint ventures with junior explorers in order to access promising, untested mineral properties for a reasonable price.

Our goal is to bring together Polymetal's financial and permitting clout and juniors' fresh thinking and fast decision-making"

Sergey Trushin
Deputy CEO, Mineral Resources

Typical joint venture structure:

- Staged approach (3–5 years) to funding of exploration campaigns via earn-in equity or debt financing.
- Polymetal is granted a call option to acquire the remaining stake.
- Exit based on JORC-compliant resources or reserves at pre-agreed market valuation.
- Operatorship left to juniors to enhance decision-making process until the controlling stake is acquired.

Southern Urals



Location	Republic of Bashkortostan, Russia
Partner	Rosgeology JSC (Rosgeo)
Joint venture structure	75% + call option for remaining 25% stake
Progress in 2020 and targets	Rosgeo carried out exploration work on the Novopetrovskaya area in 2014–2017; as a result, intercepts of copper-zinc pyrite ores were identified, indicating the potential discovery of significant deposits with high copper and zinc content. The mineralisation is expected to be located at a depth of 400–500 m suitable for underground mining. In 2020, the JV carried out permitting and exploration planning activities. The exploration campaign on an area of 28 km² identified significant copper and zinc resources, as well as gold and silver potential resources. 31 km of exploration drilling works are planned for 2021.

Taimyr



Location	Krasnoyarsk Region, Taimyr Peninsula, Russia
Partner	Independent junior company
Joint venture structure	70% + call option for remaining 30% stake
Progress in 2020 and targets	In 2020, the JV delivered all necessary materials and equipment to Cape Chelyuskin and assembled a field camp. The planned exploration activities for the year were completed. As a result, the company compiled data on the geochemical and metasomatic zonation accompanying the prospected intrusions, and new points of Cu, Au and Mo mineralisation were identified. In 2021, the company plans to continue exploration of the revealed anomalies of Cu, Au and Mo, and at promising new areas.

Matenvunay



Location	Chukotka, Russia
Partner	Mineral Exploration Network (Finland) Ltd
Joint venture structure	20% + call option for remaining 80% stake
Progress in 2020 and targets	In 2020, based on exploration activity, eight mineralised zones (with a length from 650 to 1,240 m and with an assumed thickness of about 150 m) were identified within three exploration areas. In 2021, drilling and trenching will be continued to intercept and study ore bodies within the identified mineralisation zones.

Key 2020 achievements

In 2020, Polymetal succeeded in extending life-of-mine at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 68 licensed properties. 34 new licences were obtained for geological studies, exploration and production of gold, silver, platinum group metals (PGMs) and copper. In total, 189 km of drilling was completed. The total capital expenditure on exploration was \$35 million; this is 24% lower than in 2019 because of the completion of major drilling campaigns at Yolochka (Omolon) and Perevalnoye (Dukat), as well as lower drilling volumes at Prognoz where exploration has also largely been completed.

As a result of our exploration efforts, substantial reserve and resource estimates were completed during the year, including:

- An initial JORC-compliant ore reserve estimate for East Bakyrchik (Zone 2 of Kyzyl) extending the life-of-mine at Kyzyl to 30 years. The ore reserves estimate comprises 18.8 Mt of ore at an average grade of 3.7 g/t and containing 2.2 Moz of gold, some 80% of which is underground. Total ore reserves at Kyzyl now stand at 58.3 Mt of ore with an average grade of 5.4 g/t, containing 10.1 Moz of gold. This represents a 19% increase compared with the estimate at the end of 2019.
- A twofold increase in ore reserves to 0.8 Moz of gold at the Kutyn gold project, in accordance with the JORC Code. The updated JORC-compliant open-pit ore reserves estimate comprises 8.4 Mt of ore with an average grade of 3.0 g/t, containing 812 Koz of gold. This represents a 110% increase in gold contained in comparison with the previous reserve estimate prepared in 2015. Mineral resources at Kutyn (additional to ore reserves) amount to 6.6 Mt of ore for open-pit and underground mining with an average grade of 3.7 g/t, representing 785 Koz of gold contained.
- An initial open-pit JORC-compliant ore reserves estimate for Prognoz comprised 7.9 Mt of ore with an average silver grade of 560 g/t, containing 142 Moz of silver. Reserves have been assessed for the Glavnaya (Main), Boloto (Swamp) and Yuzhnaya (Southern) ore zones only. Mineral resources (additional to ore reserves) are estimated at 5.6 Mt of mineralised material with an average grade of 552 g/t for 100 Moz of silver contained. The preliminary feasibility study assumes nine years of open-pit mining with a conventional flotation flowsheet producing clean high-grade concentrate.
- An initial JORC-compliant ore reserves estimate for the Pescherny deposit (Voro hub) comprised 2.1 Mt of ore with an average gold grade of 6.0 g/t, containing 399 Koz of gold. This assumes seven years of open-pit and underground mining. Mineral resources (additional to ore reserves) amount to 0.5 Mt of ore with an average gold grade of 6.5 g/t, representing 97 Koz of gold contained.
- We completed our first field season of joint ventures with junior partners. The results confirmed the potential for further exploration at all target areas.

2021 targets

In 2021, Polymetal will continue to invest in both near-mine and greenfield exploration projects in order to increase ore reserves.

The key objectives are as follows:

- Complete an updated Ore Reserve estimate at Veduga.
- Prepare an initial Ore Reserve estimate at Talgiy (Albazino hub) and Elevator (Varvara hub).
- Complete an initial Ore Reserve estimate at Tomtor REM project.
- Significantly step up activity levels in greenfield exploration including the start of drilling campaigns at several JVs with juniors.

Exploration areas and volumes (mine site exploration excluded)

	Drilling, km	
	2020	2019
Brownfield		
Kyzyl	2.4	5.3
Albazino	51.7	13.2
Mayskoye	–	–
Varvara hub	13.7	45.3
Voro hub	12.6	23.3
Omolon hub	8.0	11.8
Svetloye hub	3.6	2.8
Dukat hub	3.3	0.6
Subtotal	95.2	102.4
Greenfield		
Yakutia	12.7	43.1
Nezhda	4.9	1.8
Prognoz	7.8	41.4
Veduga	27.0	19.2
Kutyn	25.5	16.1
Viksha	22.2	11.9
Urals	5.1	3.9
Other	0.7	1.9
Subtotal	93.3	96.1
Total	188.5	198.5

Reserves and Resources

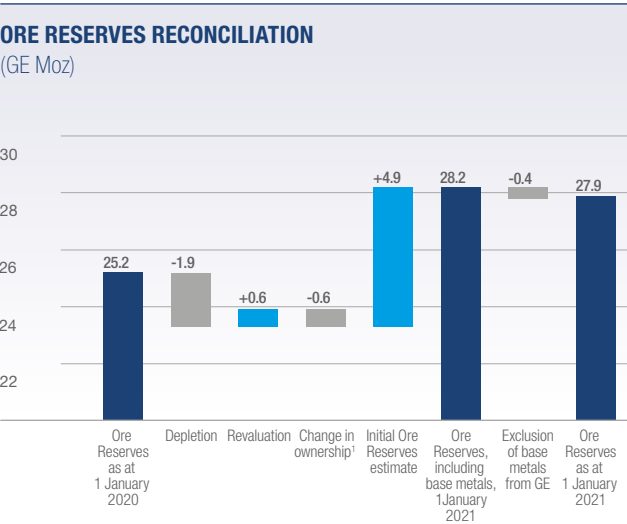
In 2020, Group Ore Reserves increased by 10% year-on-year to 27.9 Moz of gold equivalent (GE) driven by initial Ore Reserve estimates at East Bakyrchik (Kyzyl), Prognoz, and Pescherny (Voro hub). This has more than compensated for depletion at operating mines and ownership dilution at Veduga. GE Ore Reserves per share grew by the same 10%.

Share of Ore Reserves for open-pit mining stood at 53%, up by 2 percentage points (pp) year-on-year, while share of refractory reserves amounted to 72%, declining by 2pp Both of these developments are attributable to the Prognoz reserve initial estimate.

Share of silver in Ore Reserves increased by 5pp to 11% also on the back of the significant contribution from Prognoz.

Ore Reserves and Mineral Resources summary^{1,2}

	1 January 2021	1 January 2020	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	27.9	25.2	+10%
Gold, Moz	24.9	23.7	+5%
Silver, Moz	246.3	116.0	+112%
Average reserve grade, GE g/t	3.8	3.7	–
Ore Reserves per share, GE oz/per share	0.059	0.054	+10%
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	21.8	25.4	-14%
Gold, Moz	19.5	20.3	-4%
Silver, Moz	191.9	337.7	-43%
Average resource grade, GE g/t	4.7	5.2	-10%



¹ Sale of a stake in Veduga and North Kaluga.

Mineral Resources (additional to Ore Reserves) declined by 14% year-on-year to 21.8 Moz of GE mostly due to resource-to-reserve conversion. This conversion was partially offset by new Mineral Resource estimates at Albazino (Talgiy) and Veduga. Mineral Resources inclusive of Ore Reserves were essentially stable at 49.7 Moz of GE.

The average grade in Ore Reserves was marginally up year-on-year and stood at 3.8 g/t of GE. Average GE grade in additional Mineral Resources was down 10% year-on-year. Polymetal GE grades continue to be one of the highest within the sector globally.

Outlook for 2021

Safety remains a top priority for Polymetal. We will continue our focus on further improvements across health and safety metrics and the elimination of fatalities at our operations. In 2021, Polymetal plans to enhance safety risk management systems at its development and exploration projects, where additional risks are related to staff transportation and accommodation at remote sites. Starting in 2021, we are going to introduce a ‘Scope 3’ approach in our safety reporting, i.e. reporting accidents that occur among our contractors away from the Company’s production sites but related to our activities.

In 2021, we expect stable operating performance to ensure steady financial results, while the launch of Nezhda and advancement of the POX-2 project will enable us to resume

production growth in 2022. The Company reiterates its current production guidance of 1.5 Moz of GE in 2021. Production will be weighted towards the second half of the year due to seasonality.

At Kyzyl, we plan to implement a debottlenecking project at the concentrator’s thickening and drying sections, which will allow it to achieve 2.2 Mtpa throughput and partially compensate for the expected grade decline. We expect sustained contributions from Omolon, Albazino, Mayskoye and Voro, as well as a slight increase in production at Varvara. At Dukat, the start of development at Primorskoye is expected to partially offset the decrease in grade and provide a substantial new source of high-grade silver ore for the operation. Production at Svetloye will continue to decline gradually on the back of the planned depletion of sources of high-grade ore. First production at Nezhda is scheduled for Q4 2021.

At the same time, we will focus on advancing our long-term project pipeline. At POX-2, the goal is to complete all construction and installation works at the autoclave section. Construction works are planned at the Voro flotation circuit, extending the life-of-mine by more than 10 years. We will continue to advance Veduga, concentrating on building the exploration decline and pre-stripping ahead of the potential approval of the project in Q4 2021. At Kutyn, conventional open-pit mining will commence with pre-stripping in Q3 2021, and first ore mined in Q1 2022.

We will also continue running a number of development projects at existing operations, aimed at either extending the life-of-mine or reducing costs. This includes the implementation of measures aimed at increasing plant capacity at Kyzyl (grinding, new thickener, concentrate filtration section upgrade), ‘Hot Seat’ optimisation at the Komar pit and an increase in CIP productivity at the Varvara plant, and the optimisation of operational parameters for narrow ore vein mining and dilution reduction at Dukat. We are in the process of reducing our reliance on diesel power, and with it our environmental impact, through renewable energy projects at remote sites.

¹ Ore Reserves and Mineral Resources from continuing operations. Lichkvaz, Oroch, Sopka Kvartsevaya, Dalneye and Irbychan mines were classified as discontinued operations as at 1 January 2020 and are not included in this estimate. Base metals are not included in the 2021 gold equivalent calculation, although they were included in the calculation of the 2020 gold equivalent.
² Mineral Resources are additional to Ore Reserves. Mineral Resources of PGM and rare earth metals are given separately and are not included in the calculation of the gold equivalent. Any discrepancies in calculations are due to rounding.

Operating assets

Kyzyl



382 Koz
Payable production (+11%)

10.1 Moz
Gold reserves

\$401/GE oz
Total cash cost

30 years
Estimated life-of-mine

Location: East Kazakhstan Region, Kazakhstan

Managing director: Kenbeyil Isaev

Employees: 1,296

Mining: Open-pit (until 2036) followed by underground

Processing: 2.0 Mtpa flotation + Amursk POX + concentrate offtake

Production start date: 2018

Life of mine: 2050

Excellent results at our core operation

In 2020, Kyzyl continued to exceed budget on throughput and grade, contributing one-third of the Group’s EBITDA. There was also a substantial reserve addition at East Bakyrchik extending the life-of-mine at Kyzyl to 30 years.

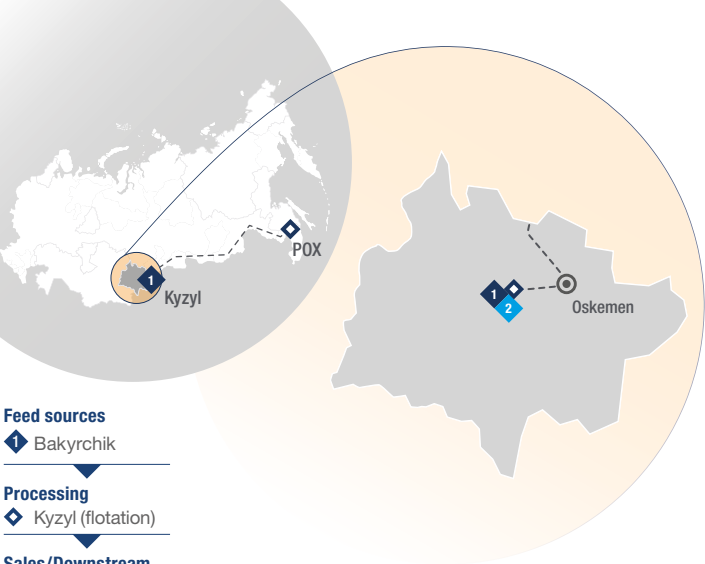
Mining

At Kyzyl, stripping volumes increased to 77.7 Mt, up 15% compared with 67.5 Mt in 2019. The annual amount of ore mined was 2,041 Kt, up 2% compared with 2019, while average gold grade in ore mined was 7.2 g/t, down 2% year-on-year. The Company expects continued grade normalisation towards the reserve average in 2021 as mining progresses to lower levels.

The increase in the open-pit productivity was achieved through the implementation of a ‘Hot Seat’ optimisation programme.

Processing and production

Full-year gold production increased by 11% to 382 Koz of gold and exceeded the budget on the back of higher grades, particularly in the first half of 2020. Gold in concentrate produced amounted to 450 Koz, up 11% year-on-year.



Key exploration projects in 2020
Bakyrchik flanks

Concentrator throughput was stable at the nameplate capacity of 2.0 Mtpa. Average gold grade in ore processed jumped to 7.9 g/t, compared with 7.1 g/t in 2019, driven by the processing of high-grade stock ore. Gold recovery was also stable at 88%. The share of gold contained in low-carbon concentrate processed at Amursk POX increased to 142 g/t (versus 128 g/t in 2019), ensuring higher production.

The third stage of the tailings dam has been completed.

In 2021, the Company plans to implement a debottlenecking project at the concentrator’s thickening and drying sections, which will allow it to achieve 2.2 Mtpa throughput and partially compensate for the expected grade decline.

Exploration and reserves update

In 2020, an initial Ore Reserve estimate for East Bakyrchik was completed, amounting to 2.2 Moz of gold with an average grade of 3.7 g/t. The total Kyzyl Ore Reserves increased to 10.1 Moz with an average grade of 5.4 g/t. Additional Kyzyl Mineral Resources amounted to 1.7 Moz of gold for underground mining with an average grade of 4 g/t. In 2020, Polymetal continued exploration drilling at East Bakyrchik (2.4 km) in order to confirm the possibility of an increase in resources.

2020 ESG highlights

- Purification system upgrade to reduce air pollutant emissions
- Supporting young doctors in the Zhitikarinsky District and a children’s centre in the Auezov settlement.

Priorities for 2021

- Stripping and mining volumes growth
- Debottlenecking project at the concentrator’s thickening and drying sections and increased throughput
- Installing additional belt filter, drying drum and second thickener
- Concentrate quality optimisation (humidity, carbon)
- Design of renewable energy generation plant.

Dukat



3rd
largest primary silver mine globally¹

199 GE Koz
2020 production (-3%)

\$229m
Adjusted EBITDA (+62%)

\$9.8/SE oz
Total cash cost (-3%)

Location: Magadan Region, Russia

Managing director: Dmitry Galtchuk

Employees: 1,674

Mining: Underground, open-pit (since 2021)

Processing: 2.05 Mtpa flotation (Omsukchan) + 465 Ktpa Merrill-Crowe (Lunnoye)

Production start date: 2000

Life of mine: 2024 (Lunnoye), 2028 (Dukat)

Sustaining performance at Russia’s largest primary silver mine

In 2020, the Dukat hub produced 18.2 Moz of silver, delivering according to plan. Despite planned grade declines at the underground mine, Dukat continues to be a steady contributor to the Group’s EBITDA and free cash flow.

Mining

During 2020, the total amount of ore mined at the Dukat hub decreased by 11% year-on-year to 2.2 Mt. Underground development decreased by 27% year-on-year to 44 km following the decommissioning of the Goltsovoye underground mine. Average silver grade decreased by 13% to 242 g/t in accordance with the mine plan.

The start of the development at Primorskoye is expected to partially offset the decrease in grade and provide a significant new source of high-grade silver ore for the operation.

Processing and production

Full-year silver production at the Dukat hub decreased to 18.2 Moz (2019: 19.3 Moz) on the back of planned moderate grade declines at the underground mine. The decline was



Key exploration projects in 2020
Dukat flanks

primarily driven by the Omsukchan concentrator processing larger volumes of lower-grade ore.

In 2020, the Omsukchan concentrator processed 2 Mt of ore, while maintaining stable recoveries for both gold and silver of 84.9% and 86.4% respectively, due to the successful operation of the ore quality control system. Average gold grade processed at the Omsukchan concentrator remained largely unchanged over the previous year at 0.5 g/t, while average silver grade decreased by 7% to 266 g/t. Gold production at 29 Koz was up 5%, while silver production at 14.4 Moz was down 9% year-on-year.

At Lunnoye, processing volumes remained flat at 466 Kt. Average gold grade increased by 3% to 1.4 g/t while average silver grade increased by 6% to 273 g/t. Average gold and silver recoveries increased to 90.4% and 92.6% respectively. Gold production was up 8% year-on-year at 19.0 Koz; silver production was up 7% at 3.7 Moz.

Reconstruction of the fourth stage of tailings dam #2 has been finished.

Exploration

During 2020, exploration activities focused on the Doroninskoye area (a new licence). Evaluation drilling of 2.9 km was completed.

2020 ESG highlights

- Collecting ponds infrastructure upgrade to ensure safe water discharge
- Renovation of ethnographic museums in the Magadan Region.

Priorities for 2021

- Maintaining ore grades and production level against reserves depletion
- Optimisation of operational parameters of thin ore veins mining and dilution reduction
- Start of development at Primorskoye
- Further upgrade of the tailings dam at Dukat.

1 World Silver Survey 2020.

Operating assets

Omolon



210 Koz
GE production
(+7%)

7.1 g/t
Average gold grade in ore
processed at Kubaka (+10%)

Location: Magadan Region,
Russia

Managing director:
Samat Kozhakaev

Employees: 1,079

Mining: Open-pit/
underground

\$560/GE oz
Total cash costs
(-25%)

\$252m
Adjusted EBITDA (2x)

Processing: 850 Ktpa CIP/
Merrill-Crowe (Kubaka),
1 Mtpa heap leach
(Birkachan)

Production start date: 2010

Life of mine: 2024

Flexible ore feedstock mix

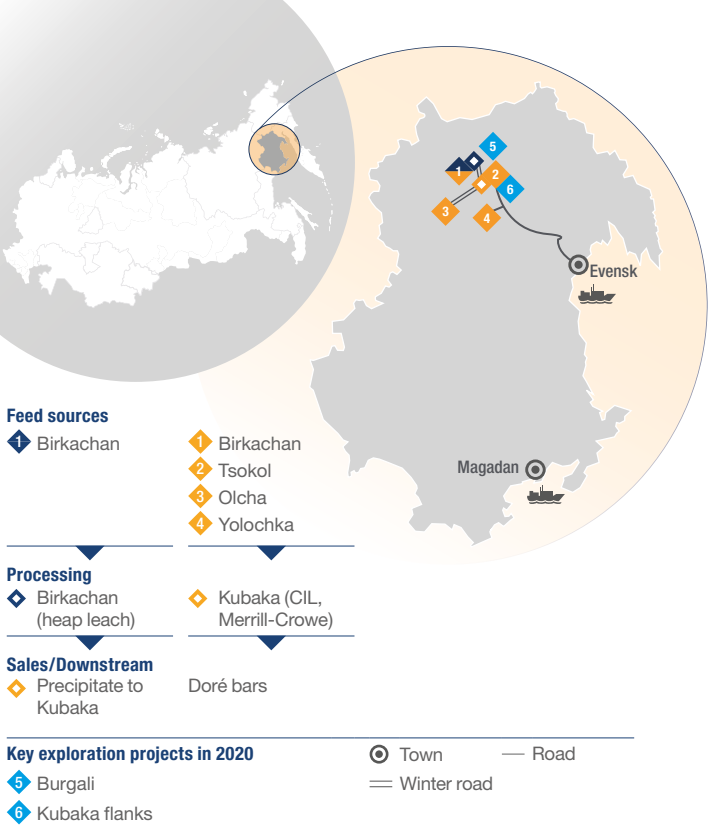
In 2020, Omolon delivered strong financial and operating results, with GE production of 210 Koz, up 7% on 2019, and Adjusted EBITDA doubling to \$252 million.

Mining

In 2020, the total ore mined was down 15% year-on-year to 2,525 Kt. Underground development was 13 km and remained unchanged compared with the previous year.

Open-pit mining declined by 19% to 2,034 Kt as Olcha and Birkachan pits were completed in Q4. The mining fleet has been moved to Burgali, where mining is expected to start in Q1 2021. Ore from Olcha, with higher grades yet higher per-unit costs, will be trucked by winter road to Kubaka and will generate a significant share of processing in 2021.

The underground mine delivered 491 Kt of ore mined, up 9% year-on-year on the back of the extension of planned capacity at Birkachan underground, with average gold grade increasing by 9% to 8.8 g/t.



Processing and production

In 2020, gold production increased by 16% to 206 Koz and silver production decreased by 75% to 0.5 Moz due to the Kubaka mill processing gold-rich ore from Birkachan underground and Yolochka through the CIP circuit.

The volume of ore processed at the Kubaka mill increased by 3% to 863 Kt. Gold recovery remained stable at 94.5% and silver recovery decreased by 9% to 71.8%, driven by the change in feedstock mix. Average gold grade increased by 10% to 7.1 g/t, while average silver grade was down 75% to 24 g/t.

Heap leach output also contributed positively to the total production as the stacking season was extended into Q4. Gold production at the Birkachan heap leach increased to 25 Koz, 81% above the 2019 level. The total volume of ore stacked increased to 1,318 Kt, up 47% year-on-year.

The construction of a dry tailings storage facility at Omolon is in progress. In 2020, the Company completed construction of the filtration building. The launch of the facility is expected by the end of 2021.

Reserves update

At Burgali, there was a 36% increase of Ore Reserves to 121 Koz of GE, while additional Mineral Resources amounted to 96 Koz. This increase partially compensated for the reserve decrease at other Omolon deposits.

2020 ESG highlights

- Project design documentation and preparation of construction site for a solar plant
- Water filtering system helped to decrease fresh water consumption at the operation by 65% compared to 2019

Priorities for 2021

- Start of open-pit mining at Burgali
- Launch of solar power plant at Kubaka
- Launch of dry tailings storage facility.

Amursk POX



487 Koz
Total gold production
through POX (+13%)

94.3%
POX recovery

Location: Khabarovsk Region,
Russia

Managing director:
Vadim Kipot

Employees: 499

215 Kt
Concentrate processed
(+2%)

Feed: Albazino, Mayskoye,
Kyzyl, 3rd party concentrate

Processing: Concentrate POX
+ cyanidation

Production start date: 2012

Leveraging our competence in the treatment of refractory ores

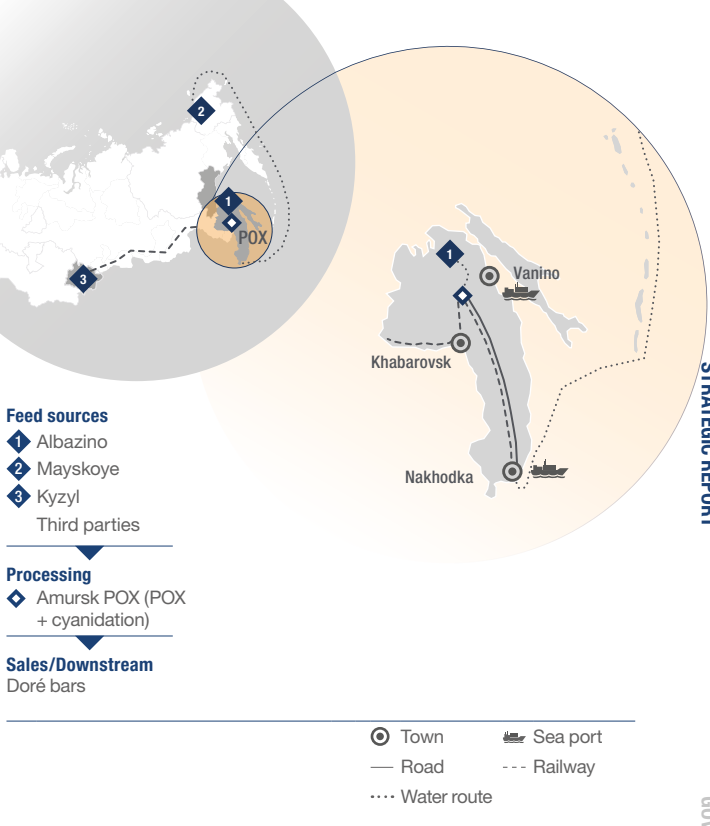
Gold production at the Amursk POX increased by 13% year-on-year, due to higher grades in Albazino and Kyzyl concentrate and better recoveries stemming from the application of certain adjustments to the flowsheet (slurry conditioning).

The Amursk POX plant has been certified as fully compliant with the International Cyanide Management Code, by the International Cyanide Management Institute, as both a gold mining company and a cyanide transporter.

2020 performance

In 2020, the Amursk POX plant achieved record operating results. The volume of concentrate processed increased by 2% to 215 Kt, while total gold production amounted to 487 Koz, 13% up year-on-year, due to the successful processing of refractory concentrate from Kyzyl and Albazino.

The volume of Albazino concentrate processed was up by 4% at 147 Kt. The average grade in concentrate was 49.6 g/t, up 3% year-on-year. Recoveries from Albazino concentrate exceeded the design level at 96.5%.



53 Kt of high-grade low-carbon Kyzyl concentrate was introduced to the feed during 2020 (2019: 52 Kt), with a recovery level of 92%.

The output from Veduga concentrate amounted to 29 Koz for the full year. There was limited treatment of Mayskoye concentrate at Amursk POX during the year (4 Koz) since the capacity was taken up by higher-grade and higher-margin material.

In 2021, Polymetal plans to build a hot cure section at the POX, increasing the expected recovery by approximately 1 percentage point.

The operation meets ISO 14001 and 45001 requirements for environmental and safety management.

2020 ESG highlights

- Dry stacking technology is already in operation, maintaining the physical and chemical integrity of tailings and reducing the risk of pollutant leaching and contamination of groundwater
- Low volumes of fresh water use and water discharge: 78% of the total water consumed was either recycled or re-used
- Purchasing diagnostic equipment for Amursk Central Regional Hospital in Khabarovsk Region
- Education support programme in Amursk, Khabarovsk Region.

Priorities for 2021

- Increasing quality of activated carbon concentrate from Kyzyl
- Commissioning a hot cure section to increase POX recovery by 1pp.
- Processing concentrate from Kyzyl, Albazino and Veduga with designed recoveries.

Operating assets

Amursk POX-2



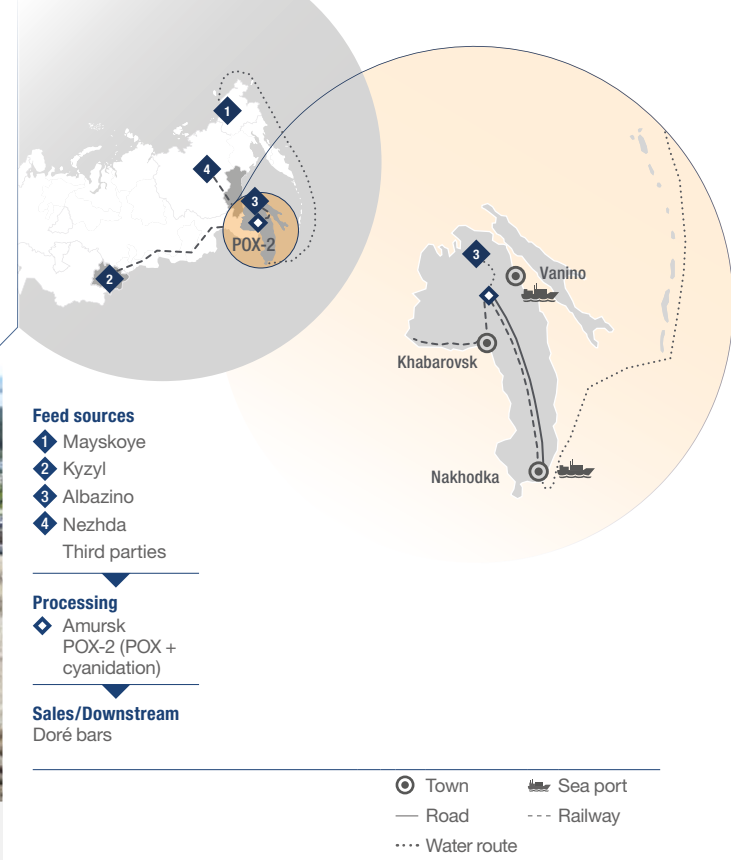
500 Koz
Expected annual gold production

300 Kt
Annual concentrate processing capacity

\$450m
Start-up capital expenditure fully funded from operating cash flow

Location: Khabarovsk Region, Russia
Feed: Kyzyl, Nezhda, Mayskoye, Voro, 3rd party concentrate
Processing: High-temperature POX, intensive cyanidation

Production start date: Q3 2023
Full ramp-up: End of Q4 2023

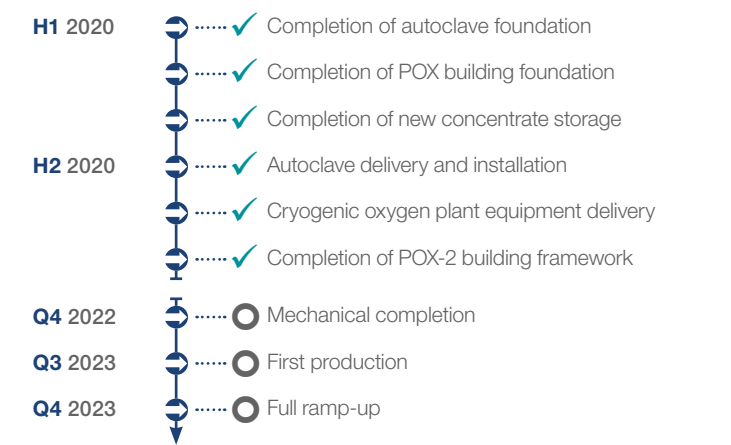


The operation is due to be commissioned in Q3 2023 and fully ramped up by the end of that year.

ESG highlights

- The environmental footprint of the Company’s value chain will decrease significantly because of the substantial reduction in air pollution, water usage and solid toxic waste.
- POX-2 will create 400+ new jobs with a focus on providing local career opportunities for engineers and technical staff, and encouraging young talent.
- Since 2009, Polymetal has invested more than \$11 million in some 300 social projects in the city of Amursk, focused on healthcare, education, culture, sport and city infrastructure, that will help to improve the quality of life for local people.

Key milestones



Priorities for 2021

- Completion of detailed engineering in POX high pressure areas
- Installation of equipment at the oxygen station
- Assembling of pipelines, valves, automation and safety systems
- Completion of the main infrastructure facilities.

Unlocking the value of refractory reserves

POX-2 leverages our core technical capabilities and is expected to generate significant economic benefits as all refractory concentrates will be retained for in-house processing instead of being sold to third-party offtakers. The project will ensure the strategic security of downstream processing against the backdrop of tightening environmental regulation in China, as well as enabling Polymetal to create the capacity for treatment of third-party refractory concentrates.

2020 highlights

The autoclave vessel was installed at the POX-2 construction site on schedule. The metal framework of the POX building has been completed. The heating circuit is being finalised. Foundations for desorption/electrolysis circuits, as well as the oxygen station, have been completed and the construction of metal structures is underway. Detailed engineering is 95% finalised by Hatch and 50% by Polymetal. Design and engineering documentation on the key infrastructure facilities has been completed. The construction of the concentrate storage facility has been finalised; the administrative building is nearing completion; repair shops and storage depots are in progress.

Albazino



1,993 Kt
Ore mined (-7%)

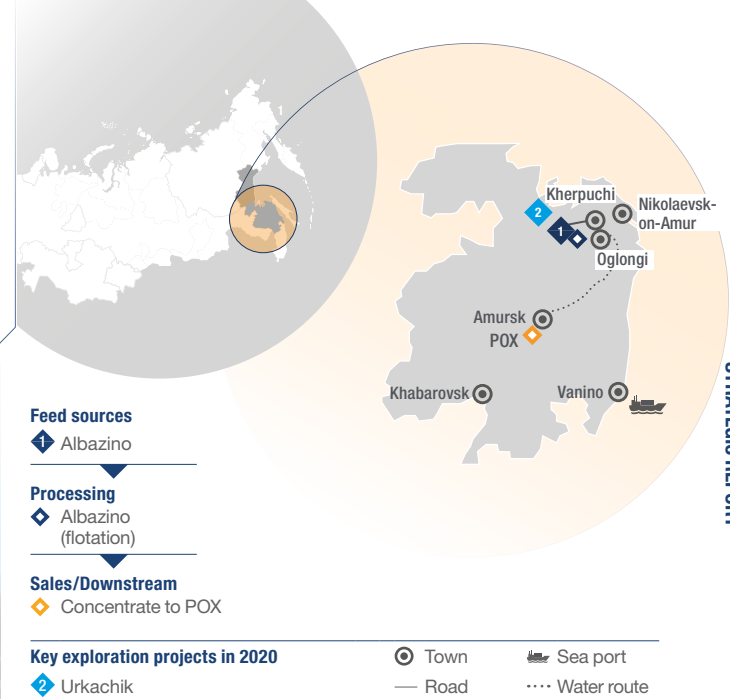
261 Koz
Total gold production (+8%)

\$264m
Adjusted EBITDA (+58%)

Location: Khabarovsk Region, Russia
Managing director: Oleg Voronin
Employees: 1,407
Mining: Open-pit/underground

159 Kt
Concentrate processed at the Amursk POX

Processing: 1.6 Mtpa flotation + POX and CIL processing at Amursk
Production start date: 2009
Life of mine: 2044



Gold recoveries at the Albazino concentrator improved to 87.2%, compared with 86.6% in 2019. Concentrate of 143 Kt with an average grade of 49.9 g/t was produced. Gold in concentrate volume was up 4% to 229 Koz. The total gold output for 2020 amounted to 261 Koz, an 8% increase.

Polymetal instigated a feasibility study to evaluate the financing options for constructing a grid power line to the Albazino production site.

Development

Construction at the Kutyn heap leach project began. Kutyn will be developed as part of the Albazino hub with the first gold pour expected in Q2 2023.

Exploration

Exploration drilling (9.3 km) took place at the flanks and delineation of the ore body at Anfisa open pit. Exploration was carried out at the Talgiy section of the Urkachik area (92,000 m³ of trenches, 42.4 km of drilling). According to the initial estimate, Mineral Resources amounted to 0.5 Moz of gold with an average grade of 4.4 g/t.

25.5 km of exploration drilling and 24,400 m³ of trenches were completed at Kutyn. Exploration drilling was also carried out to assess the quality and availability of the primary ore and the Company identified interceptions that could be developed via underground mining.

2020 ESG highlights

- Evaluating financing options for the construction of a grid power line to the Albazino production site
- Supporting projects on preservation of the Nanai language, Khabarovsk Region.

Priorities for 2021

- Expansion of the despatching system’s functions to increase capacity of mining equipment
- Increased volumes of high-grade ore mined from Ekaterina underground
- Preparation of gold-rich Talgiy pit for open-pit mining in 2022
- Installation of a recycled water purification system at the concentrator to reduce the consumption of fresh water.

Operating assets

Varvara



159 Koz

GE production
(+16%)

\$128m

Adjusted EBITDA
(+38%)

3,745 Kt

Total ore processed
(+2%)

Location: Kostanay Region,
Kazakhstan

Managing director:
Igor Nikolishin

Employees: 1,269

Mining: Open-pit

Processing: 3.0 Mtpa leaching
for gold ore, 0.65 Mtpa
flotation for copper ore

Production start date: 2007
(operated by Polymetal
since 2009)

Life of mine: 2036

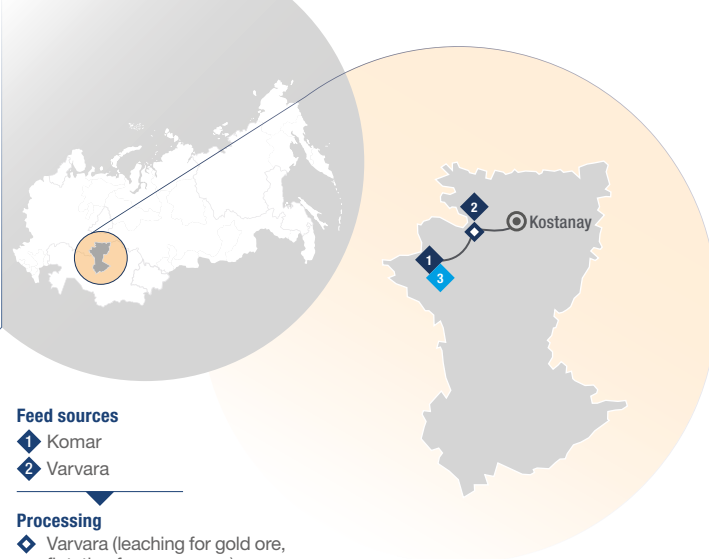
Third-party ore processing drives production growth

In 2020, Varvara hub delivered a record level 159 Koz of GE production, up 16% year-on-year, driven mostly by the processing of high-grade third-party ore at the flotation circuit.

Mining

Total mining volumes were 2,812 Kt, a decrease of 29% year-on-year. In 2020, all mining at Varvara open pit was focused on waste for constructing the new tailings storage facilities. At Komar, the average grade was 1.4 g/t, up 5% year-on-year.

An electric shovel was put into operation for stripping.



Feed sources

- 1 Komar
- 2 Varvara

Processing

- Varvara (leaching for gold ore, flotation for copper ore)

Sales/Downstream

Doré bars

Key exploration projects in 2020

- 3 Elevator

Processing and production

GE production grew by 16% to 159 Koz. Varvara continued to toll-treat third-party ore from Yubileynoye, a total amount of 425 Kt with an average gold grade of 3.5 g/t, as well as high-grade ore from Veduga, a total amount of 30 Kt with an average gold grade of 10.6 g/t. In Q2, Veduga feed was redirected to the Kyzyl flotation plant, which is more suitable for refractory gold ore.

The total ore processed was 3,745 Kt, up 2% year-on-year. The volume processed at the flotation circuit grew by 18% to 660 Kt, while at the leaching circuit it increased by 2% to 3,056 Kt.

Grades at the flotation plant were up (2.9 g/t compared with 1.5 g/t in 2019), driven by larger volumes of high-grade third-party ore through the circuit. Recoveries were also better due to flowsheet improvements. Average grade in ore processed at the leaching circuit was stable at 1.4 g/t.

Exploration

In 2020, 8.1 km of drilling was completed (44 drill holes) at Elevator. The goal was to explore the primary gold ore for open-pit mining. The preliminary internal estimate confirmed a potential increase of Mineral Resources at the deposit.

2020 ESG highlights

- Start of Cyanide Management Code compliance audit
- Safety programme monitoring driver fatigue.

Priorities for 2021

- ‘Hot Seat’ implementation at Komar for productivity growth
- Optimisation of railway transportation (fully owned rolling stock)
- Start of hydraulic facilities construction
- Preliminary feasibility study of Elevator deposit and preparation for development.

Svetloye



1,888 Kt

Total ore mined
(+20%)

119 Koz

Gold production
(-11%)

\$167m

Adjusted EBITDA
(+17%)

\$375/GE oz

Total cash cost
(+21%)

Location: Khabarovsk Region,
Russia

Managing director:
Vasilina Tarabarova

Employees: 624

Mining: Open-pit

Processing: 1.3 Mtpa heap
leaching circuit

Production start date: 2016

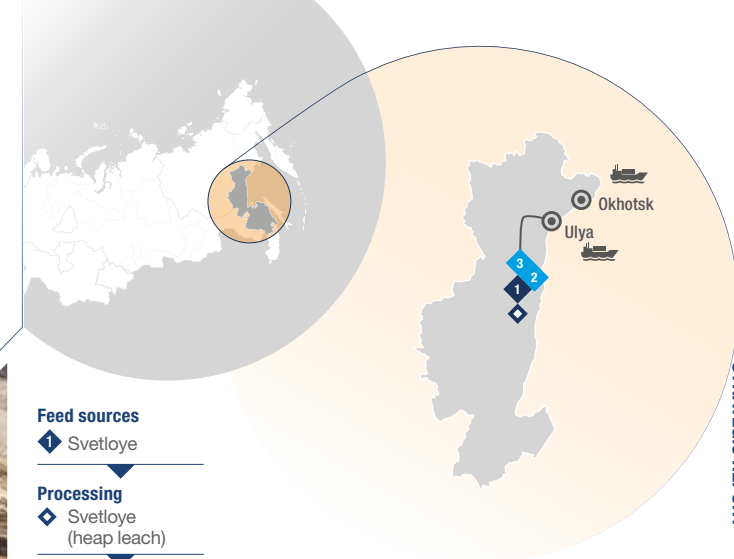
Life of mine: 2026

Reliable lowest cost operation

Svetloye contributed significantly to Polymetal's operating performance while being the lowest cash-cost operation within the Group.

Mining

In 2020, total ore mined at Svetloye increased by 20% to 1,888 Kt. Waste and ore mined were higher throughout the year, driven by high stripping volumes at the Emmy pit. Gold grade in ore mined was 2.7 g/t, 30% down compared with 2019, on the back of the planned depletion of sources of high-grade ore.



Feed sources

- Svetloye

Processing

- Svetloye (heap leach)

Sales/Downstream

Precipitate to
third parties

Key exploration projects in 2020

- 2 Kulyukli
- 3 Svetloye flanks

Processing and production

The amount of ore stacked remained unchanged at the planned level of 1,303 Kt. Gold production decreased to 119 Koz on the back of the lower grade of ore stacked. Svetloye demonstrated excellent cash-cost performance with TCC of \$375/oz and AISC of \$484/oz, the lowest level within the Group's portfolio.

During the year, several projects have been implemented aimed at reinforcing operational safety, including modernisation of the ventilation systems at the analytical laboratory and the integrated security systems.

Exploration

In 2020, exploration activities were conducted on the flanks of the ore zones using surface trenching. A number of ore interceptions at new and explored ore bodies were identified at the Emmy, Lyudmila and Tamara deposits, which will be further studied in 2021 with the aim to increase mineral resources.

2020 ESG highlights

- Providing equipment to local schools for robotics classes, Khabarovsk Region
- Targeted assistance for members of the local community experiencing difficult circumstances.

Priorities for 2021

- Maintaining stable gold production
- Recovery growth due to the bypass technique
- Increasing crushing capacity for screening and humid ore drying.

Operating assets

Mayskoye



139 Koz
Total gold production
(+8%)

6.6 g/t
Average gold grade
(+8%)

912 Kt
Ore processed
(+4%)

1.8 Moz
Gold Reserves

Location: Chukotka, Russia
Managing director: Tagir Ibragimov
Employees: 985
Mining: Open-pit/
underground

Processing: 910 Ktpa
flotation, Amursk POX,
third-party offtake
Production start date: 2013
Life of mine: 2037

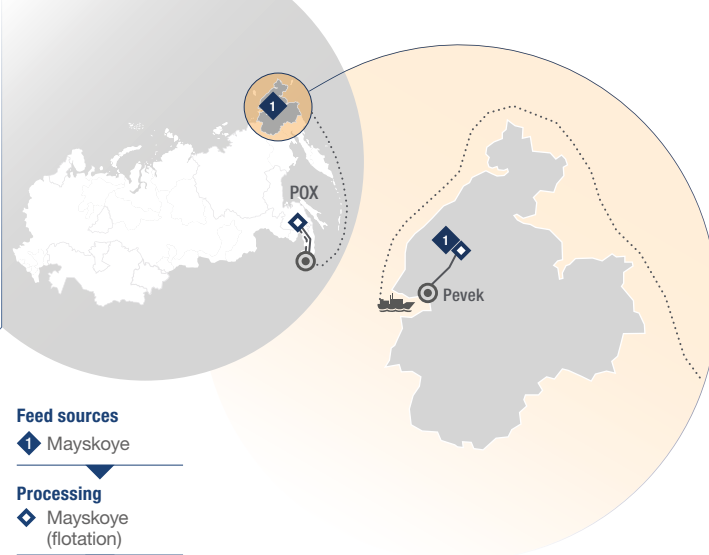
Long-life high-grade refractory gold mine

In 2020, Mayskoye produced 139 Koz of gold, an 8% increase compared with 129 Koz in 2019, making a sustained contribution to the Group's strong operating performance.

Mining

In 2020, the volume of ore mined increased to 1,039 Kt: volume of ore mined from underground increased by 20% to 761 Kt, while open-pit mining increased by 56% to 278 Kt. The average gold grade in ore mined was up 8% year-on-year to 6.6 g/t.

The Company decided to continue open-pit mining through another pushback at Zone 1. The pushback will create substantial value given the current gold-price environment. In addition, open-pit ore tonnage will reduce risks at the underground mine where the development of the new material handling system has started (an electric conveyor will replace diesel trucks). First oxide ore is expected in Q1 2021 with processing to commence in Q2 2021.



Feed sources

◆ Mayskoye

Processing

◆ Mayskoye
(flotation)

Sales/Downstream

◆ Concentrate
to POX

● Town 🚢 Sea port
— Road --- Railway
.... Water route

In August, Polymetal and SMT Scharf AG signed a Memorandum of Understanding to co-operate in development of underground electric vehicles. During the 2021 navigation period, two electric underground LHDs and two electric trucks are due to be delivered on site. In Q4, underground development for the electric ore conveyor commenced; the project start-up is scheduled for 2022.

In order to reduce waste disposal above ground, the Company will use the backfill method at the Mayskoye underground. In 2020, basic engineering was completed; the project start-up is expected in 2023.

Processing

In 2020, ore processed was up 4% year-on-year to 912 Kt, with an average gold grade of 6.6 g/t (2019: 6.1 g/t). Recoveries increased to 83.6% (2019: 82.1%), driven by flowsheet improvements.

The gold in concentrate produced increased by 10% year-on-year and comprised 145 Koz, reflecting higher recoveries and a higher volume of ore processed at the circuit.

Total payable gold production at Mayskoye increased by 8% to 139 Koz. In 2020, all Mayskoye concentrate was sold to China, as the capacity at the Amursk POX was taken up by higher-margin material.

2020 ESG highlights

- Transition to underground electric vehicles aimed at carbon-footprint reduction
- Tailings storage facility was audited by Knight Piesold Limited.

Priorities for 2021

- Underground electric vehicles development (underground LHDs and electric trucks)
- Start works at levels below 100 m and increase mining of high-grade ore
- Construction works on conveyor and stowing complex projects.

Voro



89 Koz
Gold production
(-16%)

1,043 Kt
Ore processed at CIP
(-1%)

\$487/GE oz
Total cash cost
(+27%)

67%
Adjusted EBITDA margin
(2019: 69%)

Location: Sverdlovsk Region,
Russia
Managing director: Boris Balykov
Employees: 670
Mining: Open-pit

Processing: 1.05 Mtpa CIP
circuit, 22 ktpa heap leach
circuit
Production start date: 2000
(HL), 2005 (CIP)
Life of mine: 2037 (CIP)

Life-of-mine extension through flotation circuit

In 2020, the initial JORC-compliant Ore Reserve for the Pescherny deposit was established, which importantly extends Voro's life-of-mine. Construction of the Voro flotation proceeds on schedule.

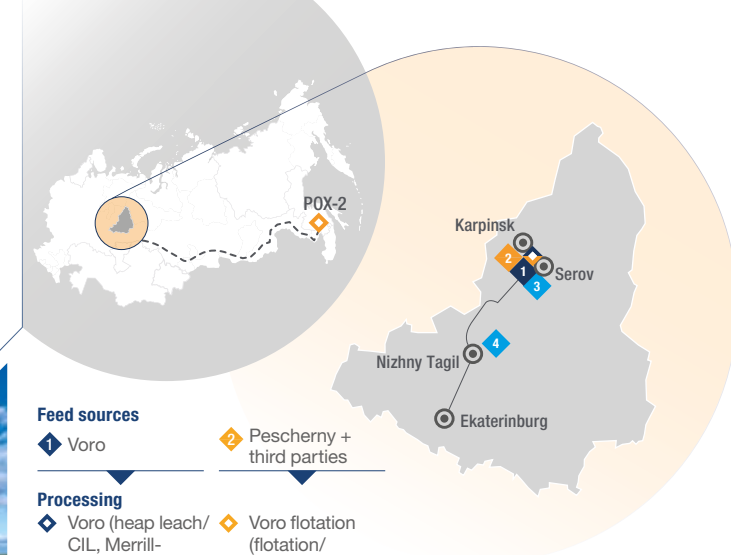
Mining

At Voro, open-pit mining was completed in January 2020. Technical studies to determine the feasibility of underground mining are under way.

Processing and production

In 2020, the CIP plant delivered throughput of 1,043 Kt of ore processed, flat year-on-year, while gold recovery was down to 82.7% compared with 86% in 2019. The average gold grade in ore processed was 2.2 g/t, a 37% decrease from 2019. In November, processing of high-grade ore with an average grade of 10.6 g/t from Saum, a satellite deposit, commenced at the plant.

Total gold production at Voro decreased year-on-year to 83 Koz, as the CIP plant turned to processing lower-grade stockpiles.



Feed sources

◆ Voro

◆ Pescherny +
third parties

Processing

◆ Voro (heap leach/
CIL, Merrill-
Crowe)

◆ Voro flotation
(flotation/
gravity)

Sales/Downstream

◆ Doré bars

◆ Concentrate
to POX-2

Key exploration projects in 2020

◆ Serebryansky

◆ Salda

● Town — Road
--- Railway

The heap leach facility processed the remaining part of the oxidised ore earlier in the year. At the heap leach plant, gold production was stable year-on-year at 15 Koz.

Development

Construction of the Voro flotation proceeds on schedule, and the foundation works for the concentrator and administrative building have been completed. The metal framework for constructing the concentrator building is in progress. The plan is to process flotation tailings using the existing CIP technology.

The plant is expected to process both own and third-party feed through gravity/flotation plus POX technology, with an annual capacity of 450 Kt and production of 100 Koz of GE.

Exploration

Exploration was focused mostly on the western section of the oxidised ores. 1.7 km of drilling was completed. In 2021, the Company is planning to continue exploring nearby promising areas.

Drilling was carried out at the Salda property aiming at tracing the identified mineralisation along strike and dip. In total, 3.9 km was drilled (48 drill holes). Technological surveys on run-of-mine samples demonstrated that the ore is suitable for processing at the Voro plant. In 2021, the Company plans to continue exploration at the section and its flanks.

2020 ESG highlights

- Multi-stage reverse-osmosis water treatment system to ensure safe water discharge
- Renovation of public roads.

Priorities for 2021

- Inclusion of Saum and Pescherny oxidised ore in processing
- Secondary processing of heap leach oxidised ore
- Optimisation of cake placement in storage
- Advancement of flotation plant construction.

Development projects

Nezhda



4.4 Moz
Ore Reserves

25 years
Life-of-mine

\$330m
Start-up capital expenditure (updated)

2.0 Mtpa
Concentrator capacity

Location: Republic of Sakha (Yakutia), Russia

Managing director: Alexander Simon

Employees: 531

Mining: 25 years (19 years of conventional open-pit mining 2019–2037, 17 years of

underground mining 2029–2045)

Processing: Flotation/Gravity concentration + off-take/ Amursk POX

Production start date: Q4 2021

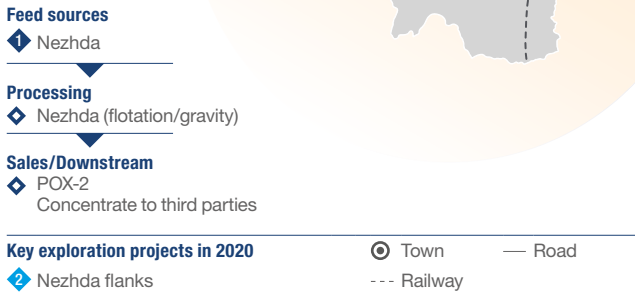
Life of mine: 2045

World-class long-life gold deposit

Nezhda is Russia's fourth largest gold property with excellent exploration potential. The project is capital light and will contribute to dividends per share in 2022.

Development

In 2020, pre-stripping and construction proceeded according to plan. As of the end of the year, the plant's building was completed, and flotation and gravity equipment has been installed. A new boiler house has been commissioned with permanent heating established in all buildings including the concentrator. An ore crusher and crushed ore reclaim feeders were installed.



Stripping volumes in 2020 comprised 10 Mt. The amount of ore mined was 411 Kt; average gold grade in ore mined was 3.0 g/t.

In 2020, exploration activities were carried out on the southern and eastern flanks aimed at the extension of Nezhda mineral resources. 4.9 km of drilling and 123 km of trenches were completed. The drilling made it possible to determine ore zones with potential for an increase in mineral resources, as well as confirming the further exploration potential of previously underexplored ore zones.

In 2021, Polymetal is planning to continue exploration activities on the flanks of the deposit to identify new mineralised zones and update the mineralisation model of the known ore bodies, as well as to verify the newly revealed geochemical anomalies.

Sustainable development

The project review received positive feedback from the state ecological expert and at public hearings. Green technologies (dry tailings storage, grid power instead of diesel) will reduce the environmental impact. More than 950 jobs will be created.

We are helping local communities and indigenous peoples through investment in education, healthcare, supporting sport and cultural activities, and targeted communities assistance.

Power line

In June 2020, Polymetal entered into a preliminary lease agreement to lease on pre-agreed terms for the single-circuit 110 kV grid power line running from Khandyga to Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company.

The construction of the power line linking the site to the grid is progressing well. Grid connection will reduce overall power costs, enhance the economics of Nezhda and drastically reduce its environmental footprint. It will reduce Nezhda's CO₂ equivalent emissions by 75%, from 64 Kt to 16 Kt per year, and the Group's total emissions by 4%, as well as minimising environmental accident risks associated with the transportation and storage of large volumes of diesel fuel.

Priorities for 2021

- Use of full control system when putting pit walls in design position
- Ensure growth of open-pit mining volumes by 20%
- Pre-commissioning plant operation
- Completion of power line construction and installation works
- First production in Q4 2021.

Key project milestones

Q1 2019	Start of construction
Q3 2019	First ore mined
Q4 2019	Plant framework construction and winterisation
Q1 2020	Start of equipment installation
Q4 2020	Commissioning of diesel power plant completed
Q2 2021	Mechanical completion
Q3 2021	Start of commissioning activities
Q4 2021	End of commissioning activities and first production
Q2 2022	Full ramp-up
Q3 2022	Grid power to the production site



Key exploration projects

Veduga



2.7 Moz¹
Ore Reserves at 4.5 g/t Au

\$450m
Capital expenditure

220 Koz
Production of gold per annum

20+ years
Life-of-mine (combined open-pit and underground)

Location: Krasnoyarsk Region, Russia

Managing director: Victor Demeschik

Employees: 230

Ownership: 59.4% with an option to increase the stake to 100%

Mining: Open-pit (4 years) followed by underground (15 years)

Processing: 1.5 Mtpa conventional flotation + Amursk POX

High-grade refractory ore deposit

Ore mining at Veduga ceased in October with focus shifting to building the exploration decline and pre-stripping ahead of potential approval of the project in 2021.

Development

The tender for the site infrastructure engineering survey and project documentation preparation has been completed. Vendor documentation for concentrator equipment is being developed. The construction agreement for the mining camp has been signed. The necessary equipment has been delivered and staff have been hired.

The exploration programme preparation and geomechanical model preparation are in progress.

The theoretical project schedule assumes an investment decision in Q4 2021. The processing plant is supposed to be launched in the first half of 2025. The start of underground mining is scheduled for 2028.



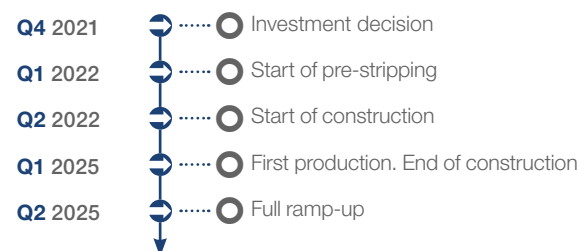
The plan is to complete construction of the main facilities (hostel, maintenance building, pumping station, sewage treatment plant, heat supply and electric supply grids, fuel storage, and outdoor unitised transformer substation) by the end of 2021.

In 2021, Polymetal also plans to perform technical and economical evaluations of development options for the deposit, comparing construction of a skip shaft and extraction via belt incline; assessing open-pit mining/ underground mining boundaries in order to achieve optimal mining capacity and specifying processing parameters for the plant.

In 2020, exploration drilling at the deeper levels of the ore body 1 was performed to assess its resource potential, as well as at the Strelka section in order to trace ore bodies along strike and dip. 27 km of drill holes were completed. The updated additional Mineral Resource estimate for Veduga increased sevenfold compared to last year and totalled 1 Moz of gold (based on Polymetal's share in the project of 59.4%).

In 2021, the Company will continue evaluating deeper levels of ore body 1 and delineate ore bodies at the Strelka zone. Licensing and exploration activities at the promising new areas are also expected.

Conceptual project schedule



Priorities for 2021

- Complete Ore Reserve estimate
- Investment decision
- Construction of main facilities and infrastructure.

Prognoz

142 Moz
Ore Reserves (Ag) at 560 g/t

\$250m
Start-up capital expenditure

13.5 Moz
Production of silver per annum

Location: Republic of Sakha (Yakutia), Russia

Managing director: Alexander Akamov

Employees: 96

Mining: Open-pit (9 years), followed by underground (10 years)

Processing: Flotation

Ore Reserves: 142 Moz of Ag at 560 g/t (JORC)

Additional Mineral Resources: 100 Moz of Ag at 552 g/t (JORC)



One of the best silver development projects globally

Prognoz is the largest undeveloped primary silver deposit in Russia and currently one of the world's top silver development projects.

The initial JORC-compliant open-pit Ore Reserve estimate, as at 1 March 2020, comprised 7.9 Mt of ore with an average silver grade of 560 g/t, containing 142 Moz of silver. Mineral Resources additional to Ore Reserves are estimated at 5.6 Mt of mineralised material with an average grade of 552 g/t for 100 Moz of silver contained.

Viksha

156.5 Mt
Mineral Resources

2H 2021
Initial Ore Reserves estimate

3.5 Moz of Pd
1.3 Moz of Pt

0.7 Moz of Au
157.7 Kt of Cu

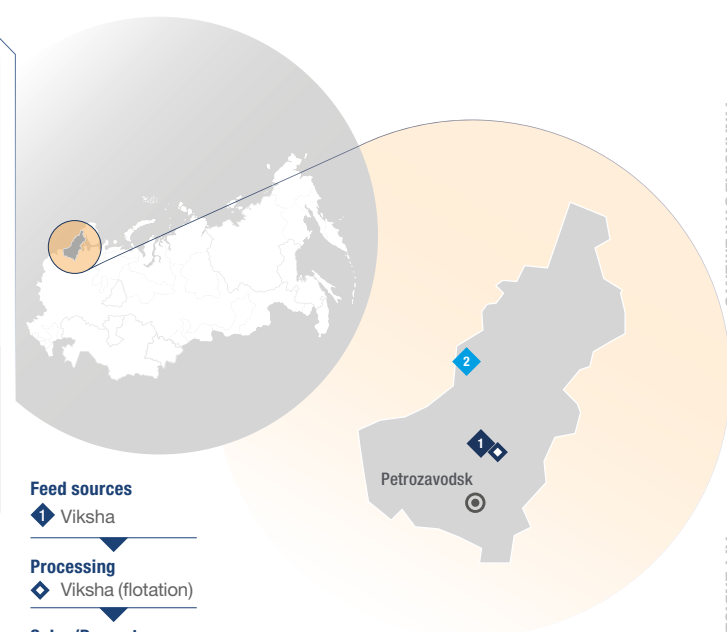
Location: Republic of Karelia, Russia

Managing director: Vladimir Dunaev

Employees: 90

Mining: Open-pit

Processing: Flotation + offtake



Our first platinum group metals asset

Viksha is Polymetal's first platinum group metals (PGM) project with high potential as one of the world's largest deposits.

In 2020, 14.3 km of drilling works aimed at transferring mineral resources to the indicated category were completed; 4,200 samples were taken.

The development decision is due in the first half of 2024 and, providing this is positive, the asset could begin production in 2027.

¹ Ore Reserves in accordance with the Company's ownership equal to 59.45% comprise 1.6 Moz.

Moving towards a safer world



The last year has been a stark reminder of both our vulnerability and our connectedness as a civilisation. These themes have long resonated with Polymetal as we place great emphasis on robust risk management and trusted community relationships.

Like most organisations, our processes were tested during Covid-19. I am pleased to say that they held up well, containing site outbreaks from spreading and enabling production continuity. Our zero-harm culture requires decisive leadership – this is why our CEO and COO – and their deputies – all have health and safety indicators as part of their remuneration-linked KPIs. It has also required all eyes to be on critical risks and, in 2020, we scaled up our work with contractors to take a firmer approach to risk mitigation. We also conducted an extensive assessment of all hazardous facilities built in permafrost areas to confirm the stability and safety of these constructions at our operations.

Whilst managing the coronavirus risk for our people and communities, we allocated \$3.4 million additional financial support to medical organisations for specialised diagnostic equipment, PPE and medicines. Partnerships and infrastructure investments in our neighbourhoods have always been part of our heritage as we recognise the social and economic responsibilities we have to those who host us.

Responsible tailings, water and climate management

We welcome the new Global Industry Standard on Tailings Management and have committed to compliance in all operations by 2023. Dry stacking technologies currently deployed at Amursk POX and Voro operations will soon be



The last 12 months have only reinforced our commitment to working in partnership with industry peers, expert organisations, communities and governments to solve Environmental, Social and Governance (ESG) challenges.”

rolled out to Omolon, Nezhda, POX-2, Dukat and Veduga. We reduced our fresh water consumption by 36% in 2020 by reusing water and extracting waste water – in fact, we now reuse or recycle 89% of our water. Our plant at Voro received a best environmental solution award recognising its multi-stage water treatment system for safe water discharge.

On climate management, we saw a 4% reduction in greenhouse gas emissions intensity. This can be attributed to energy-efficiency initiatives, a shift from diesel to grid energy sources and green energy contracts. We are also switching our mining fleet to electric vehicles, placing our first order of battery underground vehicles in 2020. As well as our two existing solar plants at Omolon and Svetloye, we are investing in more than 7 MW of solar and wind projects over the next three years. These investments not only help us meet our carbon targets (and, in turn our commitment to UN Sustainable Development Goal 13), but they also build the energy security of our remote sites.

In 2020, we disclosed land-related information via CDP Forest for the first time. We plan to continue to strengthen our biodiversity-related reporting in the years ahead, with a view to understanding our complete biodiversity footprint and achieving a net positive impact. We also agreed a Green Loan Principles-compliant loan – a world first for the gold mining sector. The credit facility of \$125 million with Société Générale will attract long-term financing for our green projects and help us reduce our environmental impact.

Championing women in mining

In 2020, Polymetal co-founded the non-profit organisation Women in Mining Russia, together with other mining companies and industry-related partners. Our mission is to promote the career development and leadership of women in the mining industry in Russian speaking countries, including Kazakhstan. This mirrors our work internally to achieve a balance of female senior managers, which we are tackling through our Talent Pool and management training around creating diversified teams.

Our shared responsibility

I want to thank all my team and colleagues at Polymetal, as well as our trusted partners and suppliers, for their hard work to deliver on our sustainability priorities during challenging circumstances. Sustainability remains the

cornerstone of Polymetal's business model – but, as 2020 has proven, we cannot be complacent. Nor can we progress in isolation from the wider society.

It is why the last 12 months have only reinforced our commitment to working in partnership with industry peers, expert organisations, communities and governments to solve environmental, social and governance (ESG) challenges. We continue to be guided by multi-stakeholder initiatives such as the UN Global Compact – the world’s biggest business sustainability initiative – in order to show our shared responsibility as we all move towards a safer

world. We have also recently signed up to the Anti-Corruption Charter of Russian Business to actively support the voluntary implementation of special anti-corruption programmes by Russian companies, which provide for internal control procedures, refusal of preferences, procurement based on open bidding, financial control, training and work with personnel and assistance to law enforcement agencies.

Daria Goncharova
Chief Sustainability Officer

Performance in 2020

LTIFR

0.12

-38%

Fatalities

0

(2019: 2)



GHG intensity
(t of CO₂e per Kt of ore processed)

76.3

-4% year-on-year

Energy intensity
(GJ per Koz of GE produced)

4,414

-3% year-on-year

Share of water recycled and reused

89%

+2 pps year-on-year



Dry stack tailings

11%

of total tailings

Aligning sustainability with consistently robust investor returns requires us to apply high levels of innovation and to be accountable for our actions.

Delivering on our sustainability objectives requires leadership from the very top of the organisation. Our approach is therefore overseen by Board-level Committees, with our Group CEO having ultimate accountability. During the year, our Board conducted several sustainability performance reviews, and approved sustainability initiatives and reporting. The Safety and Sustainability Committee has a mandate to provide support to the Board on the Group's safety record, sustainability performance and ethical conduct. It oversees our approach and the implementation of short- and long-term policies and standards. The Committee also makes sure that we work ethically, transparently and responsibly, engaging with key stakeholders and local communities.

Our approach

At Polymetal, we take a long-term view to business, ensuring that the economic benefits we create are shared by all stakeholders. This approach is not only vital to our social licence to operate; it is what sets us apart in a competitive market. We engage with stakeholders to identify what matters most to them, set measurable targets against material issues and apply the highest standards of corporate governance and risk management. Our strategy of focusing on high-grade deposits in specific geographies minimises our environmental footprint and, at the same, time enables us to gain a better understanding of the needs and priorities of local communities.

Our sustainability strategy is designed to meet the principles of the UN Global Compact, to which we signed up voluntarily in 2009. We comply with the Ten Principles relating to the environment, labour, human rights and anti-corruption, and participate in the UN National Network Russia. Alongside our corporate values of dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness, the Ten Principles help inform our sustainability policies. We also support the UN's 2030 Agenda for Sustainable Development and contribute to the goals and targets that are most relevant to our business (as illustrated on the opposite page).



Stakeholders and materiality

As well as operating as a responsible business and mitigating risks that may impact society, we also proactively invest in meaningful dialogue with a diverse range of stakeholders. We do this through a range of channels and any feedback or concerns inform our materiality decisions, as well as our disclosures and risk management.

We report most material topics according to GRI Standards, Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD). As part of this, we identify the social, economic and environmental issues that our stakeholders care most about. We also analyse industry and societal trends, investor and ESG analyst requests, peer companies, community grievances, risks identified and issues reported to our Board. The table on pages 56–57 outlines our eight high-priority material issues, targets for each issue and our progress towards the targets in 2020.

Minimising sustainability risk

Identifying risks to our people, our business and to wider stakeholders is an ongoing activity. Our Risk Management System (RMS) ensures that risks are appropriately identified, assessed against tolerance levels and managed Groupwide. Whilst each one of us has a responsibility to identify and communicate risks, ultimate accountability lies with our Board and executive management. Along with operational and financial risks, we include sustainability risks in the Company-wide RMS and in the annual internal audit plan.

In 2020, we updated our list of principal risks to reflect external factors such as the Covid-19 pandemic, interest rate decreases, amendments to the double taxation treaty with Cyprus, environmental incidents in our industry and new requirements around managing climate-related risks and opportunities. We also identified human capital risks as a new principal risk as a result of Covid-19. These updates do not impact the fundamentals of our Policy or the RMS.

Contributing to SDGs within our impact areas

We have mapped strategic impact areas to relevant SDGs and targets. This was based on a four-step process that helped us to identify and prioritise key issues; then set data dimensions and finally allocate the contributions of Polymetal and our investors to those issues. The impact areas have been identified in partnership with stakeholders and by studying best practice.

Impact area	Our contribution	Relevant SDGs
Economic impact, income & security Relevant material issues: - Supply chain - Employees - Communities	- Increasing our operational efficiency to gain competitive advantage and financial sustainability, thus contributing to national and local economic growth. - Increasing the share of local procurement and thus supporting entrepreneurship and contributing to better quality of life in remote locations. - Enhancing supply chain contractors' engagement practices, particularly in remote locations and often in extreme temperatures.	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH Relevant targets 1.48.1 8.3
Employment, education and demography Relevant material issues: - Employees - Communities	- Increasing gender diversity in every function and eliminating the gender pay gap. - Promoting innovative new training solutions and providing a flexible learning environment for all staff, including those in very remote locations. - Implementing infrastructure projects to ensure a decent quality of life for local communities, including health and childcare support for mining and non-mining workers and their families. - Scaling up training and development of locally hired personnel, broadening opportunities for them to progress into senior management positions. - Building local workforce capacity while reducing the social and environmental burden of fly-in-fly-out employment.	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH Relevant targets 4.48.5 8.8
Human rights Relevant material issues: - Health and safety - Employees - Climate change - Water - Waste and pollutants - Biodiversity and lands - Communities - Supply chain	- Enhancing human rights training and assessment practices across Polymetal sites and business units. - Dissemination and promotion of human rights requirements and best practices across upstream and downstream supply chain contractors. - Advancing human rights auditing practices and preventive measures across upstream and downstream supply chain contractors.	5 GENDER EQUALITY 16 PEACE, JUSTICE AND STRONG INSTITUTIONS Relevant targets 5.116.7 16.10
Environment, health & safety Relevant material issues: - Health and safety - Climate change - Water - Waste and pollutants - Biodiversity and Lands	- Construction, development, operation, acquisition and maintenance of transportation infrastructure with a lower environmental impact. - Increasing generation of renewable energy. - Installing systems that reduce energy consumption. - Implementing projects aimed at sustainable management of water resources. - Implementing technologies for safer waste management/disposal. - Launching transmission lines projects that will allow us to connect our sites to renewable energy sources.	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Relevant targets 3.412.12 3.9
Land use Relevant material issues: - Biodiversity and Lands - Water - Waste and pollutants - Communities	- Improving infrastructure, telecommunications, power and water supplies for communities in or near Polymetal operations and associated areas. - Leading technologies applied at mine closures to ensure constant improvement of mine lifecycle management. - Advancing land rehabilitation and reclamation practices. - Conducting biodiversity monitoring and planning prevention and mitigation measures. - Considering biodiversity data in the investment decision-making process.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 15 LIFE ON LAND Relevant targets 9.115.1

Proactive dialogue with our stakeholders

Engaging with stakeholders is critical to our licence to operate and continued high performance. As well as operating as a responsible business and mitigating risks that may impact society, we also proactively invest in meaningful dialogue with a diverse range of stakeholder groups.

In doing so, we create long-term value for wider society. We engage with our stakeholders through a range of channels and any feedback or concerns inform our materiality decisions, as well as our disclosures and risk management.

Stakeholder group	Shared value	Related risks	How we manage these risks	Key issues 2020	How we engage	Read more
Employees 	Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skills. In return, we provide competitive remuneration, ensure decent working and living conditions, and invest in professional and personal development. We also ensure a safe and healthy working environment.	- Human rights risks - Unfair remuneration practices - Unequal opportunities for recognition and development - Insufficient or untimely communication, lack of feedback opportunities - Impact of Covid-19 on working conditions	- Salaries comparable to or above industry levels - Effective system of personnel development, improving professional and managerial skills - Providing favourable social and living conditions for employees - Ensuring open dialogue and feedback mechanisms	- Wages, benefits and social packages - Equal career and professional development opportunities - Support and engagement during Covid-19 - Human rights - Working and living conditions - Health and safety - Internal communication - Training and professional development - Compliance with relevant ESG standards and best practices	- Employee satisfaction survey - Worker councils and their representatives - Internal hotline, website, intranet and feedback mechanism - Meetings and face-to-face communication with management - Performance reviews - Employee questions to the Group CEO and Board with internally published responses	➕ Read more on pages 102, 109, 113
Communities 	We share the resources we depend upon with communities and positive relationships are essential. We work directly with communities and with relevant non-profit organisations for mutual benefit. In particular, we focus on ensuring the rights of indigenous communities and supporting them to flourish.	- Human rights risks - Local communities' concerns with changing living conditions - Negative impact on the traditional way of life of indigenous peoples - Pandemic-related support	- Identifying social risks through ongoing dialogue with local communities - Social investments in the development of territories	- Pandemic-related support to local healthcare institutions - Infrastructure development - Financial contributions and in-kind donations - Human rights - Grievances mechanisms - Local employment - Environmental and health impacts - Local culture, lifestyle, language and traditions	- Grievance mechanisms (telephone, email, etc.) - Opinion polls and questionnaires - Public hearings and site visits - In person and online meetings with company representatives, including annual results meetings - Press conferences and Q&As - Working groups - Corporate disclosure: website, sustainability reports, media, etc.	➕ Read more on pages 04, 06, 18, 20, 67–68, 102, 115–116
Government/ local authorities 	Positive relationships with national and local governments are critical to our licence to operate. We comply with all laws and regulations and engage transparently, particularly on mining legislation issues.	Negative effect on national interests of the country of operation	- Social partnership agreements - Ensuring best practice in labour relations, environmental management, safety, etc. and communicating them to the authorities - Transparent tax payments and disclosure	- Regulatory compliance - Taxes - Labour issues - Health and safety - Environmental responsibility - Infrastructure and community development - Local employment	- Working groups and meetings - Direct correspondence - Industry conferences	➕ Read more on pages 19, 51, 94, 115, 206
Suppliers, contractors and customers 	Those we trade with are vital to our value creation. We build stable, long-term relationships based on mutually beneficial terms. In collaboration with our business partners, both up and down the supply chain, we strive for 100% compliance with ethical, environmental and safety standards.	- Payment delays - Breach of contractual obligations - Actual contractual costs exceeding the planned budget	- Setting the same safety requirements for contractors we do for our employees - Focusing on long-term cooperation with contractors	- Compliance audits with Polymetal's requirements, with a focus on safety, environmental stewardship and labour practices - Supply chain transparency - Financial performance	- Direct correspondence - Contractual relationships - Meetings and trainings - Industry conferences	➕ Read more on pages 57, 69, 115
Capital providers 	We constantly deliver sustainable value to our shareholders and have strong partnerships within financial markets. In turn, these investors provide the capital to develop and expand our operations responsibly and sustainably.	- Failure to deliver on strategy (including meeting production guidance, launching new sites and paying dividends) - Reputational and compliance risks - Failure to maintain an 'investment-grade' credit rating - Insufficient or untimely information disclosures	- Corporate governance system that meets stock exchange requirements - Financial and operational KPIs - Transparent dividend policy and capital management - Risk management system - Financial discipline and sufficient liquidity maintenance	- Financial, operational and sustainability performance - Capital allocation and dividends - Alignment of shareholder and management interests - Investment projects development - Mergers and acquisitions - Refinancing; attracting new long-term financing - ESG approach - Health and safety - Managing Covid-19 risks	- Constructive dialogue at the General Meetings - Annual and Sustainability Reports - Timely information disclosures via corporate website and accredited news agency websites - Conferences and Investor days - ESG meetings - Presentations and conference calls - Site visits - Direct communication	➕ Read more on pages 02–03, 18, 21, 26–27, 29, 109, 112, 115

What matters most

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.

Key:

- ✓ Target achieved
- Target on track
- ✗ Target not achieved

Material issues	Targets	Performance in 2020	Status
Health & safety 	- Ensure zero fatalities - Maintain LTIFR below 0.2 - Year-on-year decrease in absent days following accidents	0 reportable fatalities 0.12 LTIFR (2019: 0.19) 1,583 absent days following accidents (2019: 1,760)	✓ ✓ ✓
Employees 	- Maintain turnover rate below 6% - Improve equality and diversity, including women's representation in the Talent Pool - Support labour rights	6.5% employee turnover (2019: 5.8%) 21% of employees are women (2019: 21%), with 25% of women in the Talent Pool 83% employees under collective agreements	✗ ● ✓
Climate change 	- Reduce GHG emissions intensity by 5% by 2023 (baseline 2018) - Achieve 7% of total electricity generation from renewable sources by 2025 - Update climate change scenarios and implement mitigating actions required to achieve the 2°C trajectory in 2021	4% decrease in GHG intensity compared to 2019 3,586 GJ of renewable energy generated – less than 1% of total generation - Conducted scenario analysis and climate risk assessment	● ● ●
Water 	- Reduce fresh water use¹ by 11% per tonne of ore processed by 2023 (baseline 2018) - Increase water recycled/reused - Ensure zero water contamination	36% y-o-y decrease in fresh water use for processing per unit of production (in the target scope) 89% of water reused/recycled (2019: 87%) 1 case of untreated water discharge	✓ ✓ ●

¹ Excluding water for non-technological purposes

Material issues	Targets	Performance in 2020	Status
Waste and pollutants 	- Reuse or recycle at least 16% of waste by 2023 - Achieve 15% dry-stack tailings storage by 2024 - Decrease sulphur dioxide emissions intensity by 1% by 2020 (2016 baseline)	17% of waste reused (2019: 14%) 11% of tailings dry stacked (2019: 10%) - Sulphur dioxide emissions intensity decreased by 26% to 0.055 t per kt of ore processed (2016: 0.074 t per kt of ore processed)	✓ ● ✓
Biodiversity and lands 	- By 2023 design a framework to evaluate Polymetal's biodiversity footprint - By 2023 develop biodiversity action plans for all high-risk sites, in collaboration with scientists, NGOs, and local communities - By 2023 examine a path to net-positive impact on biodiversity	- Not applicable, target set in 2020 - Not applicable, target set in 2020 - Not applicable, target set in 2020	● ● ●
Communities 	- Ensure zero community conflicts - Ensure positive engagement - Maintain the level of financial giving	- Zero conflicts 151 letters of gratitude 572 inquiries received and resolved (2019: 588) \$17.9m invested (2019: \$15.1m)	✓ ✓ ✓
Supply chain 	- Purchase from local suppliers whenever possible - Increase supplier engagement in sustainability	43% local purchasing (Kazakhstan: 82%; Russia: 37%) - Implemented human rights clauses in all contracts with business partners	✓ ●

Climate change

We are committed to UN Sustainable Development Goal 13 to ‘take urgent action to combat climate change and its impacts’. We are equally committed to disclosing climate-related information, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We assess the actual and potential impacts of climate change on our business strategy and financial planning. The Polymetal Board has ultimate responsibility for ensuring that any material climate-related risks and issues are appropriately identified, managed and monitored. Working closely with the Safety and Sustainability Committee, it reviews climate-related issues, including scenario analyses to manage risks and set ambitious, forward-looking Group goals. In 2020, guided by the Safety and Sustainability Committee, we undertook a deep-dive assessment of our climate risk management, TCFD compliance and alignment with the Paris Agreement. Conscious that our current climate change goals need to be more ambitious, we plan to develop a detailed carbon reduction plan on a 10-year horizon in 2021 and approve a step-by-step path to carbon neutrality in 2022.

Managing climate risk

Climate risk assessment is embedded in the Company’s strategy and is integral to the decision-making process for each project’s life cycle: from planning to exploitation and reclamation. In our corporate Risk Management System, climate change is considered to be one of the emerging risks which we closely monitor (please refer to page 97). We understand the critical importance of this given the high degree of uncertainty around climate-related risks. This is why, in 2020 we developed an integrated approach to scenario analysis of climate risks. This scenario analysis is based on Intergovernmental Panel on Climate Change (IPCC) forecasting models (so-called Representative Concentration Pathways) and scenarios, developed by the International

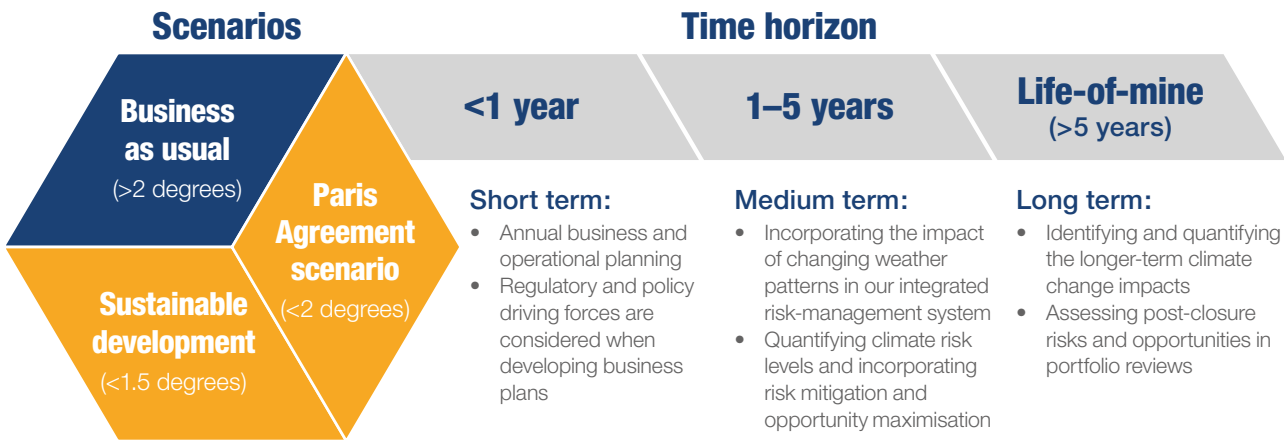
Energy Agency (IEA), which examine climate change through the prism of changes in world politics and economies. Our analysis applied TCFD recommendations to three climate scenarios:

- 1. Sustainable development: accelerated transition towards a low-carbon economy and limiting global temperature rise to 1.5°C above pre-industrial levels.
- 2. Paris Agreement implementation: limiting global temperature rise to less than 2°C above pre-industrial levels in accordance with the Paris Agreement.
- 3. Business as usual: slow transition towards a low-carbon economy with developing countries significantly lagging behind, and global temperature growth significantly above 2°C, compared to pre-industrial levels.

Our assets are located in remote regions of Russia and Kazakhstan, characterised by unique climatic and natural features and highly sensitive to warming temperatures. Our analysis therefore considers region-specific risks such as thawing permafrost and changes to seasonal river patterns and sea regimes. The processes by which we identify and assess climate risks are in accordance with the specially developed standard within our Climate Management System.

In 2020, we established a comprehensive register of Group and site-level climate risks and improved our climate risk assessment methodology, including scenario analysis. In 2021, we are planning to continue this work, whilst also deepening the financial analysis of climate risks with more detail and publishing our updated Integrated Climate Policy.

We have mapped each scenario above across three timeframe horizons:



Monitoring permafrost thaw

The thawing of permafrost is considered one of the most critical risks due to its potential impact on our physical infrastructure. For example, destabilised building foundations could result in bearing capacity failure and damaged building structures, unacceptable operating conditions or the complete collapse of buildings and structures, leading to economic and environmental damage and potential injury or loss of life. Other risks to our operations, associated with permafrost thawing, include reduced operational time of winter roads and ice crossings, and increased water levels

during floods or longer flooding seasons. We mitigate against these risks by regular monitoring and compliance with design, construction and operational regulations. Monitoring includes field observations of the condition of foundation soils, the temperature regime inside buildings and building structure movements. Upon detecting any signs of thawing of permafrost ground and hazardous defects in building structures, we inform all involved parties and take appropriate measures to remediate.

Key climate change risks and impact assessment

Significance level: ○ High ○ Medium ○ Low

Transitional							
Risk			Impact				
Limiting GHG emissions at national and international levels							
			Carbon tax payment	Fines for non-compliance with legislation or emission standards	Increased operating costs		
Implementation of environmental insurance							
			Environmental insurance payment	Increased operating costs			
Compulsory requirements for energy efficiency and renewable energy usage							
			Capital expenditure on adaptation and implementation of new technologies				
Increase in the cost of carbon-intensive resources							
			Increased operating costs				
Physical							
Acute (short-/medium-term)			Chronic (life-of-mine timescale)				
Risk		Impact		Risk		Impact	
Thermokarst processes in permafrost areas		Tailings storage facilities damage		Thawing of permafrost			
			Building and structural damage		Tailings storage facilities damage	Building and structural damage	Transport infrastructure damage
			Transport infrastructure damage				
Hurricanes		Power line breakages		Average temperature rises			
			Building and structural damage		Lack of water resources	Increased operating costs	
Shifts in rainfall/snowfall patterns		Power line breakages		Floods and longer flooding seasons (change in hydrological cycles)			
			Transport infrastructure damage		Disruption to logistics and shipping	Transport infrastructure damage	

Energy efficiency and renewable energy

By optimising the energy efficiency of our operations, we realise cost and carbon savings, whilst also embracing a low-carbon economy. Our Climate and Energy Management Systems, alongside our Carbon Management Policy, include regular energy audits and site level projects. We comply with all applicable regulatory requirements at a minimum; while actively reducing our carbon footprint or improving energy efficiency through innovation. For example, we deploy heat recovery technology to convert wasted heat from diesel generation and processing plants into electricity and heat for other premises. In 2020, 29% of our total heat requirement was met by heat recovery. Finally, we embed energy efficiency into new project design and procurement.

Renewable energy plays a crucial role in our low-carbon transition strategy, whilst also being critical to our energy security at remote mining sites. We have enabled solar photovoltaic generation at our Svetloye mine, and plan to launch two major renewable power plants at Omolon (2.5 MW in 2021) and Kyzyl (5–10 MW in 2022), as well as additional smaller plants at other sites. By 2025, our target is for 7% of our electricity requirements to be met from renewable sources.

As we switch from diesel to grid energy at many remote facilities, we are working with energy suppliers to increase the share of renewables in the purchased energy mix. Recognising that our vehicle fleet also contributes significantly to our GHG emissions, we are gradually introducing electric vehicles to replace diesel. In order to scale our transition to battery-enabled infrastructure, we are working with SMT Scharf AG, a leading manufacturer of underground electric vehicle and mining equipment.

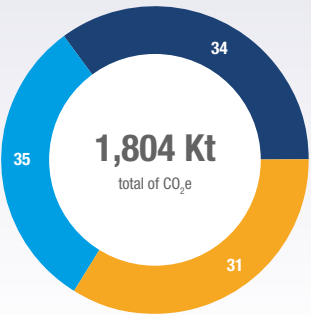
In 2020, we agreed a \$125 million green loan with Société Générale, which is intended to foster our carbon transition and lower our impact on the environment through a portfolio of eligible projects (you can read about this in more detail in our Sustainability Report 2020).

GHG emissions performance and disclosure

In 2020, our Scope 1 and 2 GHG emissions intensity decreased by 4% year-on-year. Our Scope 1 emissions remained stable compared with 2019, while Scope 2 decreased since it has been confirmed that Kyzyl sources a quarter of its energy from a hydro power plant.

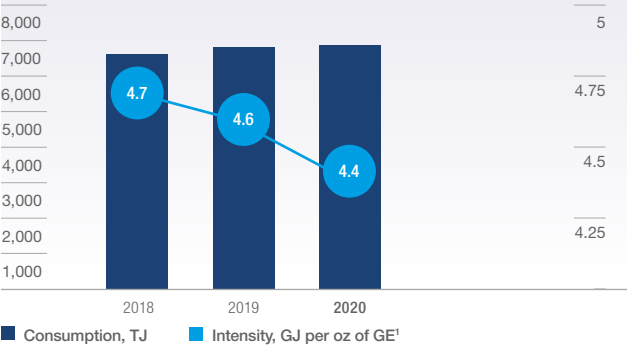
We are committed to providing full disclosure of our climate change-related information. Having adopted GHG metrics back in 2013, we are continually widening the scope of our emissions data capture. We have been reporting Scope 1 and 2 emissions since 2018 and continue to improve the accuracy, including reassessing baseline emissions while also requiring energy and materials suppliers and transport hauliers to measure and report their carbon footprints to us. We report under the TCFD recommendations and submit our energy and GHG profile to the Carbon Disclosure Project (CDP), achieving a rating of B- for our 2020 CDP profile (up from D in 2019).

CURRENT STRUCTURE OF POLYMETAL'S CARBON FOOTPRINT
GHG emissions 2020 (%)



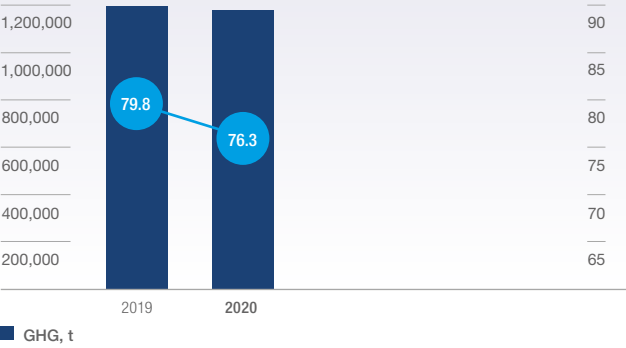
■ Scope 1 ■ Scope 2 ■ Scope 3

ENERGY INTENSITY



1 Based on a 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used an 80:1 Au/Ag ratio) and excluding base metals (which were previously included). Historical comparative data restated accordingly.

GHG EMISSIONS INTENSITY
(Scope 1 + Scope 2)¹



1 A new methodology has been applied since 2020 for more precise disclosure of emissions; data for 2019 has been restated accordingly for comparative purposes. Data for 2018 calculated using the old methodology is considered to be unrepresentative.

Water

Ensuring the right water balance means monitoring, metering and auditing our water use, whilst also carefully managing discharge water quality. The majority of our water is consumed by our operations during ore processing, with most of it circulating in a closed-water cycle. We are focused on minimising our fresh water withdrawal by recycling water at our sites, extracting waste water that has naturally seeped into our mines or drainage systems and capturing rainwater in ponds. When additional supplies are required, we may purchase from local utility companies. As a last resort, we utilise local or state authority permits to extract limited quantities from rivers, dams and groundwater aquifers. However, we never withdraw water from surface sources in environmentally sensitive areas or where water is of great importance to local or indigenous communities. We also ensure the quality of discharge water through regular laboratory tests at multiple monitoring points.

Water risks

We assess water risks annually as part of our environmental risk assessment. Currently, key risks related to water use include surface flooding and inadequate treatment that may affect ecosystems and communities.

Flooding: Excess surface water can be caused by heavy rain or water being pumped out of open-pit and underground mines, and may result in untreated water entering local rivers or lakes. We continuously innovate to find ways to use excess water, for example by pumping and using it in ore processing. To prevent floods, we proactively plan risk mitigation measures (purchasing additional pumps), continuously monitoring water levels and updating emergency response plans.

Poor water quality: With regard to water treatment, we rigorously ensure all discharge is purified using mechanical, physico-chemical and biological processes. We also continually monitor the quality of surface and ground water to ensure zero contamination. In 2020, we upgraded our water treatment facilities at our Voro plant and we plan to carry out similar projects at other sites during 2021.

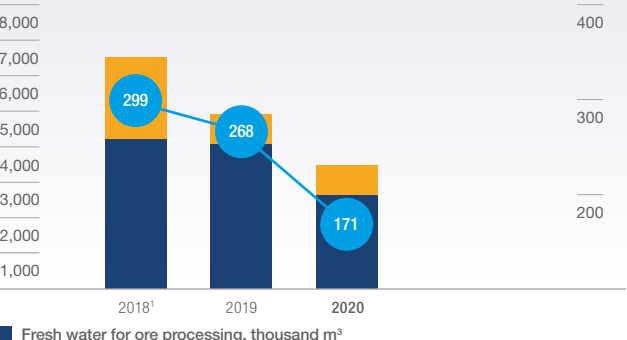
Water reuse and recycling

Despite the fact that water shortage is not identified as a significant risk at our sites, we strive to minimise fresh water withdrawal to reduce our impact on local ecosystems. As a result of our comprehensive Group-wide water programme, effective during the last three years, we reduced fresh water consumption intensity¹ by 43% as compared with the 2018 baseline year to 171 cubic metres of water per thousand tonnes of ore processed (2018: 299 cubic metres of water per thousand tonnes of ore processed).

We proactively plan water consumption and reuse, investing in technologies that will allow us to withdraw less fresh water. For example, this year at Omolon we installed a filtering system that prepares water for further reuse in technological processes. It has helped us decrease fresh water consumption at the operation by 64% compared with 2019.

At a Group level, our total fresh water use decreased by 29%, compare with 2019. In addition, 89% of total water that we consumed was recycled and reused. We will continue our efforts to decrease fresh water withdrawal in 2021 through projects that include pumping storm water from collecting ponds at Amursk POX and using mine drainage in ore processing at the heap leaching plant at Omolon.

FRESH WATER WITHDRAWAL



1 Excluding Okhotsk and Kapan operations sold in 2018 and January 2019, respectively.



1 Excluding water for non-technological purposes.

Waste and pollutants

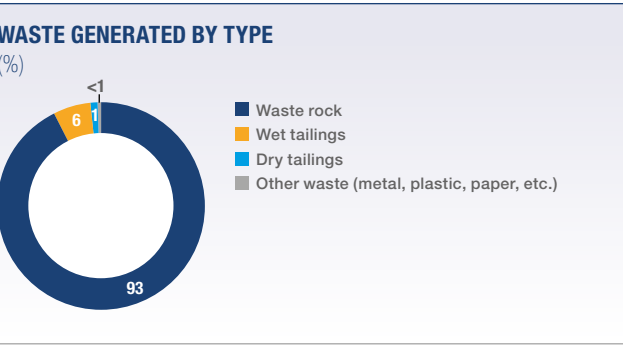
Alongside rigorous controls to prevent environmental contamination, we aim to decrease air pollutants, reuse waste where possible and dispose of unavoidable waste responsibly. Our focus is on preventive action through rigorous risk assessment and annually reviewed environmental management plans. We set Group-wide and mine-level targets for waste reuse and strive to continuously decrease emissions to air, keeping them within legally established limits.

We are guided by the ‘reduce, reuse, recycle’ principle when it comes to waste management. To minimise non-mineral waste, we aim to reduce the materials we use in processes such as quarrying, drilling and grinding; reuse overburden waste as backfill and construction material; and finally, recycle or landfill the remaining waste under local or state authority permits, closely monitored by our own internal audit teams and government spot-checks.

Responsible tailings storage

Today we operate two dry stacking facilities at Amursk and Voro mines, alongside our eight conventional tailings dams. We have committed to dry stacking only at all new sites, with the share increasing annually. Dry stacking technologies for tailings storage not only avoid the risk of major accidents such as dam failure, but also maintain the physical and chemical integrity of tailings. This reduces the risk of the pollutant leaching and contaminating groundwater. Compared to dam storage, dry stacking is also safer for wildlife and requires less land, while being easier to close and rehabilitate.

All facilities are rigorously monitored and inspected daily, with checks on pipelines, pump stations, water levels and dams. Our own investigations confirm that any emergency failure at our dams would have no impact on settlements, buildings, structures or facilities where communities or employees may be present. We welcome the new Global Industry Standard on Tailings Management, which emerged as a result of the Global Tailings Review, and we have committed to achieving compliance at all operations by 2023.



Cyanide management

Cyanide is used in our operations to recover gold from the ore. We have established a Cyanide Management System to ensure a consistent approach to cyanide handling, procurement, transportation, storage, processing, decommissioning, employee safety, emergency response, training and engaging stakeholders. Polymetal is a signatory to the Cyanide Management Code, with Amursk POX and Voro fully certified as both gold mining companies and cyanide transporters. At the end of 2020, we began a compliance audit of our Varvara operation and plan to gradually roll out Code certification to the rest of our sites where cyanide is used (Omolon, Svetloye, Mayskoye and Dukat). The Varvara audit will be completed as soon as the Covid-19 cross-border restrictions are removed to allow proper onsite checks.

Air quality

Many of our core activities generate nitrogen, sulphur oxides and inorganic dust. We continually monitor these gases and particulates, and refine our processes to ensure high air quality standards. Around our mining sites, we apply irrigation, dust separation and shield technologies; across our vehicle and mining equipment fleet we monitor compliance with quality standards and apply cutting edge technologies. Having our emissions within set limits at our mines, in 2020, we upgraded the purification systems at Kyzyl’s boiler house to reduce air pollutant emissions.



Biodiversity and lands

Our aim is to leave a positive legacy on both people and wildlife. With the exception of a few sites in the far east of Russia, the land we occupy is generally of low conservation value. However, we continually monitor biodiversity and land quality. From the outset of a mining project, we determine biodiversity impacts using an Environmental Impact Assessment that includes stakeholder engagement. We then conduct site-specific biodiversity monitoring, which involves studies of flora and fauna near our mining sites, in collaboration with local biodiversity experts. Where a negative impact cannot be avoided or mitigated, we aim to offset it through reforestation and planting projects.

We continue with a consistent and considerate approach even once operations cease at a site, with robust systems in place to ensure responsible mine closure and rehabilitation.

Biodiversity monitoring

As a matter of policy, we do not operate or explore in World Heritage Sites or within any other legally designated protected areas and adjacent territories¹. At the same time, we understand that tundra, taiga and steppe ecosystems work in a fragile balance. We respect, and will not encroach upon, land that has value – including natural value – for Indigenous Minorities of the North. We assess biodiversity impacts at the outset when making investment decisions about a project. A comprehensive feasibility study led by our Committee for Ore Reserves includes the impact on land, soil, water bodies, air quality and local communities.

We use visual and scientific monitoring (including during environmental impact assessments) to report on the species found on our sites and surrounding areas, taking into account national and regional Red Lists and International Union for Conservation of Nature (IUCN) classifications. We recognise that certain rare and protected species of animals inhabit areas near our operations, and take preventive measures to minimise our impact, such as installing animal deterrents, building fences around our facilities and raising the awareness of our employees about biodiversity issues.

Protecting biodiversity

Our key potential biodiversity impacts include the disturbance of soil and altering land surface; deforestation and loss of grasslands; habitat fragmentation by roads; mining dust; and harm to animals with our infrastructure. Among our environmental mitigation hierarchy, we prioritise preventative measures (avoid and minimise) over compensatory ones (restore and offset). Our biodiversity protection measures include:

- avoiding building on migratory routes or close to environmentally protected territories or those of indigenous peoples;
- adopting safe and clean technologies, such as dry stacking of tailings;
- installing animal deterrents at waste polygons, grid lines and tailing storage facilities;
- surrounding open-pit mines with waste rock walls to prevent animals from falling in;
- installing road signs to warn about wild animals at the site and outside the site on surrounding territories;
- planting perennial plants and trees in adjacent territories;
- cleaning water protection zones and coastal strips of local water bodies;
- planning proper mine closure activities and land rehabilitation;
- educating and engaging employees and communities.

Ensuring a positive mining legacy

Our Mine Closure Management System ensures a consistent approach across all sites and is incorporated into the stakeholder engagement process. At the end-of-life of a mine, a system of geological and environmental surveying is activated to ensure that underground operations, drilling sites and buildings are safe for people and the environment. As well as underground mining, we apply environmental principles to all aspects connected to our wider infrastructure such as tailings storage, waste dumps, process plants and roads. In 2020, we did not close any mine or site.

Considering biodiversity at all stages of mine life

Exploration	Design and construction	Operation	Mine closure
Polymetal’s Committee for Ore Reserves evaluates biodiversity-related risks for each potential site, including proximity to protected areas and migratory routes, presence of protected species, and value for Indigenous Minorities of the North.	Environmental Impact Assessment (EIA) is developed in collaboration with scientific organisations in accordance with local legislation, followed by public hearings. EIA is a part of the design project, which is approved by state authorities to start construction.	Annual biodiversity action plans specify measures to mitigate the impact and to improve biodiversity monitoring.	Mine-closure plan ensures the environmental safety of mines, buildings, tailing storage and other infrastructure. Rehabilitation solutions include soil placement, planting, and offsetting aqua diversity.

1 An exception is a territory of traditional nature use near our Omolon operation, where we pay increased environmental fees to compensate indigenous communities.

Health and safety

Our approach to health and safety is about strong leadership, a zero-harm culture and stringent risk management. Safety responsibility comes from the top: our CEO and COO, alongside Deputy CEOs responsible for HR, Engineering, Construction and Mineral resources, are formally committed to personal accountability, with health and safety indicators part of their remuneration-linked KPIs. They can be subject to penalties of up to 50% of their annual bonus, earned from non-safety-related KPIs, if severe incidents or fatalities occur. In 2020, we changed our health and safety remuneration KPI from LTIFR to the number of days off work following accidents, with the aim of continuously decreasing accidents.

As well as decisive leadership, a safety-positive culture also means fostering a sense of self-responsibility and care for colleagues. Our Health and Safety Policy is supported by a communication campaign, which includes contests, articles in the Company newspaper, checklists, videos and visual communications toolkits. We ensure that employees can access health and safety messaging via a range of communication channels.

Our Occupational Health and Safety Management System operates at all sites and is audited annually under ISO 45001. Each year, we review and update risks.

A risk-based approach

All production sites follow a Critical Risks Management system, supported by a Health and Safety Action Plan. We annually review and update health and safety risks, taking into account historic data on accidents and near misses, along with shift-by-shift risk assessments provided by employees. Based on the annual list of critical safety risks, we develop an annual action plan.

Road accidents remained among the dominant risks in 2020. We applied a driver-vehicle environment approach that included control measures from training, health and fatigue monitoring to safety equipment, route optimisation and road safety inspections.

Other critical risks included being hit by an object, trips, falls and jams by rotating mechanisms. We continue to monitor wider risks, such as falling rock, combustion and electricity-related burns. For all workplace accidents and key incidents, we investigate and analyse the root causes by applying a ‘five whys’ approach. We deploy smart technologies to mitigate risk, such as mine and plant worker positioning systems and electric voltage and collision warning systems. In 2021, we plan to extend mitigation measures to our development and exploration projects, where additional risks are related to staff transportation and accommodation at remote sites.

Engaging employees and contractors

We deploy a shift-by-shift risk assessment model, which is rigorously implemented in hazardous areas such as roads, mines, plants and power supplies. Encouraging employees to provide feedback on any observed safety risks as soon as they start their shift is critical in order to react promptly to any issues.

Operational safety is equally as important for contract workers. We rank contractors based on safety risk exposure and those failing to improve are barred from further tendering.

Health and safety performance in 2020

In 2020, there were zero reportable¹ fatalities and the LTIFR decreased by 38% compared with 2019, with 11 out of 13 injuries classified as minor. The two severe injuries related to a fall from height and being hit by cargo when loading vehicles. Following all accidents, we review site safety instructions and provide additional training. The number of days off work following accidents amounted to 1,583 days, a 10% decrease compared with 2019.

Among contract workers, there were zero fatalities and 12 minor injuries (2019: 10), with vehicle collision being the most frequent cause. Since half of contractor accidents happened during geological exploration activities, we have launched a programme to extend health and safety management systems from operational to exploration projects.

1 A reportable fatality is a work-related fatality as defined by national legislation.

Employees

We provide our 12,065 people with fair and inclusive working environments, competitive salaries and equal terms of employment. Our diverse operations require diverse skills, which are changing as technologies develop. We go beyond mandatory compliance and induction training, with individual development plans and annual appraisals.

We believe that businesses do best when they reflect the diversity within society. We have a strict zero-tolerance stance on any discrimination or harassment. Employees must comply with our Corporate Code of Conduct, which includes our zero-tolerance stance on conflicts of interest, bribery, bullying and consumption of alcohol or drugs.

Talent attraction and retention

Our employees are fairly compensated with a remuneration framework that is designed to reward performance, with equal emphasis on delivery and behaviours through short-term incentives. We also award performance-based bonuses monthly and annually, and align salary increases with inflation, while providing additional social benefits to employees working at remote sites. Remuneration was not affected by the pandemic restrictions, with quarantine and overtime compensated. In September, we increased salaries across the Group by 5% to support our employees and their families during these challenging times.

Employees can access a range of training opportunities: on-the-job (via our in-house training centre), online distance learning (particularly in remote locations) or via external training providers. In 2020, we developed 18 new distance-learning courses and extended our portfolio of training solutions. We also implemented the first simulator on the Datamine script to help our geologists and a complex training programme for our procurement team. We invested \$1.1 million in staff training.

Diversity and equal opportunities

We value the diversity of views and backgrounds as set out in our Diversity and Inclusion Policy (updated in 2020). We do not discriminate on any grounds, be it gender, race, religion, disability or political affiliation. We also comply fully with international and government policies on employing people with disabilities.

We continue to promote a culture of equal opportunity through training and internal communications. To remove the stereotype that mining is a ‘male’ industry and to inspire more women into careers in mining, in 2020 we co-founded the non-profit organisation, Women in Mining Russia, together with other mining companies and industry-related partners. Additionally, in some areas, we began training on ‘creating diversified teams’ and plan to roll this out further in 2021. The share of women in our workforce (21%) and on the Board (33%) both remained stable in 2020.

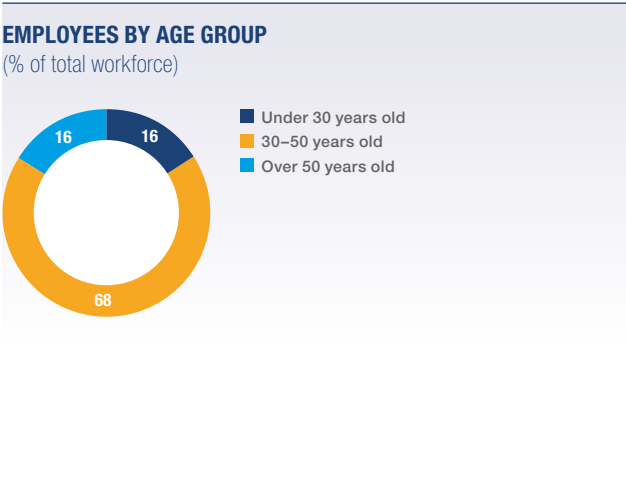
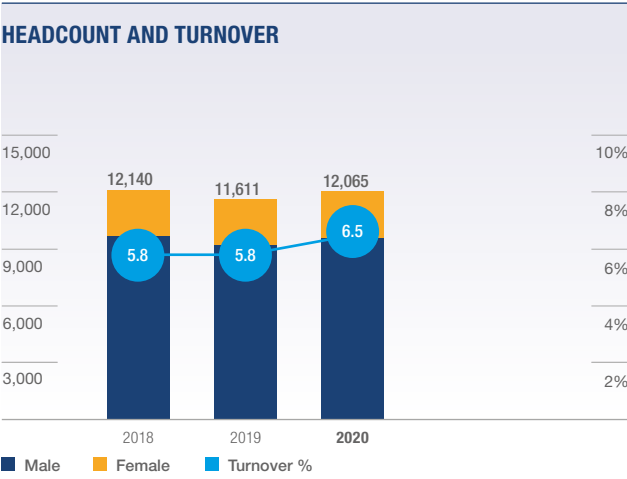
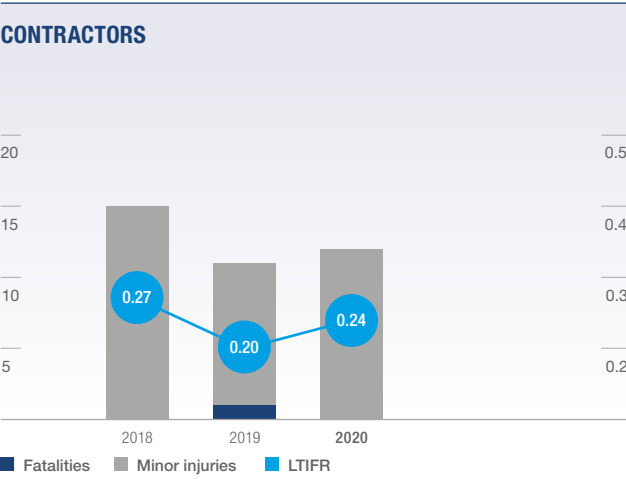
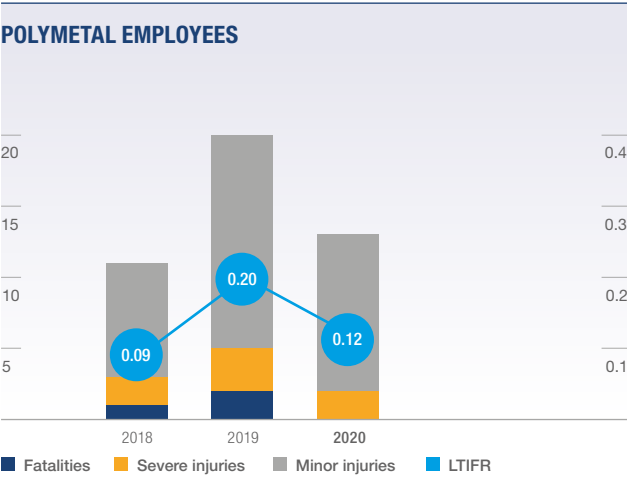
Labour rights

We understand the importance of collective agreements in defining contractual terms of employment. In 2020, 83% of all employees and 100% of operating site staff were covered by collective bargaining agreements and we have Workers’ Councils at each of our operating sites. Our Code of Conduct and Human Rights Policy help us to eliminate any risks of human trafficking, modern slavery or underage labour at our operations.

Headcount and turnover

Our average headcount in 2020 increased by 4% year-on-year to 12,065 employees. Half of our employees work on a fly-in/fly-out basis at remote sites, and were particularly impacted by longer shifts and quarantine restrictions, which resulted in uncomfortable working conditions. In addition, this year we saw increased labour market competition in the mining industry due to metals price growth, and following increased demand for mining experts. This resulted in an increase in turnover rate¹ to 6.5% as compared to 5.8% in 2019.

1 Calculated as the ratio of the number of employees that leave the company voluntarily in the reporting period to the average headcount in the reporting period. The disclosed turnover includes only employees who choose to leave the company due to dissatisfaction with their job. It does not include employees who voluntarily leave the company for reasons not related to job satisfaction, such as retirement or enrolment in an educational institution.

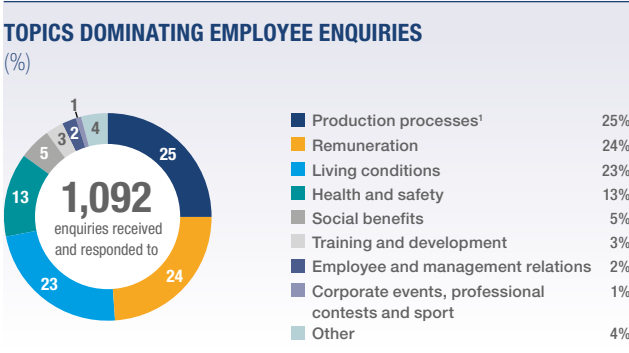


Communication and engagement

We postponed our annual engagement survey in 2020, but continued to capture and respond to employee feedback through pulse surveys and dialogue. Where needed, we involved workforce representatives and managers. We engage employees in corporate volunteering campaigns, as well as organised professional, cultural and sports events. Find out about how we adapted our communications to Covid-19 on pages 113–115.

In 2020, we received 1,092 enquiries from our employees. Production-related issues amounted to 25% of total inquiries (2019: 5%) and included questions regarding organisational changes resulting from pandemic restrictions, such as rotation period extension at remote sites. Similarly, 24% of the questions were related to remuneration (2019: 15%), mainly the impact of the reschedules and quarantine on payroll. Other frequent questions related to overtime work and commuting costs compensation. We addressed 100% of the enquiries received through various communication channels.

➕ Read more on employee Board engagement on page 113



¹ Including Covid-19 pandemic-related issues as they directly influence the continuity of production.



Supporting colleagues and communities through Covid-19

The coronavirus pandemic brought humanitarian and economic devastation on a global scale during 2020. For Polymetal, it reinforced that workplace safety and wellbeing are critical to business continuity. It also highlighted the importance of our community investments in healthcare: contributing to better medical support in regions of operation was a priority for us this year.

Immediate response

Our response was rapid and robust. Immediately, site medical facilities switched to 24/7 servicing, with thermometers, rapid-response test kits and personal protective equipment (PPE) available to all staff, including contract workers. Site deep-cleaning was intensified, with additional hand sanitisers, germicidal lamps, ozone generators and air re-circulators installed at all welfare facilities.

For those working on a fly-in/fly-out basis, site shifts were rescheduled to allow for 14-day quarantine periods. We provided isolation facilities for employees and contractors arriving for a shift. Office-based colleagues were advised to work remotely with flexible hours if needed.

Staff welfare and financial support

We continue to rigorously monitor active cases for all employees and employees are only allowed to enter the workplace after a negative test. For high-risk individuals (those above 65 or with underlying health issues), we advocate remote working. For anyone who has suffered a serious Covid-19 infection, we work closely with local health institutions and wellbeing consultants to support long-term rehabilitation. Travel to remote sites is carefully managed to maintain social distancing and a free taxi is provided for office employees. This approach to working arrangements is expected to continue to at least the second quarter of 2021. We provide comprehensive assistance for the voluntary vaccination of our employees and we are currently waiting for the Russian Sputnik-V vaccine to become more widely available.

At the heart of our Covid-19 support to colleagues are clear communications and expert connections. Examples included:

- a hotline and Covid-19 coordinators at each site;
- support highlighted via intranet, company newspaper and information desks;
- online training and team-building competitions for those in quarantine;
- mental health tips and webinars;
- Q&As answering employee concerns.

One of the most frequent employee concerns related to the payroll impacts of quarantine, rescheduled shifts and remote working. We are pleased to report that remuneration has not been affected by the pandemic restrictions, with quarantine and overtime compensated.

Key numbers and events

+\$5m

per month invested in Covid-19 protection

48,200

Covid-19 tests issued, 1,451 positive cases

5

employees (four in 2020 and one in 2021) died of the disease or its consequences

Oлча mine (part of the Omolon hub): outbreak in August with approximately 50 infected and 5-week stoppage. All have recovered.

Mayskoye mine: outbreak in September, with all infected persons and their contacts transferred to observatory facilities or hospitals. Site activities remained unaffected.

➕ Read more on how Covid-19 affected our operations and finance on pages 04–05, 30–31, 72, 88

Additionally, in September we increased salaries across the Group by five per cent in order to show our support to employees and their families during these challenging times.

➕ Read more about our employee Covid-19 support on pages 114–115

+5%

above inflation pay rise for all employees

Covid-19 hotline, mental health tips and quarantine time compensation

Support for our communities

As a result of the pandemic, we scaled up our existing community investment, adding an extra \$3.4 million in financial support for healthcare facilities. This was mainly related to supplying PPE, medical and specialised diagnostic equipment. Our employees volunteered to provide vulnerable groups with essential products. In St. Petersburg, Russia we funded scientific research into Covid-19, in collaboration with public medical institutions and private clinics. The research involved telephone surveys of 14,000 people and antibody tests with three different systems for a sample of 2,500 volunteers.

➕ Read more about our community support on pages 06–07, 114–115

Communities

We contribute to the development of neighbouring communities through socio-economic partnership agreements, the taxes we pay and the jobs we create. Ongoing and rigorous stakeholder engagement helps us maintain our social licence to operate and reduce social risks. We are also a significant taxpayer in our regions of operation. Our Social Investment and Donation Policy aims to improve living standards for local people and facilitate regional economic development. It outlines our transparent approach to community investment and lays out our monitoring procedures and stakeholder engagement.

In 2020, we implemented a new Social Impact Assessment Tool across our sites and provided our teams with training on the assessment methodology. We now plan to assess key social projects annually to better understand community expectations and further improve our social investment strategy.

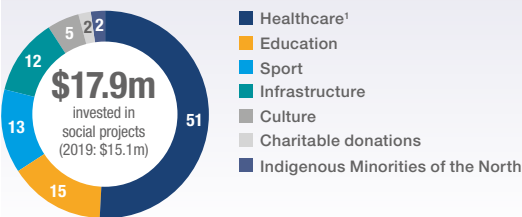
Wherever we operate, we strive to provide local people with job opportunities. We work closely with local colleges and institutions to provide training and development opportunities in our communities.

Social investments

We invest in projects that matter most to our stakeholders, based on their feedback. In 2020, this amounted to \$17.9 million, which is an 18% growth as compared with 2019. Our strategic investments target healthcare and active living, education, infrastructure, culture and indigenous communities. We also made charitable donations worth \$0.3 million. Responding to the coronavirus pandemic, we allocated \$3.4 million of additional financial support to medical organisations for specialised diagnostic equipment, PPE and medicines. Our existing social projects remained generally unaffected, with only a small number of events postponed or held remotely.

COMMUNITY INVESTMENT BY AREA

(% of total spend)



1 Including \$3.4 million Covid-related support.

Community engagement

We aim to maintain open dialogue with local communities, share our progress in sustainable development and collect feedback. In addition to community feedback via telephone and email, we hold regular public hearings, site visits and working groups – in 2020, these were mainly held virtually. In 2020, we introduced online community polls and surveyed 1,614 people, a 39% increase on 2019.

In 2020, we received 572 enquiries from local communities, mainly related to financial assistance (16%), healthcare services (14%), education (10%) and infrastructure (10%).

We respect the rights of indigenous communities in accordance with recognised principles and norms of international law and national legislation, including human rights law. For more than 20 years, we have developed excellent relationships with representatives of indigenous communities, associations and reindeer herding teams. Today, this engagement spans five regions in Russia (Chukotka, Magadan, Khabarovsk, Sakha/Yakutia and Sverdlovsk) where we run programmes on preserving culture, language and traditional lifestyles, as well as providing in-kind support. We engage most frequently with Mansi, Eveni, Evenki, Chukchi, Negidal and Nanai indigenous peoples². In 2020, we did not have any conflicts related to lands or objects that present historical or cultural value for indigenous communities.

Human rights

Upholding basic freedoms and human dignity is fundamental to how we create value for society. In all operational regions we assign qualified personnel, responsible for internal and external communications on human rights issues, ensuring transparent grievance mechanisms for all our stakeholders and delivering online human rights training to employees. In 2020, 612 employees completed the course.



2 The term 'indigenous peoples' is not used in Kazakh legislation governing the mining industry. We therefore use definitions of 'indigenous peoples' only in reference to our Russia-based mines.

Supply chain

To run our business, we purchase materials, goods and services from more than 7,000 suppliers – diverse in size and geography. Our Supplier Code of Conduct outlines the ethical and sustainability standards we expect of all supply chain partners. In 2020, we updated this Code to better articulate our criteria around safety, labour relations and wider social, environmental and ethical risks. We ensure that all suppliers are familiar with the Code. In addition, in 2020, the Board approved an updated Procurement Policy, which stipulates fair and economically efficient procurement practices across the Group.

Robust risk management processes ensure we can methodically assess and rectify risks in the supply chain. We annually identify our most procured materials: in 2020, these included cyanide, spare parts for mining and processing equipment, saltpetre, drilling and crushing equipment, big bags and chemical reagents. Suppliers of these materials are carefully selected based on the following criteria:

- long-term track record in the market (checked by security services, finance and technical departments);
- ability to ensure stable supplies (reduced risk of supply failure);
- readiness to conclude agreements with fixed terms (reduced financial risks).

Priority is also given to producing and manufacturing firms, as opposed to resellers, in order to reduce control risk. Suppliers are selected via an open tender process, which includes assessing for compliance with our corporate governance principles and anti-corruption policies.

Monitoring suppliers

An e-procurement system helps us to enforce our Procurement Policy by applying standards consistently across a large number of contractors. Additional monitoring was introduced at the start of the Covid-19 pandemic to ensure supply continuity. In addition to assessing new suppliers selected via tender, we regularly assess current suppliers, regardless of how long we have worked with them. In 2020, we screened 9,296 new and existing suppliers for compliance with our business ethics policies; 463 of whom were deemed non-compliant and removed from the procurement process. We introduced anti-bribery and human rights clauses in contracts, not only with suppliers, but also with our downstream supply partners. Going forward, our contracts state that any violation will mean the end of the contract.

Anti-corruption

As one of our top supply chain risks, we commit to a strict zero tolerance approach to bribery, fraud and corruption and have established protective safeguards to support this. Our internal audit department monitors the implementation of anti-corruption policies at all sites. A dedicated confidential hotline allows anyone to anonymously report suspicions of corruption, bribery, fraud, human rights violations, harassment, insults, threats, moral and psychological abuse, alcohol or drug intoxication, disclosure or misuse of confidential information and other violations of applicable laws and regulations. In 2020, we received 25 reports: three of which were validated after a full investigation; all others were found to be either lacking evidence or unrelated to business ethics. We raise awareness of bribery and corruption risks and, in 2020, we delivered 245 seminars for high-risk groups, attended by 7,515 people.

Local procurement

We aim to prioritise local procurement at both site and Group level. Sourcing locally reduces our carbon miles and transport costs, while also adding socio-economic value in our neighbourhoods and maintaining operational continuity (particularly in remote locations). In 2020, we created a new role of supplier analyst to monitor the share of and look at ways of increasing local procurement. Our data showed 37% local purchases in Russia and 82% in Kazakhstan (2019: 48% and 84%, respectively). The decrease was mainly due to Covid-19, since we were forced to purchase up to six months' supply of certain goods to secure business continuity. Many of our local suppliers were unable to fulfil these needs due to their own operational difficulties. We also saw local currency rates drop, reducing our local costs compared to those we paid in US Dollars. Overall, local procurement amounted to 43% of our total procurement.



Task Force on Climate-related Financial Disclosure

We transparently publish our approach to managing climate-related risk and opportunity, not only in this report but also in our Sustainability Report, CDP Climate Response and on our website. Below is a guidance on where to find disclosures aligned to the Financial Stability Board’s TCFD recommendations.

Governance Disclose the organisation’s governance around climate-related risks and opportunities.		
a) Describe the Board’s oversight of climate-related risks and opportunities.	Sustainability Report 2020, pages 12–14 and 40. Annual Report 2020: - Corporate governance section, page 126. - Climate change section, page 58. - Strategic report section, page 86.	
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	Sustainability Report 2020, pages 13 and 26. Annual Report 2020, pages 58, 86, 97 and 127.	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning, where such information is material.		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Sustainability Report 2020, pages 2, 16–17, 40–42. Annual Report 2020, pages 58–59, 89 and 92.	
b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	Sustainability Report 2020, pages 40–42. Annual Report 2020, pages 58–59.	
c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Sustainability Report 2020, pages 40–44. Annual Report 2020, pages 58–60.	
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.		
a) Describe the organisation’s processes for identifying and assessing climate-related risks.	Sustainability Report 2020, pages 16–17 and 40–41. Annual Report 2020: - Risks and risk management section, page 97. - Climate change section, page 58.	
b) Describe the organisation’s processes for managing climate-related risks.	Sustainability Report 2020, pages 17 and 42–44. Annual Report 2020: - Risks and risk management section, page 92. - Climate change section, pages 58–60.	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Sustainability Report 2020, pages 16 and 40–42. Annual Report 2020: - Risks and risk management section, page 89 and 92. - Climate change section, page 58.	
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainability Report 2020, pages 42–44. Annual Report 2020, pages 59–60.	
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks.	Sustainability Report 2020, pages 5–7, 44 and Key Sustainability Figures tables, page 75. Annual Report 2020, page 60.	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Sustainability Report 2020, pages 24–25. Annual Report 2020, pages 56–57.	

Non-financial information statement

The following information is provided in compliance with the Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found in this Annual Report. More detailed information is available in our Sustainability Report or on the Company’s website: www.polymetalinternational.com.

Reporting requirement	Policy and standards	Relevant information
Business model		Business model, pages 18–19 Strategy, pages 24–25
Universal matters	UN Global Compact EBRD Environmental and Social Policy Cyanide Code Responsible Gold Mining Principles Corporate Code of Conduct	Employees, page 65 Code of Conduct, Company’s website Our approach, page 52 EBRD loan, Sustainability Report, page 03
Environmental matters	Environmental Policy Carbon Management Policy Tailings and Water Storage Facilities Management Policy Energy Policy Mine Closure Policy Acid rock drainage management standard ISO 14001 ISO 15001	Environment, pages 60–63; Sustainability Report, pages 38–57 Environmental risk, page 92; Sustainability Report, page 16–17
Employees	ILO, national labour codes ISO 45001 Employment and labour standards Health and Safety Policy Policy on Diversification of the Staff Structure Human Resources Management Policy Standard Regulation on Social Conditions and Service Quality Control Collective agreements Recruitment standards	Employees, page 65; Sustainability Report, pages 26–37 Health and safety, page 64; Sustainability Report, pages 26–31 Diversity and equal opportunities, page 65; Sustainability Report, pages 34–35 Human capital development, page 65; Sustainability Report, page 32–33 Health and safety risk management, pages 64, 92; Sustainability Report, pages 28–31 Corporate culture, page 111; Sustainability Report, page 14
Human rights	UNDHR Human Rights Policy Modern Slavery Act Statement Supplier Code of Conduct	Human rights, page 68; Sustainability Report, page 63
Social matters	Community Engagement Policy Political and Charitable Donations Policy Procurement Guidelines Policy on Social Investments	Community engagement, page 68; Sustainability Report, pages 58–64 Our commitment to social investment, page 68; Sustainability Report, page 60
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Supplier Code of Conduct Procurement Policy and Guidelines Gifts and Entertainment Policy Policy on Use of Agents, Representatives, Intermediaries and Contractors’ Due Diligence Whistleblowing Policy Policy on Disciplinary Action for Violation of Anti-Bribery and Corruption Procedures	Anti-corruption, pages 52, 69; Sustainability Report, page 68 Workforce engagement, page 113 Code of Conduct, Company’s website
Principal risks and impact from business activity	Risks Policy	Risks and risk management, pages 86–97; Sustainability Report, pages 16–17
Non-financial key performance indicators	GRI SASB TCFD	Our performance, pages 56–57 Sustainability highlights, pages 50–51 Key performance indicators, page 28

Reporting strong financial results



I am pleased to report a strong financial performance despite a challenging year. Favourable commodity prices and our tight financial discipline, as well as the impact of foreign exchange, drove a significant increase in the Group's earnings, cash flow and dividends."

Maxim Nazimok
Chief Financial Officer

\$2,865m

Revenue
(+28%)

Financial highlights

- In 2020, **revenue increased by 28%**, totalling \$2,865 million (2019: \$2,241 million). Average realised gold and silver prices tracked market dynamics and increased by 27% for both metals. Gold sales were 1,392 Koz, up 2% year-on-year, while silver sales were down 13% to 19.3 Moz, largely in line with production volume trends.
- Group Total Cash Costs (TCC)¹ for the full year were \$638/GE oz, down 3% year-on-year** and 2% below the lower end of the Company's full year guidance of \$650–700/GE oz, mostly due to a weakness in the Rouble and Tenge which outweighed additional Covid-related costs and a price-driven increase in royalties.
- All-in Sustaining Cash Costs (AISC)¹ remained broadly unchanged from 2019 at \$874/GE oz, up 1% year-on-year** and within the Company's full year guidance of \$850–900/GE oz, as the Company has accelerated pre-stripping and mine fleet renewals against a backdrop of higher commodity prices.
- Adjusted EBITDA¹ was \$1,686 million, a 57% increase over 2019**, driven by higher production volumes, higher commodity prices, and lower cash costs. Adjusted EBITDA margin increased by 11pp and reached an all-time high of 59% (2019: 48%).
- Net earnings² were a record \$1,086 million (2019: \$483 million)**, with a basic EPS of \$2.30 per share (2019: \$1.02 per share) reflecting the increase in operating profit. Underlying net earnings¹ increased by 82% to \$1,072 million (2019: \$586 million).

\$610m

Free cash flow
(+138%)

- Capital expenditure was \$583 million³**, up 34% compared with \$436 million in 2019 and 8% above guidance. This increase is mainly related to accelerated spending across the project portfolio in a bid to neutralise the impact of the pandemic on project schedules and an increase in capitalised underground development and pre-stripping, aimed at ensuring operational flexibility against the backdrop of heightened epidemiological risks. The Group is on track for development activities at both POX-2 and Nezhda.
- Net debt¹ decreased to \$1,351 million** during the period (31 December 2019: \$1,479 million), representing a Net debt/Adjusted EBITDA ratio of 0.80x (2019: 1.38x), significantly below the Group's target leverage ratio of 1.5x. The Company generated significant free cash flow¹, which amounted to \$610 million¹ (2019: \$256 million), supported by a net cash operating inflow of \$1,192 million (2019: \$696 million).
- In view of the strong balance sheet and underlying business performance in 2020, the Board has proposed **a final dividend of \$0.89 per share (approx. \$419 million)**, which includes \$0.74 per share representing 50% of underlying net earnings for the second half of 2020 and a discretionary payment of \$0.15 per share adjusting for 100% of free cash flow for the full year 2020, in accordance with Polymetal's revised Dividend Policy. This will bring the total dividend proposed for the full year 2020 to \$608 million (2019: \$385 million), which represents \$1.29 per share up 57% compared with \$0.82 per share in 2019.

Key figures⁴

	2020	2019 ⁵	Change
Revenue, \$m	2,865	2,241	+28%
Total cash cost, \$/GE oz ¹	638	655	-3%
All-in cash cost, \$/GE oz ¹	874	866	+1%
Adjusted EBITDA, \$m	1,686	1,075	+57%
Average realised gold price, \$/oz ⁶	1,797	1,411	+27%
Average realised silver price, \$/oz ⁶	20.9	16.5	+27%
Net earnings, \$m	1,086	483	+125%
Underlying net earnings, \$m ¹	1,072	586	+83%
Return on assets ¹	34%	20%	+14%
Return on equity (underlying) ¹	30%	19%	+11%
Basic EPS, \$/share	2.30	1.02	+125%
Underlying basic EPS, \$/share ¹	2.28	1.25	+82%
Dividend declared during the period, \$/share⁷	1.02	0.51	+100%
Dividend proposed for the period, \$/share⁸	1.29	0.82	+57%
Net debt, \$m ¹	1,351	1,479	-9%
Net debt/Adjusted EBITDA	0.80	1.38	-42%
Net operating cash flow, \$m	1,192	696	+71%
Capital expenditure, \$m	583	436	+34%
Free cash flow before M&A, \$m¹	610	256	+138%
Free cash flow post-M&A, \$m¹	603	299	+102%

Market summary

Precious metals

Please see the Market overview on pages 22–23.

Foreign exchange

The Group's revenues and most of its borrowings are denominated in US Dollars, while the majority of the Group's operating costs are denominated in Russian Roubles and Kazakh Tenge. As a result, changes in exchange rates affected our financial results and performance.

In 2020, the oil market was severely struck by the coronavirus pandemic. Brent crude oil started the year at \$68 per barrel, but global lockdowns and initial disagreements between key producing countries about supply volumes drove the benchmark Brent price to a record low value of \$19 per barrel in April. This decline was gradually offset by OPEC+ (an agreement to a record cut in oil production) and hopes for a quick recovery in demand resulting in Brent crude oil rebounding above \$50 per barrel in late December.

Driven by oil price dynamics, the Rouble fell sharply along with other emerging currencies. The full-year average exchange rate weakened by 11% year-on-year to 72.3 RUB/\$ in 2020 (2019: 64.7 RUB/\$). This had a material positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs and higher margins, which were partially offset by the 4.9% inflation rate (the highest since 2016). Russia remains among the lowest-cost major gold producing countries.

In 2020, the Kazakhstan economy declined by 2.4%. While the mining sector was down, refined gold production increased by 7% year-on-year to approximately 82 tonnes. The average exchange rate for the year stood at 413 KZT/\$, rising by 9% (2019: 383 KZT/\$) and having a positive impact on the Kazakh gold mining economy.

¹ The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). For more information on the APMs used by the Group, including justification for their use, please refer to the 'Alternative performance measures' section.

² Profit for the financial period.

³ On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.

⁴ Totals may not correspond to the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ for the same reason. This note applies to all tables in the Financial review section.

⁵ Excluding Kapan in H1 2019 (disposed in January 2019). This note applies to all tables in the Financial review section.

⁶ In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding the effect of treatment charges deductions from revenue.

⁷ FY 2020: special and final dividend for FY 2019 paid in 2020 and interim dividend for H1 2020 paid in September 2020. FY 2019: final dividend for FY 2018 paid in May 2019 and interim dividend for H1 2019 paid in September 2019.

⁸ FY 2020: interim, final and special dividend for FY2020. FY 2019: interim, final and special dividend for FY2019.

Revenue analysis
Sales volumes

		2020	2019	Change
Gold	Koz	1,392	1,363	+2%
Silver	Moz	19.3	22.1	-13%
Gold equivalent sold ¹	Koz	1,622	1,628	-0%

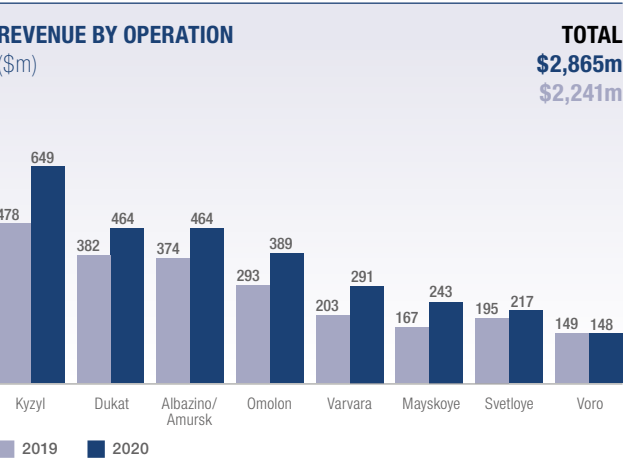
Sales by (metal)

		2020	2019	Change, %	Volume variance, \$m	Price variance, \$m
Gold	\$m	2,467	1,878	+31%	39	550
Average realised price ²	\$/oz	1,797	1,411	+27%		
Average LBMA gold price	\$/oz	1,771	1,393	+27%		
Share of revenues		86%	84%			
Silver	\$m	389	349	11%	(43)	83
Average realised price	\$/oz	20.9	16.5	+27%		
Average LBMA silver price	\$/oz	20.5	16.2	+27%		
Share of revenues		14%	16%			
Other metals	\$m	9	14	-36%		
Share of revenues		0%	1%			
Total revenue	\$m	2,865	2,241	+28%	(15)	639

In 2020, revenue grew 28% year-on-year to \$2,865 million driven by the growth of gold and silver average realised prices. Gold sales volume increased by 2%, while silver sales volume decreased by 13% year-on-year, both broadly following production volumes. This resulted in the total gold equivalent volume sold remaining almost unchanged at 1,622 Koz.

The average realised price for gold was \$1,797/oz in 2020, up 27% from \$1,411/oz in 2019 and slightly above the average market price of \$1,771/oz as the sales were skewed towards the second half of 2020. The average realised silver price was \$20.9/oz, up 27% year-on-year and 2% above market price of \$20.5/oz.

The share of gold sales as a percentage of total revenue increased from 84% in 2019 to 86% in 2020, driven by a corresponding shift in production and sales volume by metal.



1 Based on actual realised prices.
2 Excluding effect of treatment charges deductions from revenue.

Analysis by segment/operation

		Revenue, \$m			Gold equivalent sold, Koz (silver for Dukat, Moz)		
		2020	2019	Change	2020	2019	Change
Magadan	Dukat	464	382	+22%	22.9	24.1	-5%
	Omolon	389	293	+33%	217	210	+3%
	Mayskoye	243	167	+45%	136	132	+3%
	Total Magadan	1,096	842	+30%	622	619	+1%
Khabarovsk	Albazino/Amursk	464	374	+24%	262	266	-2%
	Svetloye	217	195	+11%	120	137	-12%
	Total Khabarovsk	681	569	+20%	382	403	-5%
Kazakhstan	Kyzyl	649	478	+36%	371	353	+5%
	Varvara	291	203	+43%	164	147	+12%
	Total Kazakhstan	940	681	+38%	535	500	+7%
Urals	Voro	148	149	-0%	84	107	-22%
Total Group		2,865	2,241	+28%	1,622	1,628	+4%

The increase in commodity prices during the period affected revenues across the asset portfolio, although at Voro revenue was flat year-on-year as a result of the decrease in the volume of gold equivalent sold. At all operating mines, physical sales volumes broadly followed production dynamics.

Cost of sales

\$m	2020	2019	Change
On-mine costs	437	485	-10%
Smelting costs	350	359	-3%
Purchase of ore and concentrates from third and related parties	106	59	+80%
Mining tax	142	115	+23%
Total cash operating costs	1,035	1,018	+2%
Depreciation and depletion of operating assets	206	250	-18%
Rehabilitation expenses	(1)	5	-120%
Total costs of production	1,240	1,273	-3%
Increase in metal inventories	(127)	(98)	+30%
Write-down of metal inventories to net realisable value	6	19	-68%
Total change in metal inventories	(121)	(79)	+53%
Write-down/(reversal) of non-metal inventories to net realisable value	8	(1)	NA
Idle capacities and abnormal production costs	2	4	-50%
Total cost of sales	1,129	1,197	-6%

Cash operating cost structure

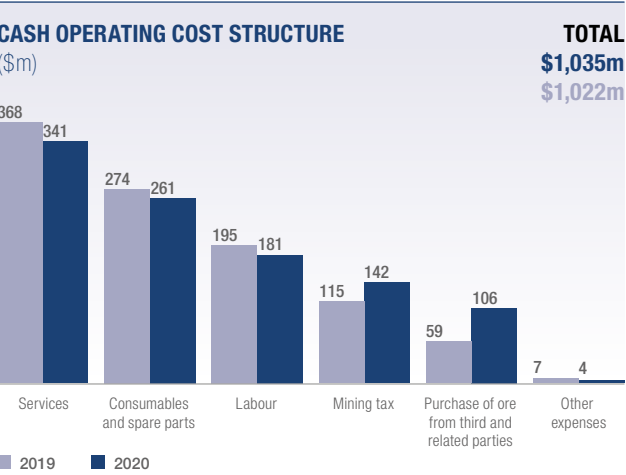
	2020 \$m	Share	2019 \$m	Share
Services	341	33%	368	36%
Consumables and spare parts	261	25%	274	27%
Labour	181	17%	195	19%
Mining tax	142	14%	115	11%
Purchase of ore from third and related parties	106	10%	59	6%
Other expenses	4	0%	7	1%
	1,035	100%	1,018	100%

In 2020, the total cost of sales decreased by 6% to \$1,129 million, reflecting a positive impact from the Rouble and Tenge depreciating by 11% and 8%, respectively. In turn, this more than offset domestic inflation (5% year-on-year), additional Covid-related costs and a price-driven increase in royalties.

The cost of services and the cost of consumables and spare parts were down 7% and 5% year-on-year, respectively, caused mostly by a weaker Rouble and Tenge compared with 2019.

The total cost of labour within cash operating costs in 2020 was \$181 million, a 7% decrease over 2019, mainly stemming from local currency devaluations, which outweighed the annual salary increases (tracking domestic CPI inflation combined with the second mid-year review of the base salary for all employees made in September 2020).

Increase in purchases of third-party ore was driven by larger volumes of high-grade third-party ore processed at the Varvara flotation circuit.



Mining tax increased by 23% year-on-year to \$142 million, compared with a 4% production volume increase and mainly driven by the significant increase in average realised prices.

Depreciation and depletion was \$206 million, down 18% year-on-year, and largely driven by the positive effect of a weaker Rouble and Tenge with a specific decrease attributable to Omolon, where Yolochka and capitalised stripping costs at Birkachan were fully depreciated in 2019, and at Kyzyl due to an increase in JORC reserves which serve as the depreciation basis.

In 2020, a net metal inventory increase of \$127 million (2019: \$98 million) was recorded (excluding write-downs to net realisable value), mainly represented by concentrate produced at Mayskoye, Varvara and Kyzyl, as well as heap leach work-in-progress at Omolon. The Group recognised a \$6 million (2019: \$19 million) write-down to the net realisable value of its lower grade metal inventories (see Note 22 of the consolidated financial statements).

Selling, general and administrative expenses

\$m	2020	2019	Change
Labour	139	136	+2%
Share-based compensation	15	12	+25%
Services	5	8	-38%
Depreciation	7	8	-17%
Other	18	17	+6%
Total	184	181	+2%

Selling, general and administrative expenses (SGA) increased by 2% year-on-year from \$181 million in 2019 to \$184 million in 2020, mainly caused by the increased headcount of administrative personnel needed for the start of Nezhda and POX-2 project development, as well as regular salary reviews.

Other expenses

\$m	2020	2019	Change
Social payments	28	24	+17%
Exploration expenses	26	19	+37%
Provision for investment in Special Economic Zone	18	11	+64%
Taxes, other than income tax	15	11	+36%
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(2)	1	NA
Change in estimate of environmental obligations	(3)	(2)	+50%
Other expenses	17	4	+325%
Total	99	68	46%

Other operating expenses increased to \$99 million in 2020 compared with \$68 million in 2019. An increase in social payments was mostly attributable to social expenditures at Kyzyl and the Amursk POX-2 project. Taxes recognised in 2020, other than income tax, were recorded by the Group mostly in relation to the commercial discovery bonus (representing a tax on reserves growth) at Kyzyl. Other expenses are mainly represented by Covid-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits, supporting long-term rehabilitation of employees, free taxis for office employees and supplying PPE, medical and specialised diagnostic equipment to medical facilities.

Total cash costs per gold equivalent ounce

Year-on-year¹

		Cash cost, \$/GE oz			Gold equivalent sold, Koz (silver for Dukat, Moz)		
		2020	2019	Change	2020	2019	Change
Magadan	Dukat (SE oz) ²	9.8	10.0	-3%	22.9	24.1	-5%
	Omolon	560	749	-25%	217	210	+3%
	Mayskoye	819	1,072	-24%	136	132	+3%
	Total Magadan	735	867	-15%	622	619	+1%
Khabarovsk	Svetloye	375	310	+21%	120	137	-12%
	Albazino/Amursk	719	734	-2%	262	266	-2%
	Total Khabarovsk	611	590	+4%	382	403	-5%
Kazakhstan	Kyzyl	401	399	+0%	372	353	+5%
	Varvara	941	723	+30%	164	147	+12%
	Total Kazakhstan	566	494	+14%	536	500	+7%
Urals	Voro	487	383	+27%	84	107	-22%
Total Group		638	655	-3%	1,622	1,631	-0%

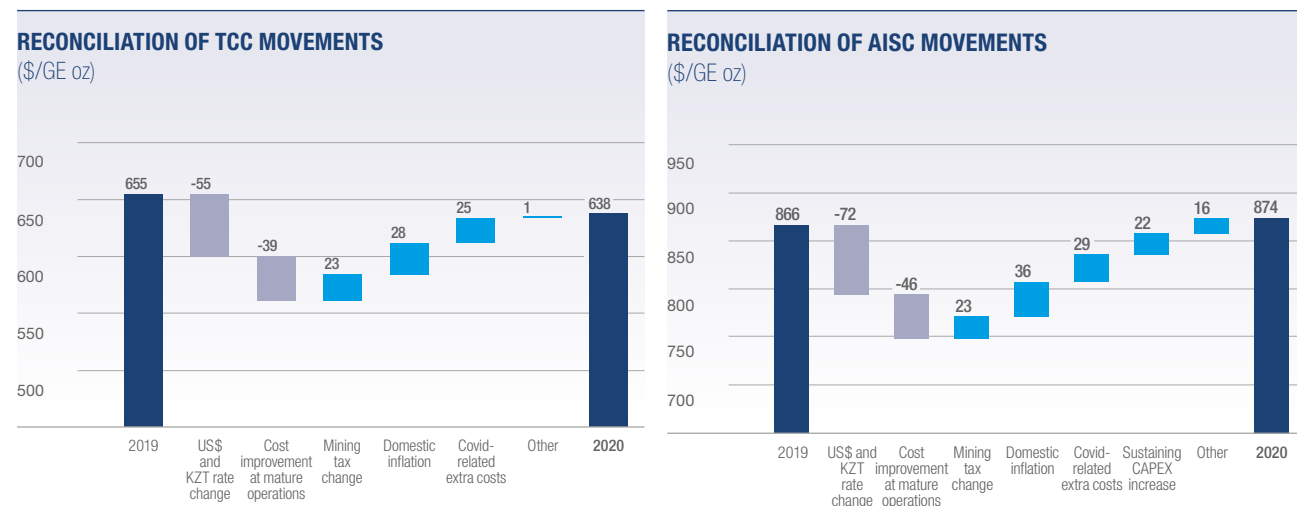
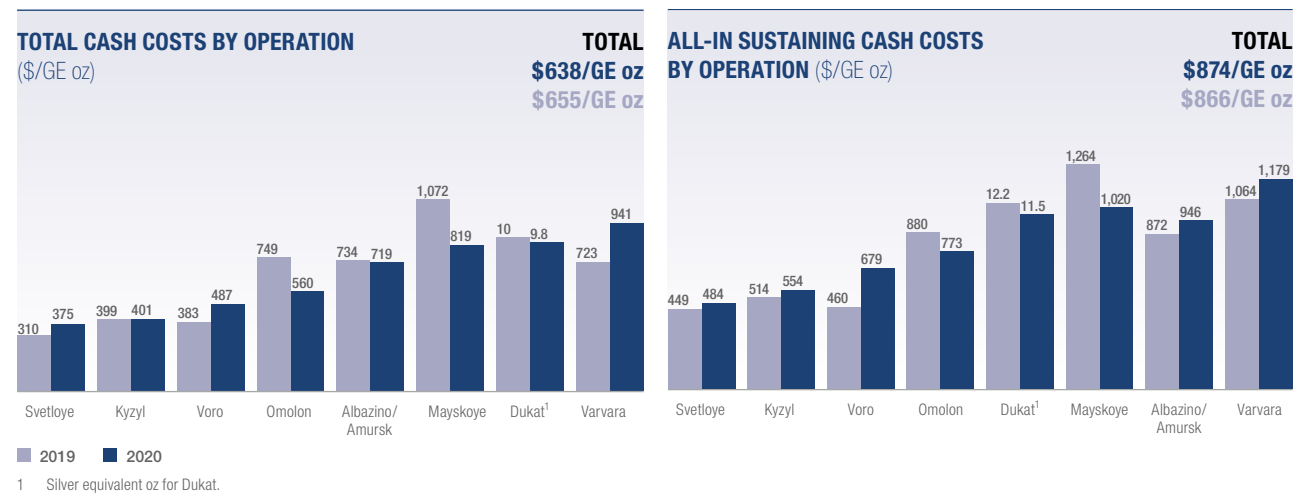
In 2020, TCC per gold equivalent ounce sold were \$638/GE oz, down 3% year-on-year. The depreciation of the Rouble and Tenge against the US Dollar, as well as substantial cost improvements at Omolon and Mayskoye, outweighed additional Covid-related costs, inflationary pressures and a price-driven increase in royalties.

Total cash cost by operation:

- Kyzyl's TCC were at \$401/GE oz, significantly below the Group's average and feasibility study levels, almost unchanged compared with \$399/GE oz in 2019, as the mine delivered in excess of its design capacity and planned grade during the period.
- Dukat's TCC per silver equivalent ounce sold (SE oz) decreased by 3% year-on-year to \$9.8/SE oz. Cost decrease is attributable to the Russian Rouble depreciation offsetting the planned moderate decrease in silver grade at the Dukat underground mine.
- At Omolon, TCC amounted to \$560/GE oz, a 25% decrease year-on-year, as Kubaka mill processed gold-rich ore from Yolochka and Birkachan underground mine at the CIP circuit during the period, while heap leach production also contributed positively on the back of the stacking of larger volumes of higher-grade ore stockpiles.
- TCC at Mayskoye were \$819/GE oz, a 24% decrease year-on-year, mostly driven by the higher gold grade in ore processed and attributable to lower dilution and increased recoveries as well as the impact of oxide ore processing on 2019 TCC.
- Svetloye was the lowest cost operation in 2020, with TCC of \$375/GE oz, despite an increase of 21% compared with 2019, mostly driven by lower production volumes impacted by maintenance shutdown of the ore crushing complex in Q2 and Q4 2020.
- At Albazino/Amursk, TCC were \$719/GE oz, down 2% compared with 2019 on the back of Rouble depreciation offsetting the negative impact of higher-cost third-party concentrate processed at the Amursk POX and Covid-related costs.
- At Varvara, TCC were \$941/GE oz, increasing by 30% year-on-year and mainly stemming from processing additional volumes of feed from higher-cost third-party ore, which contributed to a 12% increase in sales year-on-year.
- At Voro, TCC were \$487/GE oz, up 27% year-on-year on the back of planned grade declines, as open-pit mining was completed in January 2020 and the CIP plant turned to processing lower-grade stockpiles.

1 Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the Alternative performance measures section.

2 Dukat's total cash cost per gold equivalent was \$833/GE oz (2019: \$859/GE oz) and was included in the Group TCC calculation.

All-in cash costs¹

All-in sustaining cash costs amounted to \$874/GE oz, up 1% year-on-year. AISC by operation were represented as follows:

All-in sustaining cash cost per ounce

\$ / GE oz		2020	2019	Change
Magadan	Dukat (SE oz)	11.5	12.2	-6%
	Omolon	773	880	-12%
	Mayskoye	1,020	1,264	-19%
	Total Magadan	917	1,036	-12%
Khabarovsk	Svetloye	484	449	+8%
	Albazino/Amursk	946	872	+9%
	Total Khabarovsk	801	728	+10%
Kazakhstan	Kyzyl	554	514	+8%
	Varvara	1,179	1,064	+11%
	Total Kazakhstan	745	675	+10%
Urals	Voro	679	460	+48%
Total Group		874	866	+1%

All-in sustaining cash costs at all operating mines, except for Albazino, generally followed TCC dynamics.

At Albazino, AISC increased by 9% to \$946/oz, which was mostly driven by underground development and pre-stripping costs capitalised at Ekaterina-2 and Farida pits.

Reconciliation of all-in costs

	Total, \$m			\$/GE oz		
	2020	2019	Change	2020	2019	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 7)	927	953	-3%	572	582	-2%
Adjusted for:						
Idle capacities	(2)	(4)	-45%	(2)	(3)	-33%
Intersegment unrealised profit on metal inventory	(11)	(8)	+31%	(7)	(5)	+40%
Treatment charges deductions reclassification to cost of sales	49	63	-21%	30	38	-24%
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation (Note 7)	80	74	+8%	49	45	+9%
Adjusted for:						
SGA expenses of development projects	(8)	(7)	+14%	(5)	(4)	+25%
Total cash costs	1,034	1,070	-3%	638	655	-3%
SGA expenses for Corporate and Other segment and other operating expenses	157	154	+2%	97	94	+3%
Capital expenditure excluding development projects	112	46	+144%	69	28	+146%
Exploration expenditure (capitalised)	70	94	-26%	43	57	-25%
Capitalised stripping	44	52	-17%	27	32	-16%
All-in sustaining cash costs¹	1,417	1,416	+0%	874	866	+1%
Finance cost	67	74	-9%	41	45	-9%
Capitalised interest	10	9	+11%	6	6	+0%
Income tax expense	319	135	+136%	197	82	+140%
After-tax all-in cash costs	1,813	1,635	+11%	1,118	999	+12%
Capital expenditure for development projects	377	236	+60%	232	144	+61%
Other expenses and SGA for development assets	32	15	+111%	20	9	+122%
All-in costs	2,222	1,885	+18%	1,370	1,152	+19%

Adjusted EBITDA and EBITDA margin²

Reconciliation of Adjusted EBITDA²

\$m	2020	2019	Change
Profit for the financial period	1,086	483	+125%
Finance cost (net) ³	67	74	-9%
Income tax expense	319	135	+136%
Depreciation and depletion	207	242	-14%
EBITDA	1,679	934	+80%
Net foreign exchange (gain)/loss	(23)	36	-164%
(Gain)/loss on disposal of subsidiaries, net	(13)	16	-181%
Share-based compensation	15	12	+25%
Change in fair value of contingent consideration liability	23	23	+0%
Write-down of assets held for sale	–	28	-100%
Other non-cash items	5	26	-81%
Adjusted EBITDA	1,686	1,075	+57%
Adjusted EBITDA margin	59%	48%	+11%

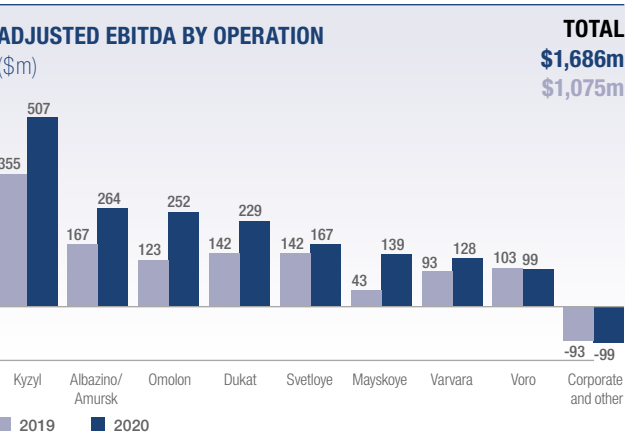
1 All-in sustaining cash costs comprise total cash costs, all selling, general and administrative expenses for operating mines and head office not included in TCC (mainly represented by head office SG&A), other expenses (excluding write-offs and non-cash items, in line with the methodology used for calculation of Adjusted EBITDA), and current period capex for operating mines (i.e. excluding new project capex ('Development capital'), but including all exploration expenditure (both expensed and capitalised in the period) and minor brownfield expansions). For more information refer to the 'Alternative performance measures' section.

2. Adjusted EBITDA is a key measure of the Company's operating performance and cash generation capacity (excluding impact of financing, depreciation and tax) and a key industry benchmark allowing peer comparison. Adjusted EBITDA also excludes the impact of certain accounting adjustments (mainly non-cash items) that can mask underlying changes in core operating performance. The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, gains and losses on disposal or revaluation of investments in subsidiaries, joint ventures and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

3 Net of finance income.

Adjusted EBITDA by operation

\$m		2020	2019	Change
Magadan	Dukat	229	142	+61%
	Omolon	252	123	+105%
	Mayskoye	139	43	+224%
	Total Magadan	620	308	+101%
Khabarovsk	Albazino/Amursk	264	167	+58%
	Svetloye	167	142	+17%
	Total Khabarovsk	431	309	+39%
Kazakhstan	Varvara	128	93	+37%
	Kyzyl	507	355	+43%
	Total Kazakhstan	635	448	+42%
Urals	Voro	99	103	-4%
Corporate and other and intersegment operations		(99)	(93)	+6%
Total Group		1,686	1,075	+57%



In 2020, Adjusted EBITDA increased by 57% year-on-year to \$1,686 million, with an Adjusted EBITDA margin of 59%, reflecting a 27% increase in gold and silver average realised prices against a stable cost base.

Other income statement items

Polymetal recorded a net foreign exchange gain in 2020 of \$23 million compared with an exchange loss of \$36 million in 2019, mostly attributable to the revaluation of the US Dollar denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. This foreign exchange gain was partially offset by intercompany loans with different functional currencies in lending and borrowing subsidiaries.

The Company does not use any hedging instruments for managing foreign exchange risk, other than a natural hedge arising from the fact that the majority of the Group’s revenue is denominated or calculated in US Dollars.

In 2020, the Group has reversed previously recognised impairment charges related to Omolon and Varvara, amounting to \$3 million and \$5 million, respectively. This reversal resulted from a positive change in commodity price estimates used to determine the cash generating units’ recoverable amount since the impairment loss was initially recognised. For details refer to Note 18 of the consolidated financial statements.

Income tax expense for 2020 was \$319 million compared with \$135 million in 2019, representing an effective tax rate of 23% (2019: 21%). The increase was mainly attributable to increased profits. For details refer to Note 16 of the consolidated financial statements.

Net earnings, earnings per share and dividends

The Group more than doubled net income to \$1,086 million in 2020, compared with \$483 million in 2019. The underlying net earnings attributable to the shareholders of the Parent were \$1,072 million, compared with \$586 million in 2019:

Reconciliation of underlying net earnings¹

\$m	2020	2019	Change
Profit for the financial period attributable to the shareholders of the Parent	1,086	480	+126%
Write-down of metal inventory to net realisable value	6	19	-68%
Tax effect on write-down of metal inventory to net realisable value	(1)	(4)	-75%
Foreign exchange (gain)/loss	(23)	36	-164%
Tax effect on foreign exchange (gain)/loss	5	(7)	-168%
Change in fair value of contingent consideration liability	23	23	0%
Tax effect on change in fair value of contingent consideration	(5)	(5)	0%
(Gain)/loss on disposal of subsidiaries, net	(13)	16	-181%
Write-down of assets held for sale	–	28	NA
(Reversal) of previously recognised impairment	(8)	–	NA
Tax effect on reversal of previously recognised impairment	(2)	–	NA
Underlying net earnings	1,072	586	+83%

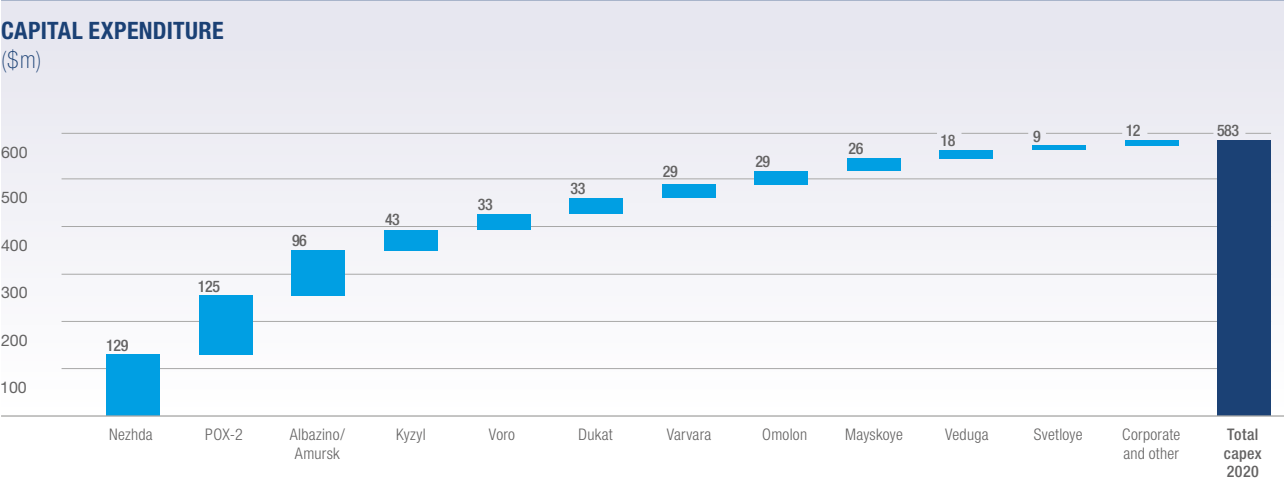
Basic earnings per share was \$2.30 per share compared with \$1.02 per share in 2019. Underlying basic earnings per share (EPS)² was \$2.28 per share, compared with \$1.25 per share in 2019.

In accordance with the updated Dividend Policy, the Board has proposed a final dividend of \$0.89 per share (delivering a total expected dividend of \$419 million), which includes \$0.74 per share representing 50% of underlying net earnings for the second half of 2020 and a discretionary payment of \$0.15 per share adjusting for 100% of free cash flow for the full year 2020, in accordance with Polymetal’s revised Dividend Policy. During 2020, Polymetal paid a total of \$481 million in dividends, representing special and final dividends for the full year 2019 and interim dividends for the first half of 2020.

1 Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance.
2 Underlying basic EPS is calculated based on underlying net earnings.

Capital expenditure¹

\$m	Sustaining capex	Development capex	Stripping	Exploration	Total capex 2020	Total capex 2019
Nezhda	–	92	32	5	129	133
POX-2	–	125	–	–	125	56
Veduga	–	10	6	1	18	14
Albazino/Amursk	41	42	3	11	96	37
AGMK (POX-1)	5	–	–	–	5	1
Albazino	36	–	3	11	49	29
Kutyn	–	42	–	–	42	7
Kyzyl	23	–	20	–	43	36
Dukat	16	17	–	–	33	40
Voro	9	23	–	1	33	4
Varvara	22	–	7	1	29	44
Omolon	23	–	–	6	29	16
Mayskoye	24	–	2	–	26	20
Svetloye	3	–	5	1	9	11
Corporate and other	3	–	–	9	12	26
Total capex	164	308	75	35	583	436



In 2020, total capital expenditure was \$583 million², up 34% year-on-year, mainly on the back of accelerated spending across the project portfolio in a bid to neutralise the impact of the pandemic on project schedules and an increase in capitalised stripping at Nezhda.

Capital expenditure excluding capitalised stripping costs was \$508 million in 2020 (2019: \$359 million).

Major capital expenditure items in 2020 were:

- \$129 million was invested at Nezhda. This includes construction of the plant’s building, new boiler house, SAG, ball mills, flotation and gravity equipment, ROM ore crusher and crushed ore reclaim feeders, as well as stripping costs (\$32 million) capitalised within the development asset. The construction of the power line linking the site to the grid (built by a third-party project entity for further lease to Polymetal – see Note 29 to the financial statements) is progressing well.
- Capital expenditure at Amursk POX of \$125 million, a 100% increase year-on-year, related to the POX-2 development project. Project capital expenditure was mainly represented by the completion of the autoclave vessel construction and testing, construction of the POX building metal framework, foundations for desorption/electrolysis circuits, heating circuit and oxygen plant, construction and commissioning of the new concentrate storage, and construction of repair shops and storage depots, as well as detailed engineering and advances for main equipment.
- Capital expenditure at Albazino of \$96 million was mostly represented by the development of Ekaterina-2, Farida and Anfisa pits, scheduled technical upgrades and the purchase of an underground mining fleet, as well as the start of construction and equipment purchases at the Kutyn heap leach project.
- At Dukat, capital expenditure in 2020 comprised \$33 million, mainly representing the scheduled upgrade of the tailing storage facilities, purchasing the mining fleet and Primorskoye satellite mine development.
- At Voro, capital expenditure of \$33 million is mainly related to the flotation project, represented by concentrator and administrative building foundation works.
- At Omolon, capital expenditure of \$29 million is mainly related to the construction of the dry tailings storage facility and engineering and preparatory works for the solar plant.
- At Mayskoye, capital expenditure in 2020 comprised \$26 million, mainly representing the upgrade of the tailings dam and start of construction of the conveyor ore transportation system.
- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2020 was \$35 million compared with \$46 million in 2019. The decrease was mostly attributable to the completion of exploration campaigns at Yolochka (Omolon) and Primorskoye (Dukat), as well as lower drilling volumes at Prognoz where exploration has largely been completed.
- Capitalised stripping costs totalled \$75 million in 2020 (2019: \$77 million) and are attributable to operations with stripping ratios exceeding their life-of-mine averages during the period, particularly Kyzyl (\$20 million), Albazino (\$9 million) and Varvara (\$7 million).

Cash flow analysis

\$m	2020	2019	Change
Operating cash flows before changes in working capital	1,352	904	+50%
Changes in working capital	(160)	(208)	-23%
Total operating cash flows	1,192	696	+71%
Capital expenditure	(583)	(436)	+34%
Acquisitions of JV and associate	(30)	–	NA
Asset disposal cash proceeds	23	43	-47%
Other	2	(4)	-150%
Investing cash flows	(589)	(397)	+48%
Net increase in borrowings	(1)	(169)	-99%
Dividends paid	(481)	(240)	+100%
Veduga VTB investment	35	–	NA
Contingent consideration payment	(23)	(13)	+77%
Total financing cash flows	(470)	(422)	+11%
Net increase/(decrease) in cash and cash equivalents	133	(123)	-207%
Cash and cash equivalents at the beginning of the year	253	379	-33%
Effect of foreign exchange rate changes on cash and cash equivalents	–	(3)	NA
Cash and cash equivalents at the end of the year	386	253	+53%

1 On a cash basis.
2 On an accrual basis, capital expenditure was \$634 million in 2020 (2019: \$469 million).

Financial review continued

Total operating cash flow in 2020 strengthened significantly year-on-year on the back of higher commodity prices and favourable exchange rates. Operating cash flow before changes in working capital increased by 50% year-on-year to \$1,352 million. Net operating cash flow was \$1,192 million, compared with \$696 million in 2019. This was affected by an increase in working capital in 2020 of \$160 million (2019: \$208 million), mainly represented by concentrate produced at Varvara and Kyzyl, and ore stockpiled at Omolon.

Total cash and cash equivalents increased by 53% year-on-year and comprised \$386 million, with the following items affecting the cash position of the Group:

- Operating cash flows of \$1,192 million;
- Investment cash outflows totalled \$589 million, up 48% year-on-year and mainly represented by capital expenditure (up 34% year-on-year to \$583 million) and investment in Tomtor and JVs (\$30 million), offset by cash proceeds on asset disposals (Irbychan Gold – \$10 million, North Kaluga – \$11 million and PGGK – \$2 million);
- Payment of special and final dividend for 2019 in March and May 2020 and interim dividend for the first half of 2020 in September 2020 amounting to \$481 million;
- Cash inflow of \$35 million recognised for the VTB investment in exchange for the newly issued Amikan (Veduga) share capital and resulting in VTB holding a 40.6% stake in the asset;
- Contingent consideration payments (royalties payable to sellers of Komar and Omolon) of \$23 million.

Liquidity and funding

\$m	31 Dec 2020	31 Dec 2019	Change
Short-term debt and current portion of long-term debt	334	214	+56%
Long-term debt	1,403	1,518	-8%
Gross debt	1,737	1,732	+0%
Less: cash and cash equivalents	388	253	+53%
Net debt	1,351	1,479	-9%
Net debt/Adjusted EBITDA	0.80	1.38	-42%

The Group's net debt decreased to \$1,351 million as of 31 December 2020, representing a Net debt/Adjusted EBITDA ratio of 0.80x, well below the Group's target ratio of 1.5x.

The proportion of long-term borrowings comprised 81% as at 31 December 2020 (88% as at 31 December 2019). In addition, as at 31 December 2020, the Group had \$2.3 billion (31 December 2019: \$1.9 billion) of available undrawn facilities, of which \$1.39 billion is committed, from a wide range of lenders, and this allows the Group to maintain financing flexibility in the current environment.

The average cost of debt remained low at 3.4% in 2020 (2019: 4.26%) supported by lower benchmark interest rates and our ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2021 outlook

While we recognise that our financial performance is dependent on the Rouble/Dollar and Tenge/Dollar exchange rates, inflation in Russia and Kazakhstan and oil price dynamics, Polymetal expects to deliver a strong financial performance in 2021, which will be driven by the following factors:

- The Company reiterates its current production guidance of 1.5 Moz of GE for 2021 and 1.6 Moz of GE for 2022.
- TCC in 2021 are expected to be in the range of \$700–750/GE oz. The year-on-year increase in TCC will be driven by:
 - Rouble and Tenge appreciation compared with average 2020 levels;
 - Increasing domestic diesel fuel price driven by higher Brent oil prices;
 - Above-CPI wage inflation in the mining industry;
 - Full-year impact of Covid-related measures.
- AISC in 2021 is expected to be in the range of \$925–975/GE oz. In the current environment, the Company will continue to prioritise timely project execution over cost optimisation in its projects.
- Capital expenditure in 2021 is expected to be lower compared with 2020 at roughly \$560 million and mostly on the back of completion of construction works at Nezhda.
- The Company expects to continue to deliver positive free cash flow and pay regular dividends in 2021 in accordance with the current Dividend Policy.

Our response to Covid-19

In 2020, the pervasive scale and impact of the pandemic had a fundamental effect on many aspects of Polymetal's business, and we established immediate mitigating actions and response plans to deal with it at an operational level. We consider that the Covid-19 pandemic has had a bearing on all our operating activities in 2020 and disclosed the effects the pandemic has had on individual risks within our principal risks register; the details along with mitigating actions are set out in the table on pages 90–96.

Throughout 2020, we focused strongly on assisting the business with the response to the Covid-19 pandemic, notably through the following:

- Recognising the heightened vulnerability of human resources as a key risk
- Reviewing and expanding key risk indicators for each of the significant risks facing the Group
- Strengthening internal controls for human resources, supply chain, and health and safety
- Increasing the input from top and line managers on how best to identify and manage the operational risks
- Placing greater responsibility on all management levels of the Company, including the development and implementation of risk mitigation actions
- Identifying new compliance risks and reinforcing internal compliance controls and our efforts to mitigate potential Covid-related risks.



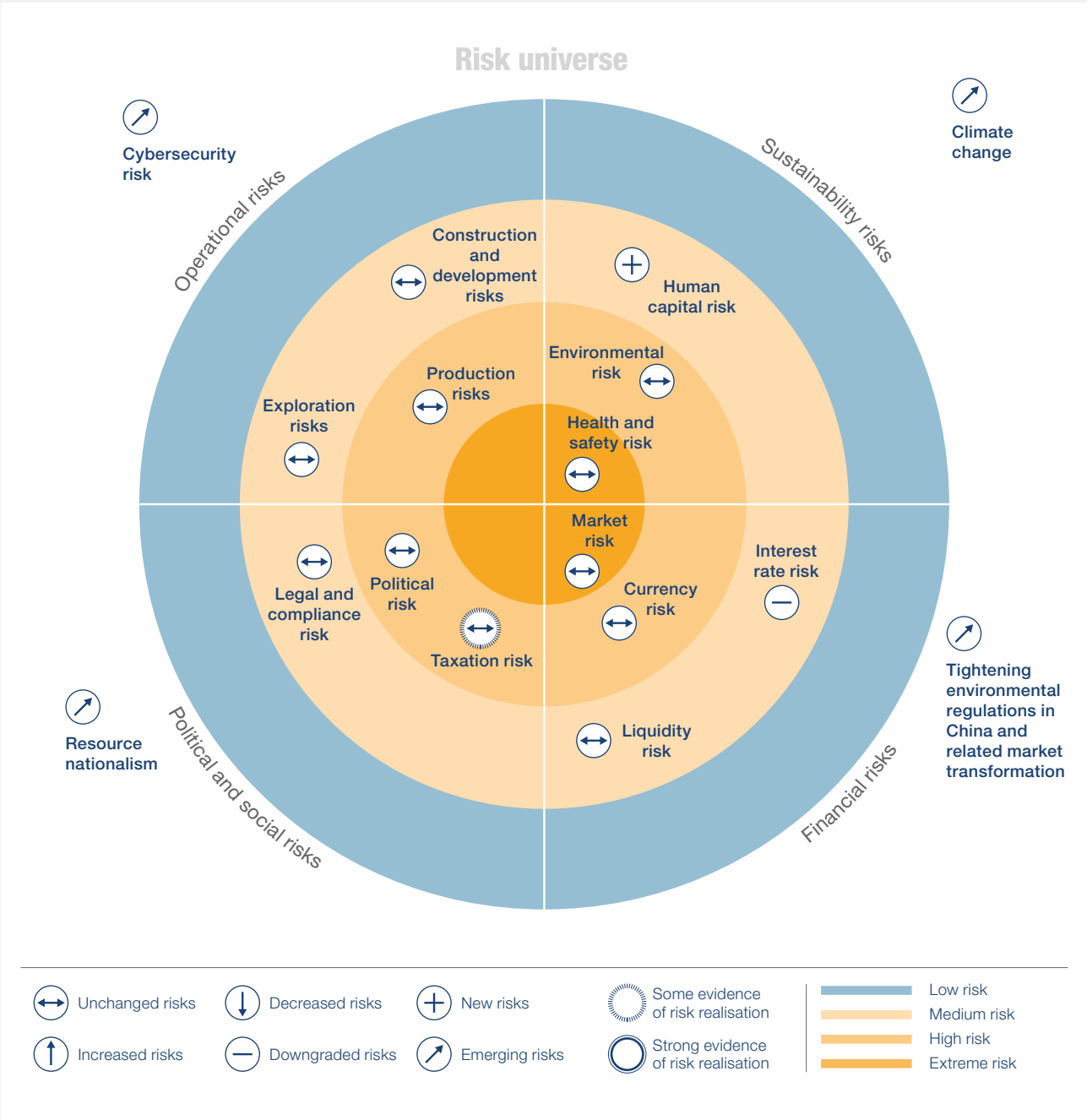
Potential risk impacts

Risk impact:	▲▲▲▲▲ Insignificant	▲▲▲▲▲ Minor	▲▲▲▲▲ Moderate	▲▲▲▲▲ Major	▲▲▲▲▲ Catastrophic
Harm to people	Slight injury or health effects – first aid/minor medical treatment level	Minor injury or health effects – restricted work or minor lost workday case	Major injury or health effects – major lost workday case/permanent disability	Permanent total disabilities, single fatality	Multiple fatalities
Environmental impact	Minimal harm	Material harm	Serious harm	Major harm	Extreme harm
Business disruption/asset damage and other consequential loss	Less than 1% Adjusted EBITDA	1–5% Adjusted EBITDA	5–10% Adjusted EBITDA	10–20% Adjusted EBITDA	More than 20% Adjusted EBITDA
Legal and regulatory impact	Low-level legal issue	Minor legal issue; non-compliance and breaches of the law	Serious breach of the law; investigation/report to authority, litigation and/or moderate penalty possible	Major breach of the law; litigation and penalties applied	Very considerable penalties and jail term
Impact on reputation	Public awareness may exist but no public concern	Local public concern	Regional public concern	National public concern	International public concern

Likelihood

Rare	Unlikely	Possible	Likely	Almost certain
Never occurred or is highly unlikely to occur in the next 20 years	Occurred several times or could happen within 20 years	Occurred at some point within 10 years and may re-occur within 10 years	Occurred infrequently: less than once a year and is likely to re-occur within 5 years	Occurred frequently: one or more times per year and is likely to re-occur within one year

Risk radar



Operational risks

- 1 Production risks
- 2 Construction and development risks¹
- 3 Exploration risk

Sustainability risks

- 4 Health and safety risk
- 5 Environmental risk
- 6 Human capital risk

⊕ Read more on the next pages.

Political and social risks

- 7 Legal and compliance risk
- 8 Political risk
- 9 Taxation risk

Financial risks

- 10 Market risk¹
- 11 Currency risk¹
- 12 Liquidity risk¹

Current emerging risks

Climate change
Resource nationalism
Tightening environmental regulations in China and related market transformation
Cybersecurity risk

¹ This risk was considered as part of the viability assessment as detailed on page 152.

Principal risks

The Group's principal risks and related mitigation strategies are set out below. Principal risks and their parameters are identified by the Board based on a detailed understanding of the Company, its markets and the legal, social, political, economic, technological, environmental and cultural environments in which we operate, as well as a robust assessment of the likelihood of the occurrence and potential consequences of risk events.

In 2020, we validated the continued importance of our 12 principal risks. We have updated our risk profile to include one new principal human capital risk. We have also disclosed the impact the Covid-19 pandemic, which was treated as a pervasive risk with a wide-ranging impact across several principal risks.

To read more about emerging risks see page 97

Operational risks	
1. Production risks Risk level: High risk	Risk description and potential effect The key risks that may adversely affect the Group's ability to deliver on its production plans are: - Stability of pits and underground mines - Complex geotechnical conditions - Lack of quality ore feed for processing plants - Inability to achieve planned recoveries - Reduced volumes of concentrate sales.
Risk exposure trend: 2020 – No change	
Link to strategy: Robust performance	
	Mitigation We continuously identify and evaluate the production risks and develop risk management measures, specifically: - Geomechanical surveys for open-pit and pit wall stability control system for underground mining, including Ground Penetrating Radars (GPRs) and drones (UAVs) used for surveys, slope analysis, and online monitoring of pit wall stability - Flood management measures to prevent spring floods - Detailed geomechanical modelling to process data on grade control and production drilling - Monthly mine-to-model reconciliations to achieve higher grades and minimise dilution losses - Geotechnical mapping based on results of exploration, grade control sampling and in-fill drilling - Lab tests to optimise ore and concentrate processing parameters.
	We are fostering strong relationships with our suppliers and contractors. The supply chain system closely links production demand with inventory levels, optimises the number of order placements and ensures on-time inventory and equipment delivery to production sites while minimising stockpile levels.
	Principal areas of focus in 2020 The Company increased productivity and enhanced efficiency of current operations by advanced mining and metallurgical sampling. We have further strengthened procurement and logistics processes and increased levels of insurance stocks for key consumables to prevent downtime due to Covid-related restrictions.
	There were no interruptions in production, supply chain or sales due to Covid-19. Strict precautionary procedures, implemented in early 2020, including mandatory isolation of new arrivals and restrictions on meetings and travel, have been maintained at all production sites and offices. These restrictions are currently expected to continue throughout 2021.

Operational risks continued

2. Construction and development risks Risk level: Medium risk	Risk description and potential effect Inability to achieve target return on capital for large investment projects, such as building new mines and processing facilities or extension/refurbishment of existing operating mines, due to: - Delay in commissioning - Inability to achieve design parameters - Capital expenditure overruns.
Risk exposure trend: 2020 – No change	
Link to strategy: Delivering growth Securing the future	Mitigation The Company uses global best practice in project management. Project committees, including the Company executive team, make key financial, technological and organisational decisions when considering new projects. The Board regularly reviews progress on key projects, including completion scorecards and key project milestones and risks. Cross-functional project teams include professionals from head office, regional operations, Polymetal Engineering, Polymetal Trading and external experts. (Hatch Inc. is responsible for the engineering, procurement support and supply of equipment at POX-2.) This enables us to apply accumulated collective experience in exploration, design and commissioning of mining and processing operations. JORC-compliant Ore Reserves estimates for new development assets are assured by external auditors and validate all critical feasibility study assumptions. The Board approves all acquisitions above \$25 million ensuring that potential new assets fit the Company's strategic goals.
	Principal areas of focus in 2020 In 2020, mining and construction activities at development projects progressed on schedule. The start-up of Nezhda is targeted for Q4 2021. The POX building metal framework is completed; internal and external infrastructure construction is in progress. At Veduga, the focus was on building the exploration decline and pre-stripping ahead of potential approval of the project in 2021. The Group regularly evaluates the Covid-related risks and has tight control over meeting the equipment delivery deadlines and availability of OEM installation teams. We are working closely with the equipment suppliers to deal with any Covid-related restrictions, including limitations on cross-border travel. When making construction schedules, we take the mandatory isolation period into account for employees and contractors.
3. Exploration risk Risk level: Medium risk	Risk description and potential effect Failure to discover new reserves of sufficient magnitude or confirm existing reserves is an inherent risk for the mining industry: - Tectonic fractures and rock-fracture zones may affect the stability of the rock mass - Change in the form and dip angles of ore bodies may effect the development method and result in an increase in the amount of planned mining works. - Underestimation and overestimation of mineral resources may affect the accuracy of production planning and mining efficiency - Failure to take assays and handle samples correctly may lead to incorrect analysis results and errors in estimates of mineral resources.
Risk exposure trend: 2020 – No change	
Link to strategy: Delivering growth Securing the future	Mitigation The Group's Chief Geologist and engineering teams have a strong track record of successful greenfield and brownfield exploration, leading to the subsequent development of exploration fields for commercial production. The advancement of exploration projects is subject to rigorous reviews through pre-established project stage gates that are linked to estimates of the resource potential to be commercially developed. We have a mine-to-model reconciliation procedure in place to compare the actual amount of ore mined with mineral resource estimates. Quality assurance and quality control procedures provide control of works performed through control tests and measurements. The procedures also provide for an expert review of technologies applied.
	Principal areas of focus in 2020 In 2020, Polymetal achieved good progress at brownfield projects, notably a significant addition to JORC reserves at East Bakyrchik (Kyzyl) and Kutyn. As part of the Company's efforts to build and advance its long-term growth pipeline, Polymetal is pursuing grassroots, greenfield exploration through joint ventures with junior explorers in order to access promising, untested mineral properties. In 2020, we entered into several new strategic partnerships in the regions where we operate. The average grade in Ore Reserves continues to be one of the highest within the sector globally at 3.8 g/t of GE.

Principal risks

Sustainability risks	
4. Health and safety risk Risk level: Extreme risk Risk exposure trend: 2020 – No change Link to strategy: Governance and sustainability	Risk description and potential effect The Group operates potentially hazardous sites such as open-pit and underground mines, exploration sites, processing facilities and explosive storage facilities. Working on the production sites may pose a risk for our employees and contractors due to various hazards and harmful factors. Mitigation Our approach to health and safety is about a zero-harm culture. Safety responsibility comes from the top: our Group CEO and COO, alongside Deputy CEOs responsible for HR, Engineering, Construction and Mineral Resources, are formally committed to personal accountability, with health and safety indicators making up a material part of their annual bonus KPIs. They can be subject to penalties of up to 50% of their annual bonus earned for non-safety-related KPIs if severe incidents or fatalities occur. Each key process and location has its own risk map and mitigation plan. We develop an annual action plan for key risk areas and implement mitigation activities across engineering improvements and additional training. This includes training, health and fatigue monitoring, upgrading safety equipment, route optimisation, regular road safety inspections and improving work and rest conditions. Our Occupational Health and Safety Management System is audited annually for compliance with ISO 45001. Principal areas of focus in 2020 In 2020, there were no fatal accidents among Polymetal employees or contractors, compared with two fatalities in the previous year. LTIFR for employees decreased by 38%, with 11 out of 13 injuries classified as minor. To address road safety, Polymetal applied a driver-vehicle-environment approach to develop a detailed road safety programme, consisting of 37 control and mitigation measures. The Company improved controls over other risks, applying digital technologies where relevant, such as a mine-and-plant worker positioning system, devices warning about electric voltage and collision avoidance systems.
5. Environmental risk Risk level: High risk Risk exposure trend: 2020 – No change Link to strategy: Governance and sustainability	Risk description and potential effect By the nature of its production processes, the Company has an impact on the environment. The main environmental risks are emissions (emissions and discharges) of pollutants, incidents at tailings storage facilities, explosives storage and water treatment facilities. Environmental risk factors includes natural ones: climatic, atmospheric, hydrogeological, geological, etc. Environmental risk realisation may lead to financial expenses, such as fines and penalties, excess payments, environmental restoration costs and statutory liability, and an increase in social and environmental tension. Mitigation The Company has a certified environmental management system developed in accordance with the requirements and principles of ISO 14001. The Company confirms compliance with the requirements of the standard each year. The environmental impact assessment is reviewed by the regulator. External experts annually perform a safety review of one of the tailings storage facilities. The Company has implemented a Cyanide Management System in order to unify the approach to cyanide management, to identify and minimise the risks of potential negative effects of cyanide on the environment and the health of employees. The Group continually evaluates whether the current measures are sufficient and effective, develops action plans, and reviews and implements procedures that expose any deviations at every stage of an operation's life-cycle. Principal areas of focus in 2020 In 2020, actions were taken to reduce the consumption of fresh water for process needs, alongside modernisation and refurbishment of water treatment facilities at Albazino, Voro, Kyzyl and Dukat. At Mayskoye, the Tailings Storage Facility was audited by Knight Piesold Limited. We began a compliance audit of our Varvara operation and plan to roll out the Cyanide Management Code certification to the rest of our sites where cyanide is used (Omolon, Svetloye, Mayskoye and Dukat). In Q4, following the 2020 Corporate Sustainability Assessment by S&P, Polymetal was added to the Dow Jones Sustainability World Index for the first time and retained its place in the DJSI Emerging Markets Index.

Sustainability risks continued	
6. Human capital risk Risk level: Medium risk Risk exposure trend: A new principal risk Link to strategy: Governance and sustainability	Risk description and potential effect The unprecedented speed and scale of Covid-19 outbreaks has prompted us to recognise human resources (including their physical well-being) as a principal risk factor. Inability to retain key personnel or to recruit new personnel, insufficient qualification of employees, and possible adverse changes in labour laws can affect operations, culture and environment where business can thrive. Mitigation Our corporate culture is crucial for delivering the long-term success of the Company and the Board recognises that our employees are central to this process. The main principles and approaches to personnel strategy implementation are based on international best practice, generally recognised principles and rules of international law, as stated in the Human Resource Policy. The Group has an internal communications system enabling it to monitor independently employee satisfaction. There are direct lines to the Group CEO and departmental heads. Employee satisfaction surveys are conducted on a regular basis with a summary provided to the Nomination Committee. Our Remuneration Policy is aimed at achieving results, motivating and retaining all levels of personnel, prioritising functional areas and staff shortages in the labour market. We have incentive programmes to help retain key employees. The Company maintains a Talent Pool. Principal areas of focus in 2020 In response to Covid-19, strict precautionary procedures have been maintained at all production sites, including daily temperature checks, regular medical surveillance and 14-day isolation of new shifts, isolated accommodation space for placement of potentially infected employees, enhanced hygiene protection in public spaces and increased control over disinfection and sterilisation measures. Personnel at off-site offices are tested on a rolling two-week basis. Polymetal provided financial and operational support to healthcare facilities across all regions of operation, including purchasing critical PPE, medical supplies and specialised diagnostic equipment. In response to tighter competition for qualified labour and higher employee retention risk in the gold mining sector, the Remuneration Committee approved a second unscheduled 5% indexation of the base salary for all Company employees from 1 September 2020. In 2020, employees from every subsidiary used various workforce engagement channels to ask questions on a wide range of topics: out of these, 43 questions were addressed to the Board. Key areas of focus for workforce engagement and details of continuous feedback can be found on page 113.

Principal risks

Political and social risks	
7. Legal and compliance risk Risk level: Medium risk Risk exposure trend: 2020 – No change Link to strategy: Governance and sustainability	Risk description and potential effect Operating in developing countries, such as Russia and Kazakhstan, involves the risk that changes in tax and other legislation may occur. The most sensitive areas are the regulation of foreign investment in the development of mineral resources at so-called strategic deposits, private property, environmental protection and taxation. In recent years, the governments of Russia and Kazakhstan have become more consistent when introducing new regulations and taxes, demonstrating an awareness of investment climate issues. Failure to adhere to the applicable requirements and recommendations of regulators may cause sanctions, loss of licences for mineral properties and penalties, and may also affect the reputation of the Group. Mitigation We have a successful track record of operating in Russian and Kazakh jurisdictions. The Group implemented monitoring and compliance-control procedures related to the provisions of applicable laws, requirements and recommendations of regulators, corporate governance standards and the Group's internal policies and procedures. We strive to create a more favourable regulatory environment by being a member of various voluntary non-governmental organisations in Russia and Kazakhstan: - Russian Union of Industrialists and Entrepreneurs - Russian Chamber of Commerce and Industry - Kazakhstan National Chamber of Entrepreneurs - Kazakhstan Tax Payer Association. Polymetal also holds membership in mining associations including the Russian Gold Producers' Union, Kazakhstan Mining Association and Kazakhstan Precious Metals Producers Association. Our representatives participate in Kazakhstan's Foreign Investors' Council. Principal areas of focus in 2020 The Company's representation on industry-related committees and panels enables Polymetal to act in a timely and coordinated manner in response to new challenges coming from executive and legislative branches that could potentially affect the Company's business. Due to such representation, the Group is able to develop and channel a carefully reasoned position on key issues to stakeholders as well as prepare for the implementation of any new regulations.
8. Political risk Risk level: High risk Risk exposure trend: 2020 – No change Link to strategy: Governance and sustainability	Risk description and potential effect Operating in Russia and Kazakhstan involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Financial and economic sanctions imposed from 2014–2020 by the US and the EU on certain businesses and individuals in Russia increased political tensions. Russia's complicated relations with the US and EU may potentially present a risk to the Group's operations. These factors may have a negative impact on the ability of the Group to secure external financing. Mitigation The Group actively monitors political developments on an ongoing basis. We aim to maintain open working relationships with local authorities in the countries where we operate. The Company has designed and implemented a Group Sanctions Compliance Policy, outlining general principles and approaches to sanctions compliance in the Group's operations. Respective Local Sanctions Compliance Policies have been adopted in Russia and Kazakhstan. Principal areas of focus in 2020 Sanctions imposed on Russian individuals and businesses from 2014–2020 have not currently had any direct influence on the Group's operations. Neither the Group nor its major shareholders are targeted by US or EU sanctions. However, to a limited extent, sanctions have affected the macroeconomic situation in Russia.

Political and social risks continued	
9. Taxation risk Risk level: High risk Risk exposure trend: 2020 – No change Link to strategy: Robust performance	Risk description and potential effect Russian and Kazakhstan tax laws are subject to frequent changes and allow for various interpretations. As a result, the Group management's interpretation of the tax laws applicable to the Group's operations and activities may be challenged by relevant tax authorities. International companies will continue to be subject to considerable public scrutiny across the world within the Base Erosion and Profit Shifting (BEPS) action plan. The Group carries out its activities in several jurisdictions and this gives rise to complex rules of transfer pricing that are linked with uncertainty and subjectivity. Mitigation Our approach includes constant monitoring and analysis of changes in Russian and international tax laws, law-enforcement practice and recommendations of supervisory authorities. The Group introduced a transfer pricing methodology complying with the requirements of OECD and local standards. The Group updates the procedure each year to ensure that operations between Group companies are strictly commercial. To date, the Group is not aware of any significant outstanding tax claims which could lead to additional taxes accrued in the future (beyond amounts already booked or disclosed in the Group's financial statements). The Group applies a conservative approach to provisioning for probable tax liabilities. Principal areas of focus in 2020 In 2020, the global Covid-19 pandemic exerted a significant impact on economic policies globally, which in turn may lead to a tightening of fiscal policies, revision of incentives measures and tax benefits. Examples of such measures include amendments to some double taxation agreements initiated by Russia, aimed at increasing the tax deducted at source for some payments, as well as a significant increase in the mining tax rate related to base metals, which has had limited impact on the Group so far. The Group does not currently have any information on any specific changes in tax laws that might lead to a significant increase in the Group's tax burden.
Financial risks	
10. Market risk Risk level: Extreme risk Risk exposure trend: 2020 – No change Link to strategy: Robust performance Delivering growth Securing the future	Risk description and potential effect Gold and silver price volatility may result in material and adverse movements in the Company's operating results, revenues and cash flows. Market risks also include the inability to sell a significant amount of concentrate and delays in delivery of the finished product to the buyers due to a disruption in sales channels. Mitigation The Company has developed and, to the extent necessary, implemented procedures to ensure consistent cash flow generation at operating mines: - Redistribution of ore feedstock between the deposits within a hub to achieve higher margins due to better grade profile, better logistics or less expensive mining methods - Deferring the start of production while continuing ore stacking to achieve better cost profiles due to the positive effects of scale - Managing the volume of third-party ore purchases - Asset-level cost-cutting. Stress testing for conservative price assumptions is performed to ensure the resilience of operating mines in a stress scenario and continued value creation. Emergency response plans have been developed. Principal areas of focus in 2020 In 2020, metal prices had a remarkable performance, increasing significantly on the back of increasing uncertainty surrounding the Covid-19 pandemic. Our sales activities remain unaffected by Covid-19. Revenue jumped on the back of higher gold and silver prices as well as increased gold sales volumes. Our stress testing focused on adverse changes in market prices of gold and silver, and foreign exchange rates demonstrate that, under reasonably possible downside assumptions, no mitigating actions are required to maintain positive cash flow at all operations.

Principal risks

Financial risks continued	
11. Currency risk Risk level: High risk Risk exposure trend: 2020 – No change Link to strategy: Robust performance	Risk description and potential effect The Group's revenues and the majority of its borrowings are denominated in US Dollars, while the majority of the Group's operating costs are denominated in Russian Roubles and Kazakh Tenge. As a result, changes in exchange rates affect financial results and performance. Strengthening of the functional currencies against the US Dollar may lead to adverse impact on our operations in Russia and Kazakhstan, resulting in higher Dollar values of local currency-denominated operating costs and lower margins. Mitigation Natural hedging is used to reduce the currency risk exposure: the Group maintains most of its loan portfolio denominated in US Dollars, balancing financial cash flows from revenue denominated in US Dollars. Flexible budgeting is used to monitor the effect of exchange rate fluctuations on the Group's financial results. The Group has determined critical exchange rate levels for its operations and is monitoring risk against these levels. Principal areas of focus in 2020 In 2020, the Russian Rouble weakened on the back of falling oil prices, as did the Kazakh Tenge. This has had a positive impact on the financial performance of our operations. There is a significant headroom available for the Group's existing covenants under a reasonable set of macro assumptions used in the cash flow forecast. In making this assessment, the Group has considered the most recent budgets and plans, including Covid-19 impacts in its scenario analysis. As at 31 December 2020, 96% of the Group's total debt was denominated in US Dollars. The Company will continue to retain most of its loan portfolio in US Dollars.
12. Liquidity risk Risk level: Medium risk Risk exposure trend: 2020 – No change Link to strategy: Robust performance	Risk description and potential effect The inability to raise sufficient funds to meet current operating or ongoing financial needs or to develop new projects and growth. Insufficient cash and available facilities to fund current operating or ongoing financial needs, to develop new projects and growth. Inadequate cash management in terms of cash flow forecast, available resources and future requirements. Mitigation To manage the liquidity risk, the Group: - Controls its leverage and financial covenants as well as the liquidity cushion - Monitors and controls cash expenditures at all stages of a deposit development, from the choice of a project to its operation, in order to ensure stable cash flow from operations - Refinances its debt in advance to avoid large bullet repayments and minimise the risk of refinancing in future - Monitors the macroeconomic situation in terms of availability of borrowings - Ensures that significant amounts of undrawn committed facilities from a wide range of lenders are in place. Principal areas of focus in 2020 Polymetal managed the liquidity risk effectively both in terms of its ability to generate significant stable cash flow from operations and in terms of raising funds. In 2020, the Group generated significant cash flows allowing it to both finance capital expenditure and to pay dividends in accordance with the Dividend Policy, and has fully completed its debt-refinancing plan. The ability to raise funds has not deteriorated because of Covid-19. In 2020, the Net debt/Adjusted EBITDA ratio decreased to 0.8x from 1.4x in 2019, well below the Group's target leverage ratio of 1.5x. The Group secured new long-term bank facilities and ensured it has a sufficient amount of revolving credit facilities to cover its short-term needs in financing.

Emerging risks

In addition to the currently identified risks, the Company has a process of identifying and addressing emerging risks. Emerging risks are defined as circumstances or trends that could significantly impact the Company's financial strength, competitive position or reputation within the next five years and have a long-term impact for several years. Emerging risks can be very difficult to quantify given the potentially unknown and far-reaching impacts on industry and external environment in general. Emerging risks are particularly important in the context of the Company's strategic planning. Accordingly, we identify the critical assumptions in strategic plans that could be impacted by these emerging risks.

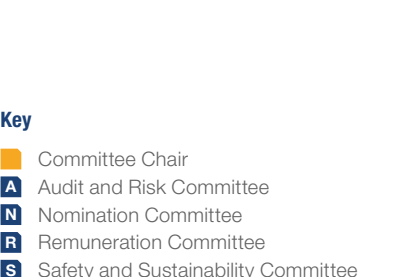
We involve top and line management in the dialogue to identify the emerging risks during internal communications, technical council meetings, and project risk analysis, including approval of significant projects by the Board.

Current emerging risks

When identifying and assessing risks, the Group also draws up a watch list of emerging risks, whose potential impact is not clear at the present time; the most notable of these are set out below. We monitor them in line with our risk management process.

Description, potential risk impacts and risk impact on the Group's strategic goals	
Climate change risk	We recognise that global climate change represents both risks and opportunities for our business. Climate-related risks include physical risks (shifts in rainfall patterns, hurricanes, thermokarst processes in permafrost areas, etc.) and transitional risks (such as carbon pricing/quotas, additional regulatory requirements, increased costs of fossil fuel and potential negative perception of carbon-intensive industries/companies by the Company's stakeholders etc. The Company has adopted a climate change strategy which includes a comprehensive climate change risk assessment and mitigation/adaptation plans, as well as setting targets and taking specific steps to reduce its own carbon footprint. We have also disclosed climate-related data in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read more in our Sustainability Report, pages 38–45.
Resource nationalism	An attempt by host states to assert greater control over natural resources in their territory by restricting extractive industries through a variety of methods, including limitation of foreign investment in the sector, stricter procedures for grant of licences, expropriation/nationalisation of mining assets, limitation or export duties for bullion/concentrate export sales and/or additional taxation on the mining sector. Historically, both Russia and Kazakhstan have maintained a safe and predictable investment climate for the hard rock mining industry. The Group actively engages with governmental and local authorities in its regions of operation in order to monitor and address any potential issues.
Tightening environmental regulations in China and related market transformation	The Chinese government continues to introduce regulatory measures and greater enforcement to help overcome environmental challenges. This has already had wide-ranging ramifications for mining and mineral processing worldwide. Currently, Polymetal sells its double refractory gold concentrates (more than 20% of total sales in 2020) to Chinese offtakers. Therefore, any environmental restrictions for concentrate imports could affect the Group's ability to sell these materials or the commercial terms of such sales. So far, the tightening environmental regulations have not had any material impact on the Group. The Group is currently building the POX-2 expansion project, which will eliminate its dependence on Chinese offtakers. After launching POX-2, the Company plans to discontinue concentrate sales to China. The start of production at POX-2 is scheduled for 2023.
Cybersecurity risk	Cybersecurity risks for the Group are mainly represented by risks of unauthorised access to confidential information, bank accounts etc. as well as potential interference in automated production management systems. These risks are considered to be limited in the context of the Company's current IT architecture and information security systems. However, maintaining resilience to cybersecurity threats is a priority for the Group. The Group's strategy provides for cybersecurity risk management in accordance with the ISO/IEC 27000 series of standards. In 2021, the Group plans to obtain a certificate of compliance with the ISO/IEC 27001 standard. The Group uses an information technology management platform based on the COBIT package (Control Objectives for Information and Related Technology), which provides a complete set of high-level requirements to be considered for effective control of each IT process. The Group carefully monitors emerging information security threats and the management of network and information flows and implements effective protection. In 2020, the Group faced the transition of its office employees to remote working from home. In order to maintain high cybersecurity standards, the procedures for providing and disabling remote access for employees has been additionally secured and automated.

Committed to the highest standards of governance



1. Ian Cockerill
Chair of the Board of Directors
Appointed: 23 April 2019.
Previous experience: Chair of Blackrock World Mining Trust, 2016–2019. Lead Independent Director of Ivanhoe Mines, 2011–2019. Non-executive Director of Orica, 2010–2019. Director of Endeavour Mining Corp (ASX), 2013–2019. Executive Chair and Chair of Petmin, 2010–2017. CEO of AngloCoal, 2008–2009. Managing Director, COO and CEO of Gold Fields, 1999–2008. Executive Officer Business Development and African Operations for AngloGold, 1997–1999.
Qualifications: BSc (Hons) in Geology from Chelsea College of Science and Technology, University of London. MSc in Mineral Production Management from Royal School of Mines, London. Management Development Programme at University of South Africa. Advanced Management Programme at Templeton College, Oxford University.
Other roles: Independent non-executive Director of BHP. Director of Leadership for Conservation in Africa and Chair of Conservation 360, both conservation NGOs.

N S

2. Ollie Oliveira
Senior Independent non-executive Director
Appointed: 25 April 2018.
Previous experience: Founder and Managing Partner of Greengrove Capital LLP. Independent non-executive Director of Dominion Diamond Corporation; Chairman of its Audit Committee, 2013–2015. Head of Corporate Finance, Director of Diamond Trading Company (DTC) and Member of DTC and De Beers Executive Committees, 1997–2008; Executive Director, Strategy and Business Development in De Beers holding company, 2001–2008. Finance Manager, Corporate and International Finance in Anglo American Corporation of South Africa Ltd, 1989–1997. Group Finance Director of Press Corporation Ltd, 1980–1989. Touche Ross (now Deloitte), 1974–1980.
Qualifications: BCom from University of KwaZulu-Natal. Fellow of ICMA (UK). Member of South African Institute of Chartered Accountants.
Other roles: Non-executive Director of Blackrock World Mining Trust. Non-executive Director and Senior Independent Director at Antofagasta; Chairman of its Project and Audit and Risk Committees.

R N A

3. Vitaly Nesis
Group Chief Executive Officer
Appointed: 29 September 2011.
Previous experience: Member of JSC Polymetal Board, 2004–2012. CEO of Vostsibugol, 2002–2003. Strategic Development Director at the Ulyanovsk Automobile Plant in 2000. McKinsey in Moscow, 1999–2000. Merrill Lynch in New York, 1997–1999.
Qualifications: BA in Economics from Yale University. MA in Mining Economics from St. Petersburg Mining Institute.
Other roles: Chief Executive of JSC Polymetal since 2003.

S

4. Giacomo Baizini
Independent non-executive Director
Appointed: 1 January 2018.
Previous experience: EVRAZ plc 2005–present; held various positions including Group CFO from 2009–2014; also operations planning and business development. Prior to joining EVRAZ, Mr Baizini was a management consultant with McKinsey & Co in their Milan and Tokyo offices.
Qualifications: MA Hons in Physics from the University of Oxford. Diploma of Industrial Engineering from the Japan Management Association. Summer MBA from the Kellogg Graduate School of Management.
Other roles: Financial Advisor to the Board of Directors of EVRAZ plc.

A N

5. Tracey Kerr
Independent non-executive Director
Appointed: 1 January 2018.
Previous experience: 34 years' experience in the international mining industry. Group Head of Safety and Sustainable Development at Anglo American Plc, 2015–2020 with executive responsibility for safety, operational risk management, health, environment, climate change, sustainability reporting and executive support for its Sustainability Committee. Group Head of Exploration with Anglo American Plc, 2011–2015. Prior to 2011, she held technical and exploration management roles with Vale and BHP Billiton, based in Australia, UK, Canada and Brazil.
Qualifications: MSc in Economic Geology from University of Tasmania. Diploma in Company Direction from the Institute of Directors, UK.
Other roles: Group Head of Sustainable Development at Anglo American plc.

S R

6. Konstantin Yanakov
Non-executive Director
Appointed: 29 September 2011.
Previous experience: Member of JSC Polymetal's Board of Directors, 2008–2012; member of its Audit Committee. Various positions at MDM Bank. CFO of JSC Polymetal until 2004. Board Member at Piraeus Bank, Inbank, Greek Organisation of Football Prognostics, and Tiscali. Supervisory Board Member of Rigensis Bank.
Qualifications: MBA from the London Business School. PhD in Economics from Russian State University of Management. Degree in Global Economics from the Government of Russia's Finance Academy.
Other roles: Board Member of the East Mining Company. Director of ICT Holding. General Director (sole executive body) of LLC ICT-Kapital.

7. Victor Flores
Independent non-executive Director
Appointed: 30 January 2020.
Previous experience: Director at Midas Gold Corp. and Tower Hill Mines, 2017–2019. Partner responsible for gold investments at Paulson & Co, 2009–2018. Portfolio Manager, Chief Investment Officer, and Sector Analyst at United Services Advisors (now US Global Investors). Managing Director and Senior Mining Analyst at HSBC, 1997–2008.
Qualifications: BSc in Geological Sciences and Masters in Energy and Mineral Resources from the University of Texas at Austin. CFA charter holder since 1992.
Other roles: Director of Strategic Projects at Orion Resource Partners. Director of Lydian International Limited. Director of Lydian Ventures Canada. Member of the Advisory Committee of the Energy and Earth Resources Graduate Program at the University of Texas at Austin.

A S

8. Italia Boninelli
Independent non-executive Director
Appointed: 12 December 2019.
Previous experience: Executive coach and organisational design consultant, focusing on strategy facilitation, remuneration, conflict resolution, HR advisory and leadership development. Executive VP for Organisational Development at AngloGold Ashanti, 2010–2016. Senior VP for Human Resources at Gold Fields, 2007–2010. Group Human Resources Director for Network Healthcare Holdings Ltd, 2004–2006. Director – Human Resources, Retail Banking at Standard Bank, 1997–2003.
Qualifications: MA in Psychology from the University of the Witwatersrand, Johannesburg.
Other roles: Patron of WIMSA (Women in Mining in South Africa).

R

9. Andrea Abt
Independent non-executive Director
Appointed: 4 March 2020.
Previous experience: 30 years' experience in international management and leadership roles. Chief Procurement Officer and Head of Supply Chain Management at Siemens, 2011–2014; various leaderships roles at Siemens, 1997–2011. Previously, Director, Aircraft Sales Australia/Pacific and a number of other roles at Daimler-Benz Group. Non-executive director of Brammer plc, 2014–2017, and SIG plc, 2015–2020.
Qualifications: Graduated from the University of Bonn in 1985 with MA equivalent in Language and Literature. MBA at Rotman School of Management, University of Toronto in 2000.
Other roles: Non-executive director in John Laing Group (Chair of the Remuneration Committee, Member of the Nomination Committee), Petrofac (Member of the Nomination, Remuneration and Ethics and Compliance Committees), and Supervisory Board member of Gerresheimer AG (Member of the Audit Committee).

A

- Key**
- Committee Chair
 - A Audit and Risk Committee
 - N Nomination Committee
 - R Remuneration Committee
 - S Safety and Sustainability Committee

Delivering exemplary leadership



1. **Vitaly Nesis**
Group Chief Executive Officer
See biography on page 99.



2. **Vitaly Savchenko**
Chief Operating Officer
Appointed: 2009.
Experience: Previous roles in Polymetal: Director of the Production Department, 2007–2009, senior production and technical positions since 2004. Chief Underground Mine Engineer at Priargunskoye Mining and Chemical Company as well as various managing positions at the mine, 1994–2003. Recipient of second- and third-category Miner's Glory Medal.
Qualifications: Degree with Honours in Underground Mineral Mining engineering, Kyrgyz Mining Institute. MBA from the UK's Open University Business School.



3. **Daria Goncharova**
Chief Sustainability Officer
Appointed: 2015.
Experience: Previous roles in Polymetal: corporate finance and investor relations team, 2010–2013. Business development at Giproshtakht Severstal, 2008–2009.
Qualifications: Graduate of St. Petersburg's Russian Presidential Academy of National Economy and Public Administration. Master's in Green Management, Energy and Corporate Social Responsibility from Bocconi University, Milan.



4. **Maxim Nazimok**
Chief Financial Officer
Appointed: 2017.
Experience: Previous roles in Polymetal: Finance Director, 2015–2016; Chief Financial Controller, 2011–2015. Deputy Chief Financial Officer at Nomos Bank in 2010–2011; Director of Business Planning and Analysis from 2009. Head of Management and IFRS Reporting at MDM Bank, 2008–2009. Various financial positions at PricewaterhouseCoopers, 2003–2008.
Qualifications: BA in Economics from St. Petersburg State University. Graduated with distinction from the Executive MBA-Global Programme at London Business School and Columbia Business School. Fellow member of ACCA.



5. **Pavel Danilin**
Deputy CEO, Strategic Development
Appointed: 2009.
Experience: Previous roles in Polymetal: Director of Corporate Finance and Investor Relations, Head of Corporate Finance. Head of Corporate Finance at CJSC ICT, 2002–2003. Deputy Head of Currency Department and Head of Financial Resources Department at the Kaliningrad branch of Bank Petrocommerce, 1998–2001.
Qualifications: MBA from the University of California at Berkeley, Haas School of Business. Degree in Economics and Management, Kaliningrad State Technical University.



6. **Sergey Trushin**
Deputy CEO, Mineral Resources
Appointed: 2010.
Experience: Previous roles in Polymetal: Chief Geologist at the Khabarovsk Exploration Company, 2008–2010. Chief Geologist at Albazino Resources 2006–2008 and various positions at Albazino Resources since 1998. Geologist with Dalnevostochnie Resources, 1991. Geologist with the Production Geological Association 'Dalgeology' and the Nizhne-Amursk exploration expedition in the preceding six years.
Qualifications: Degree in Geological Surveying and Mining Engineering Exploration from the Novocherkassk State Polytechnic Institute.



8. **Roman Shestakov**
Deputy CEO, Project Development and Construction
Appointed: 2009.
Experience: Previous roles in Polymetal: Chief Engineer at Gold of Northern Urals, 2007–2009. Pit superintendent, 2006–2007. Mine superintendent at the Okhotsk Mining and Exploration Company, 2004–2005. Mining engineer in the Production and Technical Department of JSC Polymetal Management in the preceding two years.
Qualifications: Honours degree in Open-pit Mining from the Mining Department of St. Petersburg State Mining Institute. MBA from the UK's Open University Business School.



9. **Valery Tsyplakov**
Managing Director, Polymetal Engineering
Appointed: 2004.
Experience: Previous roles in Polymetal: Deputy General Director for Mineral Resources, Design and Technology and senior roles in Production and Technology, and Technological Research Departments, 2000–2004. Department Head at the Soviet Union Research Institute of Aeronautical Automation. Prior to this, a quest scientist at Aarhus University's Physics Institute (Denmark). Research Fellow in the Plasma Physics Department of the Moscow Physics and Engineering Institute. Professional of the Institute of Materials, Minerals & Mining (London).
Qualifications: Degree in Experimental Nuclear Physics, Moscow Physics and Engineering Institute. PhD in Physics and Mathematics.



12. **Evgeny Vrublevskiy**
Director of PMTL Holding Ltd, Head of Treasury
Appointed: 2015.
Experience: Treasury Manager at UFG Asset Management, 2014–2015. Treasury Manager at Inteco Group, 2012–2014. Head of Settlements at UniCredit Securities, 2008–2012. Various positions with Uralsib Capital in Moscow, 2005–2008.
Qualifications: BA in Management from Moscow State Mining University. MA in Economics from Witte University Moscow. Certified Treasury Professional (CTP) designation awarded by the Association for Financial Professionals (AFP). Advanced Certificate from Cyprus Securities and Exchange Commission.



10. **Igor Kapshuk**
Chief Legal Officer
Appointed: 2015.
Experience: Previous roles in Polymetal: Head of the Legal Department from 2005 and Deputy Head from 2003. Deputy General Counsel, Head of the Department for Legal Matters and Head of Claims Department at the branch of Siberia Energy Coal Company and at Vostsibugol (Irkutsk), 2001–2003. Legal advisor in various companies, 1994–2001.
Qualifications: Degree from the Law School of Irkutsk State University.



11. **Tania Tchadaeva**
Director, Corporate Governance and Company Secretary
Appointed: 2011.
Experience: Company Secretary at Orsu Metals Corporation, 2008–2011. Various positions in Oriel Resources plc, 2004–2008.
Qualifications: MSc in Finance from London Business School, 2008. Fellow of ICSA: The Governance Institute. Degree in Translation and Interpretation from Moscow State Linguistic University.



11. **Tania Tchadaeva**
Director, Corporate Governance and Company Secretary
Appointed: 2011.
Experience: Company Secretary at Orsu Metals Corporation, 2008–2011. Various positions in Oriel Resources plc, 2004–2008.
Qualifications: MSc in Finance from London Business School, 2008. Fellow of ICSA: The Governance Institute. Degree in Translation and Interpretation from Moscow State Linguistic University.



Our primary focus in 2020 was to protect the health and wellbeing of our employees and local communities, while operating safely to enhance value for our shareholders.”

Dear shareholders

The year in brief

It’s often said that the quality of governance is tested in a crisis. The year 2020 proved a very testing period for all companies, and it’s likely that the year ahead, with the residual effects of the global pandemic, will also bring its challenges. However, we continued to build on our strengths, protect the health of our employees and sustain shareholder value with a solid, all round set of safety, operational and financial numbers; all this delivered whilst taking a careful and considered approach to the Covid-19 pandemic. In February 2020, the Board engaged with senior management, who executed a most creditable Covid risk-reduction programme across all our operations. We vigilantly provided Covid-19 testing and monitoring protocols plus financial recompense to employees for extended pre-shift isolation, and are proud to report that we have managed to avoid any significant issues at our operations. At the present time, we still continue to take all necessary precautions to avoid any uncontrolled outbreaks.

Gold is always seen as a safe haven in a time of the crisis, pushing up the market price. In this, the Covid-19 pandemic has been no different. We made sure that none of our stakeholders were disadvantaged: we paid out significant dividends (\$481 million in aggregate for 2020); increased salaries to our employees and supported local communities. Pleasingly, we finished the year fatality free and our overall safety performance was markedly improved over the previous year. LTIFR decreased by 38% compared to 2019. Total production for the year was 4% up at 1.559 Moz, which added to a much improved average gold price for 2020 and meant that basic earnings per share was \$2.30 vs \$1.02 per share in 2019.

Board succession and governance

Last year, I reported on the progress that we had made on our Board refresh and can now tell you that we have largely completed this process. In 2020, we welcomed Andrea Abt to the Board. She has almost 30 years’ experience in international management and leadership roles, most recently in procurement and supply chain management. Alongside this, the skill set of our Board members now covers all of Polymetal’s strategic objectives: business strategy, finance, mining, sustainability, investment banking, human capital and governance. We have the diverse skill sets and experience necessary for a company of our size and needs. I am pleased to report that, with the addition of Victor Flores to the Board, we are compliant with the principles of the Parker Review. We have also achieved the 33% target of women on the Board, as defined by the Hampton-Alexander Review.

An important part of onboarding our new colleagues was the three-day strategic planning conference that we held mid-year. Management presented the Board with their views on the current status of the business and potential opportunities, and detailed discussions took place, which led to agreement about the future direction of the Company.

Stakeholder and employee engagement

As part of the UK Code requirements and in line with Polymetal’s long-established commitment to the highest global governance standards, the Board continued to take account of the interests of key stakeholders in Board discussions and decision-making. We also increased the focus on building and maintaining successful engagement mechanisms with a wide range of stakeholders, acknowledging that active communication is vital for a successful and sustainable business. This included initiating several deep-dive sessions to help us to improve our understanding of the needs of our suppliers, contractors, local communities and the broader investor environment. Our Board’s employee engagement programme is now fully integrated into our decision-making and strategic planning processes.

Looking forward

Whilst it is pleasing to report that our business continues to operate successfully, it’s important to ensure that our future is also secure. We are currently developing two very significant projects, the new mine at Nezhda and the second pressure oxidation (POX-2) facility at Amursk. The former is an important component in our transition towards a company that has fewer, larger and longer-life operations, complementing our extremely successful Kyzyl mine in Kazakhstan. The POX-2 facility will enable us to treat all our refractory flotation material in-house, resulting in a significant reduction in working costs.

ESG commitments

The vast majority of our operations are based in either very or semi-remote areas and, in some cases, close to indigenous communities. For many years, Polymetal has been conscious of the need not only to protect the environment around our mines but also to play a constructive role in uplifting these communities in a way that is acceptable to the local population. As you will see elsewhere in this report, our community outreach programmes have been well received and we are proud of the positive contribution our mines play in these areas. Indeed, the recognition of these efforts is exemplified by our rankings in the DJSI, Sustainalytics and FTSE4Good.

With regards to the environment, we already have several operations being supplied by renewable energy and it’s certainly our aim to show a marked reduction in our GHG emissions in the decade ahead. At Polymetal, we are conscious of our responsibilities in ensuring that we do all we can to comply with the Paris Agreement and, to that end, management is actively reviewing our current emission levels and analysing where best and how to reduce these with the most appropriate technologies. It would be easy to produce

long-dated targets for GHG reduction but, without detailed engineering to underpin these goals, it would be an exercise in intellectual dishonesty. For that reason, by the end of 2021, management will produce a detailed road map of how we will ultimately achieve carbon neutrality, and specifically by when.

2021 outlook

There’s no doubt the after-effects of the Covid-19 pandemic will spill over into 2021. Alongside historically low-to-negative interest rates, plus financial government policies that have resulted in monetary increases – the likes of which we have never seen before – an environment for improved gold prices has been created. The implications of this have still to be determined but it’s fair to say that this is likely to lead to a debasing of fiat currency, with a complementary increase in the attractiveness of gold. Our Company’s focus on high-margin, long-life, quality assets ensures

that we are well positioned today, and into the future, to take advantage of this favourable gold environment.

However, our success is due to the thousands of people who work across all our operations. I would like to express my thanks to our Group CEO, Vitaly Nesis, his management team, our employees and my Board colleagues for their hard work and continued support during what has been a challenging year. Our Company is in good shape and in good hands as we head into 2021.

Ian Cockerill

Ian Cockerill
Board Chair

Board areas of focus in 2020 and link to strategy

Robust performance



- Operational update
- Quarterly and annual production results
- Price assumptions for reserve and resource estimates
- Mineral Resources and Ore Reserves update
- Approval of preliminary and annual financial results
- Annual review of effectiveness of risk management and control systems
- Annual review of effectiveness of the Company’s risk management and control systems and risk tolerance review
- Capital allocation (including dividend policy review, hedging policy review)
- Budget, including use of the free cash flow
- Capital projects review, including approved expenditure levels, completion progress as per schedules, latest forecast costs to completion
- Support for dividend proposal/declaration of solvency
- 2nd tier projects (Kutyn/Ural Flotation Project)
- Sale of Sopka and Dalneye low-grade stockpiles
- North Kaluga disposal

Delivering growth



- POX-2 project update
- Nezhda project update (including power line)
- Tomtor update
- Production and Investment Plan 2021

Securing the future



- Strategy review:
 - The momentum case
 - The ideal case
 - What are the necessary enabling actions required to support this ideal state?
- Analysis of copper and pure base metal markets and concentrate market update
- Pacific POX
- Exploration update
- IR update

Governance and sustainability



- Approach to corporate culture, Group purpose and values
- Overview of the Company’s involvement with various stakeholders: communities; supply chain/contractor management
- Workforce engagement update
- Review and approval of Group policies and subsidiary governance
- Annual and Sustainability Reports review and approval
- Modern Slavery Statement review
- Sanctions update and compliance review
- External Board evaluation results discussion
- Chair, executive and independent non-executive Directors’ fee review
- Independent non-executive Directors’ succession planning, appointment of Directors
- Directors’ appointment and re-appointment at the AGM and composition of Board Committees
- Final Directors’ Remuneration Policy approval
- Convening the AGM, approval of shareholder materials
- 2021 Board work plan
- Directors’ disclosure of interest
- Review of schedule of matters reserved for the Board and terms of reference of Committees
- Directors and Officers liability insurance renewal

Statement of compliance with the UK Corporate Governance Code

The Directors are committed to maintaining high standards of corporate governance. As a premium UK-listed company, during the year ended 31 December 2020, Polymetal International was required to comply with the UK Corporate Governance Code (the UK Code) – available through the UK Financial Reporting Council’s website – or, where the provisions of the UK Code have not been complied with, to provide appropriate explanations. During 2020, the Company was in compliance with all provisions of the UK Code. Detailed information about how Polymetal applies principles of the UK Code is available in the Corporate Governance section on the Company’s website: www.polymetalinternational.com.

As well as complying with the UK Code, the Company has complied with all applicable regulations of the Moscow Stock Exchange and Astana International Exchange, and respective Russian securities laws and AIX Markets Listing Rules.

How we apply the UK Code

Section 1: Board leadership and company purpose

A A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Polymetal’s Board is in charge of ensuring the long-term success of the Company. To achieve this, it holds regular strategic sessions to discuss the current state of affairs and future developments. As part of every strategic decision, the impact on all stakeholders is reviewed thoroughly. Further information on strategic sessions is available on page 108, and on stakeholder engagement on page 112.
B The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Board has annual discussions on Polymetal’s purpose, value and culture, and ensures that these align with the Group strategy. Further information on purpose and value is available on page 18, and on culture on page 111.
C The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	As part of the annual budgeting process and in further discussions throughout the year about development projects, the Board ensures that capital allocation is aligned with the Group’s objectives. Further information is available on page 26. To ensure effective controls are in place, management is held to account by the Audit and Risk Committee. Information on risks and controls is available on page 119.
D In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	
E The board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Board ensures ongoing dialogue with all its stakeholders. More information available on pages 54–55, 109, 112–115.

Section 2: Division of responsibilities

F The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Mr Cockerill has a plethora of experience of leading major companies in both executive and non-executive roles. Further information about his experience is available on page 98. He ensures that Board meetings are held in a constructive manner and that all Directors have a chance to express their opinion. There is mutual dialogue and, as part of the annual internal Board evaluation process, individual sessions are held between the Chair and all Board Directors. There is an ongoing improvement programme for Group employees to ensure the consistency of all papers provided to the Board.
G The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.	Information about the Board Directors and their roles is available on page 107.
H Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	All Directors have sufficient time to devote to the business of Polymetal. Please refer to page 108 for further information. The broad experience of all Directors ensures constructive challenge, strategic guidance and specialist advice.
I The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Board has a rolling plan to review all of the Group’s key policies and ensure that they are in line with the Company’s objectives. All policies are available on Polymetal’s website.

Section 3: Composition, succession and evaluation

J Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Information on the Board succession programme, skills and tenure is available on pages 106 and 123. To ensure a robust succession process, independent consultants are used. Directors are selected from a wide pool of candidates.
K The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	The Board has largely completed its succession programme with the renewal of the majority of the Board Directors in the past four years, which ensures a good balance between older and newer Board Directors. The Nomination Committee continues to evaluate the succession needs of the Company.
L Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Polymetal undertakes externally facilitated Board evaluation every three years. Results on the outcome and progress made are available on page 108. In addition, the Board, all its Committees and individual Directors participate in annual internal Board evaluation to provide feedback on the operation of the Board. Results of such evaluation are thoroughly analysed, discussed by the Board and reflected in the Board work programme for the following year. Read more on page 108.

Section 4: Audit, risk and internal control

M The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Company has a strong and highly regarded internal audit department. Comprehensive information about the work of the internal audit department is available on page 119. In addition, the Audit Committee regularly reviews the work of the external auditors. An in-depth session is held annually following completion of the annual audit. This includes separate meetings with the external auditors, finance department and internal audit department. The Group Annual Report is reviewed in detail by the Board.
N The board should present a fair, balanced and understandable assessment of the company’s position and prospects.	
O The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Board reviews in detail the Company’s financial statements. The process of achieving fair, balanced and understandable assessment is described on page 117.
	The Group’s Audit and Risk Committee has three sessions specifically dedicated to risks. All of these sessions are also attended by the members of the Safety and Sustainability Committee. Principal risks are outlined on page 89.

Section 5: Remuneration

P Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.	The Remuneration Committee of the Board reviews the KPIs of the Group CEO and senior management annually to ensure remuneration is aligned with the Company’s purpose and values. KPIs are aimed at achieving long-term success and, from 2019, an ESG KPI was introduced to promote long-term sustainable success. Further information is available on page 127.
Q A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	There is a robust and transparent process for developing executive remuneration. The Directors’ Remuneration Policy is approved every three years by shareholders, most recently at the 2020 AGM. Please refer to page 148 for more information. The Remuneration Policy for executives and management is consistent with that of the Group CEO to ensure strategic objectives are aligned. No Director is involved in deciding their own remuneration outcomes.
R Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee consists of independent non-executive Directors who apply the Remuneration Policy prudently and have discretion over bonuses and awards. Further information is available on page 130.

Governance framework

The Board

Nomination Committee

The Nomination Committee ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its Committees and ensures orderly succession to both Board and management positions.

See page 122 for the Nomination Committee report.

Audit and Risk Committee

The Audit and Risk Committee helps the Board to monitor the integrity of the Group's financial statements, and reviews the effectiveness of the Group's system of internal controls and risk management systems.

See page 116 for the Audit and Risk Committee report.

Safety and Sustainability Committee

The Safety and Sustainability Committee monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development and climate-related issues on behalf of the Board.

See page 126 for the Safety and Sustainability Committee report.

Remuneration Committee

The Remuneration Committee is responsible for the Group Remuneration Policy, and for setting pay levels and bonuses for senior management and employee benefit structures.

See page 130 for the Remuneration Committee report.

Group CEO

The Group CEO takes ultimate responsibility for delivering on strategy and operating performance.

Board responsibilities

Strategy. Define the commercial strategy and long-term objectives of the Group.

Expenditure. Approve annual operating and capital expenditure budgets and any material changes to them.

Governance. Oversee the Group's operations, ensuring competent and prudent management, sound planning, a strong system of internal control and compliance with all statutory and regulatory obligations.

Performance. Review the performance of the Group in light of its business strategy, objectives, business plans and budgets, and ensure that any necessary corrective action is taken.

Extension of Group activities. Approve any material extension of the Group's activities into new businesses or geographic areas and any decision to cease to operate all or any material part of the Group's business.

Stakeholder communications. Ensure a mutual understanding of objectives, maintain a constructive dialogue with all stakeholders, and promote a healthy corporate culture.

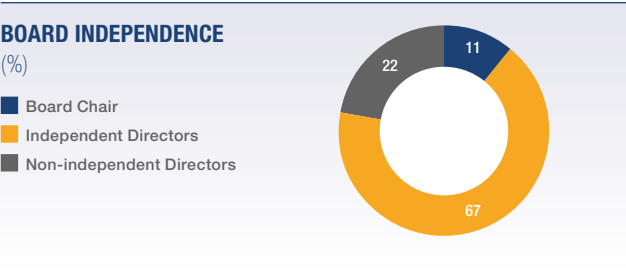
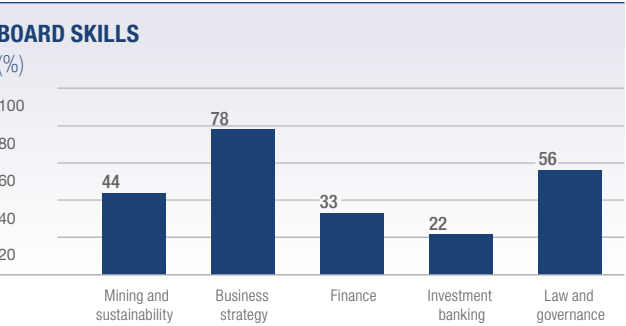
Role and structure of the Board

As of the date of this report, the Company's Board comprises the non-executive Chair, one executive Director and seven non-executive Directors. Excluding the Chair, six members of the Board are independent non-executive Directors. The opposite page shows the current structure of the Board and its Committees along with the status of each Director.

The Company's corporate governance framework safeguards against any conflict of interest, including the complete independence of the Audit and Risk, Nomination and Remuneration Committees and disclosure of any related party transactions in the financial statements, as well as preventing any individual from having unfettered powers of decision-making.

The Board has determined Ollie Oliveira, Tracey Kerr, Giacomo Baizini, Italia Boninelli, Victor Flores and Andrea Abt to be independent non-executive Directors. Ian Cockerill met the independence criteria on appointment.

The Company considers that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. All Directors have access to the advice and services of the Company Secretary and are able to take independent professional advice, if necessary, at the Company's expense.



Roles of the Chair, Group CEO and Senior Independent Director

The Board has approved the division of responsibilities between the Chair and the Group CEO, and defined the role of the Senior Independent Director.

Chair

Ian Cockerill

The Chair reports to the Board and is responsible for the leadership and overall effectiveness of the Board and for setting the Board's agenda. Mr Cockerill has been able to commit sufficient time to his role as non-executive Chair of Polymetal International and the Board believes that other commitments did not adversely affect his contribution to the Company.

Chair's responsibilities include:

- Effective running of the Board
- Ensuring that there is appropriate delegation of authority to executive management
- Promoting a culture of openness and debate between the executive and non-executive Directors
- Ensuring that the Directors receive accurate, timely and clear information
- Ensuring that the views of the shareholders are communicated to the Board as a whole.

Group CEO

Vitaly Nesis

The Group CEO exercises his role through his executive and/or Director positions in the Group sub-holding companies. He reports to the Chair and the Board directly and upholds the Group's responsibilities to its shareholders, customers, employees and other stakeholders.

The Group CEO's responsibilities include:

- Developing Group strategy, including communicating annual plans and commercial objectives to the Board
- Identifying and executing strategic opportunities
- Reviewing the operational performance and strategic direction of the Group
- Making recommendations on remuneration policies, terms of employment and effective succession planning for senior employees
- Ensuring effective communication with shareholders and that appropriate, timely and accurate information is disclosed to the market, with issues escalated promptly to the Board.

Independent non-executive Directors

Tracey Kerr
Giacomo Baizini
Italia Boninelli
Victor Flores
Andrea Abt

The independent non-executive Directors are determined to be independent in character and judgement, and free from relationships or circumstances that may affect or could appear to affect their judgement. Their role is to challenge the strategy and scrutinise the performance of management in meeting agreed goals and objectives, to monitor the reporting of the Company's performance, to review the integrity of financial information and ensure that internal financial controls and risk management systems are robust and defensible. They determine the appropriate level of remuneration for the Group CEO and have a primary role in appointing and, when necessary, removing him.

Non-executive Director

Konstantin Yanakov

Mr Yanakov is a non-independent non-executive Director, who is a representative of Powerboom Investments Limited. Mr Nesis is the brother of the beneficial owner of Powerboom Investments Limited. Save for the potential conflicts inherent in these relationships, there are no potential conflicts of interest between the duties owed by the Directors or senior management to the Company and their private interests or other duties.

The Board

Senior Independent Director

Ollie Oliveira

The SID makes himself available to all shareholders in order to hear their views and help develop a balanced understanding of their issues and concerns. The Board is regularly updated on shareholders' opinions following meetings with the Directors and management.

SID's responsibilities include:

- Being available to major shareholders in order to listen to their views and help develop a balanced understanding of their issues and concerns
- Acting as an intermediary for the other Directors if necessary.

Separate meetings are held between the non-executive Directors without the Chair or the Group CEO being present; between non-executive Directors without the Chair, led by the SID, to appraise his performance annually and on such other occasions as appropriate; and between the independent non-executive Directors without the other non-executive Directors being present. This includes both formal and informal meetings.

Board meeting attendance

In 2020, the Board met eight times and had additional training sessions and informal discussions.

Board member	Board meetings
Ian Cockerill	8/8
Vitaly Nesis	8/8
Konstantin Yanakov	8/8
Tracey Kerr	8/8
Ollie Oliveira	8/8
Giacomo Baizini	8/8
Italia Boninelli	8/8
Victor Flores ¹	8/8
Andrea Abt ²	6/6
Christine Coignard ³	2/2
Jean-Pascal Duvieusart ⁴	0/2

1 Director from 30 January 2020.
2 Director from 4 March 2020.
3 Director until 27 April 2020.
4 Director until 27 April 2020.

Further business was approved by a Board Committee on three occasions by way of a conference call. The Board also held informal discussions when receiving quarterly production updates.

Board and Committee meetings in 2020

In 2020, two Board meetings were held in person prior to the start of Covid-19 travel restrictions. The remaining meetings for the year were conducted online. Doing business during the pandemic has been a steep learning curve, but the Board quickly adjusted to this new normal. However, online meetings are no substitute for in-person meetings and, as soon as practicably possible, the Board will reinstate in-person Board and Committee meetings.

In June, the Board had its first in-depth three-day strategic session, which included discussions on:

- The momentum case
- The ideal case
- What are the necessary enabling actions required to support this ideal state?

The Board had a robust and structured discussion of the Company’s state at the moment, debated the strategic vision and, finally, outlined the steps needed to achieve our goals.

Every year, the end-of-year Board meeting is dedicated to the plans for the next year. In November, the governance and planning session was devoted to the Board’s reflections on the results achieved throughout the year, in-depth Board and Committee evaluations, and plans for the year to come.

Board site visits

Annual site visits greatly improve the Board’s understanding of Polymetal’s operations and organisation, and are an invaluable contribution to the Board’s evaluation of the Group’s business plan and strategy. They also provide the Board with an opportunity to talk with local senior management and employees about their experience of working for Polymetal. Since the IPO, the Directors have visited all of the Company’s key operations.

Due to Covid-19, the trip to the Group’s Magadan operations was postponed and rescheduled for 2021; the trip will also be extended to include another site visit. To enable the Board to stay up to date with the development of major projects during 2020, regular in-depth presentations were made, including drone footage.

Board evaluation

In 2020, the Board conducted in-depth Board and Committees evaluation, which included questionnaires filled in by Directors and relevant senior managers. The individual Committees conducted follow-up sessions and had subsequent discussions with the Nomination Committee to ensure the completeness of the reviews. Finally, the Board reviewed management’s response to the results of the Board evaluation. The results of the Board evaluation and follow-up topics were included in the revised Board and Committees work plans for 2021.

The top Board priorities for 2021 were identified as:

- Strategy, including more integrated planning, consideration of growth options and maintain momentum on new strategic projects
- Exploration
- Health and safety, sustainability in its broadest sense
- ESG, including raising awareness and outlook on ESG issues (including tailings, climate change, decarbonisation)
- HR strategy, personnel development, identifying talent
- Covid-19, including minimising impact and getting back to business as usual as quickly as possible.

Areas for Board development included:

- Governance to ensure better reporting back to the Board by Committee Chairs; more proactive interaction with the management and Committee Chairs ahead of meetings; co-ordinated effort on Board evaluation (Chair, SID).
- Development, including more access to outside advisers; more outside presentations from SMEs to specific committees; more regular update for Board members on new trends in critical areas, UK governance and outsider discussion groups, Russian and Kazakh specific legislative background, tax risks; keeping up to date with the technical aspects of the business, exploration and geology induction for those interested, strategic and forward-thinking view (specifically on safety culture, carbon plan, biodiversity) and social risk; opportunities for Board members to attend Committee meetings as visitors.
- Time management to avoid overloading Board and Committee agendas; allocate sufficient time; ensure the volume is not overwhelming.
- Committees work, including more cross-Committee co-operation; schedule ad hoc meetings; discuss related issues at Committee meetings before presenting to the Board; provide feedback to the Board.
- Board composition, possible gaps identified: digital space, AI, ESG, general technology.
- Ensure a clear consensus on strategy (strategy sessions).

Detailed information of the Audit and Risk Committee’s review is available on page 121.

In accordance with corporate governance requirements, the most recent externally facilitated evaluation was undertaken in 2019 by Fidelio Partners, an independent Board Development and Executive Search consultancy, who also conducted Polymetal’s 2016 evaluation. Fidelio’s relationship with Polymetal focused only on Board effectiveness; Fidelio did not provide recruitment, search or other advisory services and it has no connections with Polymetal or individual Directors.

Fidelio’s 2019 Board evaluation focused on enhancing Board effectiveness and the value that the Board delivers. In its evaluation, Fidelio drew heavily upon the UK Code and also took into account the international footprint of the Company and its assets. Fidelio conducted interviews with Board members, senior management and employees (including those involved in stakeholder engagement), reviewed various materials and observed a Board meeting and meetings of all the Committees.

Fidelio concluded that the Polymetal Board is open and willing to engage, and has relevant experience and skills, a clear commitment to good governance and Board members who bring their operational, financial and governance experience to the Board debate. Fidelio highlighted several forward-looking themes with the most important noted in the table on the next page. These have provided a focal point for the Board for the development of implementation plans.

Areas for Board focus	Next steps for consideration	Progress made in 2020
Shareholder and stakeholder engagement	Stakeholder engagement: • Establish a link between stakeholder engagement, community work that Polymetal is already undertaking and the requirements of the UK Code. • Produce a clear statement of Polymetal’s approach to Board-level employee engagement. • Continue to interpret and better understand the findings arising from employee engagement.	• Two deep-dive sessions on stakeholder engagement: communities and supply chain/contractor management. • Enhanced disclosure in the Annual Report. • In-depth discussion of the results from employee engagement.
	Shareholder engagement: • Continue to develop relationships with leading institutional shareholders. • Head of Investor Relations to report to the Board regularly on investor relations strategy.	• Update to major shareholders and proxy advisors on expected remuneration outcomes for 2020 and safety multiplier; online meetings with proxy advisors; engagement with shareholder groups on the Parker Review, indigenous peoples, and employee engagement. • Head of Investor Relations provided regular updates and bi-annual in-person reports scheduled for 2021.
Committee meetings	Nomination Committee: • Executive succession planning. • Medium-term skill matrix requirements and further medium-term Board refreshment to ensure that this is staggered. • Ensure collaboration with the Remuneration Committee, including on diversity, the pipeline and related communication.	• Two sessions on executive succession (immediate and longer-term). • Board refreshment noted and no immediate need indicated due to recently completed Board succession programme. • Joint meetings with Remuneration Committee.
	Remuneration Committee: • Appoint a single point of contact at executive level to support and drive the work of the Committee.	• Company Secretary appointed as a single point contact.
	Audit and Risk Committee: • Ensure the critical relationship with the internal auditor is maintained and expanded. • Cybersecurity/technology risk to be fully considered. • Develop a FTSE 100 peer network.	• Regular meetings with the auditors without management present. • Cybersecurity risks deep dive. • Due to Covid-19 networking opportunities were severely restricted.
	Safety and Sustainability Committee: • Ensure that ESG factors are appropriately reflected in compensation. • Liaise with the Audit and Risk Committee on environmental reporting. • Frame Board support for the Paris Agreement.	• ESG KPI introduced for 2020. • Joint sessions on risks with the Audit and Risk Committee. • Deep-dive session on climate, including TCFD and Paris Agreement.
Board dynamics and development	• Ensure individual feedback for Board members, including clarity on Board and executive roles. • Build a closer understanding of Polymetal, its operations and environment. • Continue to support the executive through facilitating introductions. • Establish peer networks, for Committee Chairs in particular. • Support Committee Chairs in building ownership.	• End-of-year individual sessions between the Chair and all Directors. Feedback provided to the Company Secretary to include in 2021 workplan. • Three-day strategic session to review all areas of business. • Due to Covid-19 networking opportunities were severely restricted. • Individual sessions between the Chair and all Directors.

Training

Polymetal invests significant amounts of time and money into training employees, but it is as important that Directors continue to develop and refresh their understanding of the Group’s activities. Every year, as part of the site trip, the Board meets local management at operations and Directors familiarise themselves with the technology used, logistics, health and safety standards and supplier management. The Board is kept informed of relevant developments in the Company by way of monthly management reports, including comprehensive information on operating and financial performance, and the progress of capital projects.

It is also essential that the Directors regularly refresh and update their skills and knowledge with both external and internal training as appropriate. Members of the Board individually attend seminars, conferences and training events to keep up-to-date with developments in key areas. Board meetings include presentations from Group experts to ensure the Directors have access to the wealth of knowledge within the Company, as well as presentations from external providers.

Directors’ information and training sessions 2020

Board	
January:	D&O insurance, market overview Sanctions update
November:	Analysis of copper and pure base metal markets & concentrate market overview
Audit Committee	
August:	Audit market reform (Deloitte) Information security and cybersecurity risks
December:	Accounting policies (environmental obligations, stripping costs in production phase, start of commercial production) Alternative performance measures Investor and regulator focus (Covid-19, section 172 statement and Brexit, climate-related risks) (Deloitte) Auditing standards (ISA 540 – revised) – Auditing accounting estimates and related disclosures and ISA (UK) 570 – Going Concern (Deloitte)
Remuneration Committee	
July:	AGM season update
Safety and Sustainability Committee	
March:	Feijão expert panel report Cyanide management system
September:	Climate change and risk management Energy efficiency and green management
November:	Green financing Tailings management and Russian/Kazakh standards, ICMM and Global Tailings Standard

Induction

To provide a thorough induction to new Board members, they are granted access to the induction ‘dataroom’ with information about the Company. Upon appointment, all Directors gain electronic access to the materials of all previous Board and Committee meetings, Group policies, results of Board evaluations, D&O insurance policy, and financial and production results. They are updated on corporate governance rules and practices. New Directors familiarise themselves with the arrangements for Board and Committee meetings and site visits, along with existing remuneration and compensation procedures, meeting schedules and external training options. Induction meetings are arranged to give new Directors the opportunity to discuss appropriate issues with fellow Directors, the Group CEO and executive team.

Board induction programme for Italia Boninelli, Victor Flores and Andrea Abt

A tailored induction programme was implemented for Mr Flores and Mmes Boninelli and Abt (appointed at the end of 2019/beginning 2020) to enable their participation in Board discussions with a sound understanding of the Group’s long-term strategy, business model, operations and governance structure. Unfortunately, with travel restrictions, site visits were not possible and the majority of meetings were held online. A trip to the St. Petersburg office for new Directors to visit in-house facilities including Polymetal Engineering, laboratories and data mining department will be scheduled as soon as travel becomes possible.

Topic	Meetings held/online presentations where applicable
Finance	Meeting with Group CFO, Head of IFRS Reporting, Head of Internal Audit, Head of Corporate Finance, Head of Tax, Head of Budgeting
Operations, H&S	Meeting with Group COO, Deputy CEO (Mineral Resources), Deputy CEO (Construction and Development), Head of H&S Department
Engineering	Tour of Polymetal Engineering facilities (laboratories, data mining department), meeting with Head of Engineering Department, Head of Laboratories, Head of the Project Department
IT systems and security	Meeting with the Heads of IT Department, Security Department (cyber), and Digitalisation Division
Human capital	Meeting with the HR Department
Sustainability and environment	Meeting with Chief Sustainability Officer
Supply chain	Meeting with the Head of Polymetal Trading House
Culture	Series of lunches and dinners with Group CEO and top management (to be arranged for Mr Flores and Ms Abt once possible)
Governance	One-on-one meetings with all Directors, meeting with Company Secretary
Planned for 2021 (delay due to Covid-19)	
Shareholders	Meeting with shareholders as part of the Board engagement programme



Corporate culture

Polymetal’s corporate culture is a set of beliefs and behaviour shared by its employees. It is based on openness, proactivity and a commitment to professional self-development.

Corporate values

Polymetal values its employees and their contribution to the development and success of the business. In return, the Company takes care of its employees and tries to meet their expectations by providing safe and welcoming working conditions and equal opportunities for training and development in order to increase competitive advantage, productivity and efficiency. Open channels of communication and high level of engagement help us create new career opportunities. During leisure time, we encourage employees to take part in sports and cultural and social events that we organise regularly.

Workplace safety is our top priority for all our employees in every department. We promote initiatives aimed at risk assessment and prevention of injuries and have implemented a long-term communication programme, ‘Ensure the safety’ to engender a safety-positive culture that fosters a sense of self-responsibility and care for colleagues. We are developing a production culture, within which every employee is involved in the process of continuous improvement.

Our corporate training programmes create teams comprising young and experienced employees. Youth work is a key development area for the Company: 16.5% of employees are aged under 30. We invest in personal and professional development: we held 65 competitions on professional excellence with 895 participants, including 198 women; this year our contractors also took part. 300 participants took part in three professional championships for young geologists, assayers and mining professionals.

Respect for the environment is a fundamental for a socially responsible business. We are committed to raising awareness about such issues as conscious consumption, waste collection and biodiversity conservation. In 2020, the Company hosted more than 30 environmental awareness campaigns and general corporate events, with more than 930 employees taking part. We received around 100 ideas from our employees on improving the environment and increasing biodiversity, and are committing to spend \$1 million on implementation in the coming years.

Corporate volunteering is one of the key tools for maintaining social activity and building corporate communications. In 2020, more than 40 volunteer campaigns were held at Company subsidiaries, with more than 1,730 employees taking part.

Communication with employees

The Company uses a variety of feedback tools within its internal communication programme. To increase the level of trust in the Company, management regularly meets with employees. In 2020, a series of such meetings took place, including online, during which 1,092 questions were received from employees and feedback was provided for all queries. We conduct bi-annual reviews to measure the level of engagement and satisfaction among employees and implement any necessary changes.

Monitoring culture

Monitoring the impact of any corporate culture is challenging. In 2020, 1,240 innovative solutions (2019: 380) were proposed by employees from 11 subsidiaries, of which 480 were implemented (2019: 183) and 185 (2019: 73) are being considered. We provided 953,871 (2019: 780,054) training hours for 7,593 (2019: 10,453) of our employees, an investment of \$1.1 million (2019: \$1.2 million) by the Company. At Polymetal, we are proud that employees value working for the Company: our employee turnover rate is low at 6.5% (2019: 5.8%) and, in an employee survey, 84% (2019: 84%) said they were satisfied with working for Polymetal. In 2020, the rate of absenteeism was 0.008 (2019: 0.011).

Corporate culture development

In 2020, several internal studies and focus groups were carried out among employees to determine the status of the existing corporate culture. The results have helped management gain an understanding of perceptions about the corporate culture.

In 2021, we plan to update the values system and cascade this to all employees through briefings and training. Corporate values will be further integrated into HR recruitment processes and used in individual development plans for existing employees.

The Board acknowledges that culture and values are not set in stone and that their development and implementation is an ongoing process. A strong corporate culture that is aligned with the Company’s strategic values will help define Polymetal’s future success.

Board stakeholder engagement

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. Pursuant to the UK Code, when making decisions, the Board takes account of the factors set out in section 172 of the Companies Act 2006. It sets the Group’s strategy and objectives, taking into account the interests of all its stakeholders. A good understanding of our stakeholders enables us to factor the potential impact of strategic decisions on each stakeholder group into Boardroom discussions.

Shareholders

We have a structured approach to our shareholder engagement, which includes market updates, meetings, roadshows, shareholder consultations and General Meetings. We ensure that shareholders’ interests are considered as part of our Board decision-making process.

Investor meetings

Despite the uncertainty caused by the pandemic and ensuing travel restrictions, we remained committed to proactive shareholder and investor engagement during 2020. Polymetal held over 250 online meetings and participated in 28 virtual roadshows and conferences. These roadshows included sessions on ESG and corporate governance, during which the Chief Sustainability Officer and members of the Board (including the Chair) met with investors.

Capital Markets Days

Due to strict lockdown restrictions, Polymetal organised two virtual Capital Market Days in April and November, each attended online by more than 70 investors and analysts. In April, the Board Chair and senior management provided updates on Polymetal’s strategy and mid-term growth outlook, focusing on current operations and exploration prospects. In November, we focused on Polymetal’s key development projects: in lieu of site visits, a video on progress to date and drone footage of major operations was shown to investors.

In April 2020, we devoted ESG Day to our progress on sustainability performance and strategy. During the presentation, the Group CEO, Chief Sustainability Officer and Chair of the Safety and Sustainability Committee discussed the Company’s efforts to improve its health and safety metrics, reduce environmental footprint and effectively engage with employees and local communities.

Annual General Meeting

- At the AGM, the Board communicates directly with shareholders about the business and they, in return, have an opportunity to meet and pose questions to the Directors in attendance.
- The AGM is held in London to facilitate easier participation by shareholders. The Board Chair and Chairs of all Board Committees make themselves available to answer any questions that shareholders may have.
- The Annual Report and Notice of the AGM are made available – in printed form and on our website – at least 20 working days before the AGM to ensure that shareholders have time to consider them in detail.

- The AGM voting results are reported via the London Stock Exchange and on our website.
- In 2020, we were one of the first companies to hold a hybrid AGM, enabling shareholders to attend and participate in the meeting electronically if they so chose. A recording of the meeting is available on Polymetal’s website.
- We aim to resume in-person AGMs as soon as practicably possible.

Shareholder engagement

In addition to investor meetings attended by our Chair and some Board Directors, separate engagement is arranged with our key shareholders to discuss various areas of corporate governance. In 2020, implementation of our Remuneration Policy was the focus of attention, especially in the light of market performance during the Covid pandemic. An update was circulated to major shareholders and proxy advisors about the expected remuneration outcomes for 2020 and safety multiplier. Online meetings with proxy advisors were arranged following this engagement in addition to responding to emails received.

During the year engagement with shareholder groups on the Parker Review (LGIM), indigenous peoples (Church of England), remuneration (PIRC) and workforce engagement (TUC) took place both by way of written correspondence and calls.

Board Chair, Senior Independent Director and Committee Chairs

Mr Cockerill participated in investor days and had in-person (mostly online in 2020) meetings with institutional shareholders in order to understand their views. In 2021, the Board Chair will continue to facilitate an open dialogue with shareholders.

The SID, Mr Oliveira continues to make himself available to all shareholders in order to hear their views and help develop a balanced understanding of their issues and concerns. In 2020 the majority of meetings took place virtually.

All Committee Chairs offer themselves for shareholder meetings on a regular basis. In 2020, the Chairs of both the Remuneration and the Safety and Sustainability Committees had meetings with institutional shareholders.

Shareholder engagement outcomes

As a result of shareholders’ feedback, we further decreased our leverage and introduced amendments in our Dividend policy. Increased interest in topics of permafrost and green financing communicated during these meetings led to the creation of dedicated sections on our website addressing these areas.



Employee engagement

Following an in-depth Board review of its largest stakeholder group – its workforce – Polymetal now operates an employee engagement system.

A formalised approach to workforce engagement is a requirement of the UK Code. The Board, in close co-operation with Group management, has developed a communication tool that takes into account the Group’s wide geographic spread and often extremely remote locations. A constructive feedback process allows employees to engage directly with Directors so that they are made aware of any concerns among the workforce. Alongside this, the Company’s executive management already operates an effective means of engagement with its employees through a number of channels, including direct lines to the Group CEO and departmental heads. Following an evaluation of these communication channels, information boards and the corporate newspaper were identified as the most engaging and, as a result, the Board employee engagement programme was introduced. During the reporting period, there were no complaints or grievances relating to discrimination or violation of human rights.

Board and employee communications

There are direct lines to the Group CEO and departmental heads. Employee satisfaction surveys are conducted on a regular basis with the results disseminated via the intranet and a summary provided to the Nomination Committee. The Directors’ direct line is included in the circle of continuous feedback for our employees.

Key areas of focus for Board engagement are:

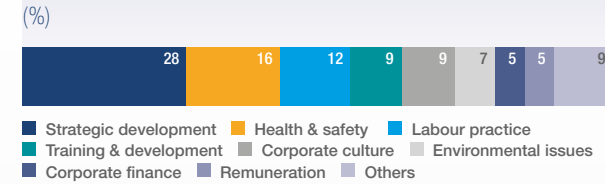
- Strategic development
- Remuneration and social benefits
- Working and living conditions
- Safe working environment
- Environmental issues
- Career progression and opportunities
- Personnel training, development and education
- Corporate culture

During the Covid-19 pandemic, additional channels of communication were set up: conference calls with representatives of the workforce and mobile group chats. Feedback received was included in information provided to the Board.

In 2020, employees from every subsidiary used various workforce engagement channels to ask a total of 1,092 questions on a wide range of topics: out of these, 43 questions were addressed to Directors. Employees received responses from the relevant Directors or the Board as a whole directly and these were also

Pursuant to the UK Code, when making decisions, the Board takes account of the factors set out in section 172 of the Companies Act 2006. Directors also consider other factors that are relevant to any decisions being made. By following this decision-making process, together with the Company’s purpose, vision and values as well as its strategic priorities, the Board aims to ensure that its decisions are fair, consistent and predictable. See more on stakeholder engagement on page 54, on environment on page 12, reputation and community on page 68.

QUESTIONS ASKED BY TOPIC



published on information boards, the intranet and in the corporate newspaper.

Analysis of the questions received during this year’s workforce engagement was very informative. The Board was pleased that employees understood the strategic role of the Board with the majority of questions about Polymetal’s future. For obvious reasons, labour practice and health and safety accounted for over a quarter of all questions. Questions on corporate culture were slightly up, and we are glad to see that our employees are becoming more aware of environmental matters, with a 4% increase in the number of questions. Surprisingly, the number of questions on remuneration and training and development dropped by 10% and 6% respectively; we believe this is due to better information provided by the Company.

Employee engagement outcomes

Last year we enhanced our disclosure on remuneration by uploading additional information on the intranet and publishing leaflets on pay to ensure that employees had access to relevant data about remuneration outcomes. In addition, remuneration questions were analysed separately by the Remuneration Committee and a section outlining the Group remuneration practices was also added to the intranet. With Covid-19 restrictions requiring people to train remotely, Polymetal developed corporate online training programmes, which generated positive feedback. Employees used the pre-shift quarantines to update their knowledge on health and safety and receive official training certificates.

In response to 2020 feedback on labour practice and health and safety, we increased the amount and availability of information on hygiene and quarantine protocols, and payment breakdown for different work schedules. This is available online and offline with leaflets provided at the start of each shift. We also noted an increased awareness among employees about ESG. Polymetal is excited to see that employees are themselves taking part in various environmental initiatives and will continue to publicise the work done by the Company and how employees can get engaged.

Polymetal is incorporated in Jersey under the Companies (Jersey) Law 1991 (as amended). The Companies (Jersey) Law 1991 does not include any provision equivalent to s. 172 of the Companies Act 2006, and the Companies Act 2006 does not apply directly to Polymetal. As a consequence, Polymetal is not obliged to report on s. 172 compliance in the same manner as a company incorporated under the Companies Act 2006. However, as a premium listed company, Polymetal must comply with the UK Code, including certain disclosures of considerations of the interests of its stakeholders and workforce engagement.

Board stakeholder engagement continued

Covid-19: Engaging with our stakeholders in uncertain times



The Company has maintained proactive engagement with its stakeholders amidst unprecedented global disruption and uncertainty. In light of the global Covid-19 pandemic, we have taken significant measures to keep our employees, suppliers, contractors and other stakeholders healthy and safe, and to maintain continuous operations. So far we have been successful at minimising any impacts and delivered a steady performance”.

Vitaly Nesis
Group CEO

The emergence of Covid-19 changed the business and operations environment around the world throughout 2020. Polymetal had to adapt quickly to changing and unpredictable conditions in order to maintain its industry-leading engagement programme with its stakeholders. Above all else, the health and safety of our people and communities is our top priority. We have complied with all government requirements and put in place a range of measures to protect our employees and contractors from the spread of the pandemic. We have also supported our local communities with medical supplies and diagnostic equipment. This has allowed our operations and projects to proceed without interruption, enabling us to generate a strong cash flow and protect shareholder value. The Board took an active role in stakeholder engagement and monitoring.



Уважаемые коллеги!
Убедительная просьба
Всем обрабатывать
руки!

Stakeholders	Challenge	Approach
Employees 	- Protect our people - Prevent outbreaks at our operations - Maintain continuous operations and project implementation under unprecedented global disruption, uncertainty and locked borders	- Our aim is to ensure the occupational health and safety of employees during the pandemic. - Regular and widespread testing of employees in order to promptly detect, isolate and treat infected employees and protect others. Over 40,000 tests were conducted. - Strict precautionary procedures maintained at all production sites, including daily temperature checks and regular medical surveillance. 14-day paid isolation for new shifts with Covid-19 tests performed twice. - Ongoing co-ordination of medical support for employees and their families. - Flexible and remote working plans for employees in high-risk categories and off-site employees. - Guaranteed change-of-shift personnel to avoid shift fatigue. - Organisation of observation facilities and set-up of permanent observation facilities at remote operations. - Clear communication on health and safety procedures and remuneration.
Local communities 	- Support local healthcare facilities for communities in our areas of operation - Protect local communities from the spread of the virus	- Varied financial and operational support for regional and municipal hospitals and volunteers. - Purchase and supply of PPE, medical supplies and specialist diagnostic equipment. Over \$3 million was donated. - Reducing travel and ensuring strict observation of restrictions by employees.
Government/ local authorities 	Compliance with all epidemiological requirements of federal and regional authorities	Thorough compliance with all the requirements and regulation provided by authorities aimed at the control and mitigation of risks and consequences of the Covid-19 pandemic, including: switching to remote work (where possible); restrictions on travel; compliance with sanitary requirements.
Suppliers, contractors and customers 	- Health and safety of contractors - Closed borders for foreign consultants and specialists - Interruptions to supply chain - Delivery and installation of hi-tech equipment	14-day paid isolation for new constructors entering the site with Covid-19 tests performed twice. - Inspections and servicing conducted virtually when possible. - Enhanced communication skills training for key employees. - All critical equipment shipped by vendors on time. - Installation support and start-up services performed by domestic crews or remotely. - The vast majority of operating consumables and spares were sourced domestically or from China. - Enhanced lead times and forward planning.
Shareholders and other capital providers 	- Protect shareholder value and maintain positive track record of shareholder returns during a period of uncertainty and global disruption - Secure robust liquidity and cash cushion - Ban on in-person meetings due to lockdown	- Polymetal proactively secured medium-term funding to establish a cash cushion for a potential liquidity gap. - Continued focus on performance and cost control. - Despite the uncertainty and travel restrictions caused by the pandemic, we remained committed to proactive shareholder and investor engagement during 2020. Polymetal held over 250 online meetings and participated in 28 virtual roadshows and conferences. - Hybrid AGM and open communication channel with IR department to ensure flow of information. - Two virtual Capital Market Days in April and November, each attended online by more than 70 investors and analysts.



Minimising risk for the business and our employees while investing in a greener future for our shareholders.”

Audit and Risk Committee composition and meeting attendance	
Board member	Board meetings
Giacomo Baizini (Chair)	7/7
Ollie Oliveira	7/7
Victor Flores ¹	7/7
Andrea Abt ²	5/5
Christine Coignard ³	2/2
1 Member from 30 January 2020. 2 Member from 27 April 2020. 3 Member until 27 April 2020.	
One informal meeting was held to discuss the results of the 2019 Audit and Risk Committee internal evaluation. Two further meetings took place with external and internal auditors without management present. The Audit and Risk Committee is an independent body, consisting only of independent non-executive Directors with relevant skills and experience in financial reporting and risk management. The Committee is chaired by Mr Baizini and its other members are Messrs Oliveira and Flores and Ms Abt. Ms Coignard served as a Committee member prior to the AGM on 27 April 2020. The Board considers that the composition and work of the Audit and Risk Committee complies with the requirements of the UK Code.	

Dear shareholders

Despite the uncertainties caused by the global pandemic and the turmoil this caused in the money markets, this was a good year for gold. Our revenue grew 28% year-on-year to \$2,865 million on the back of higher commodity prices. We generated record free cash flow of \$610 million and diverted some of the excess to inward investment in our business.

However, we made sure that we shared this value with all our major stakeholders. In 2020, Polymetal provided varied financial and operational support to healthcare facilities across the regions in which we operate with a spend of \$3.4 million. We maintained our social spending and made an additional 5% salary increase above inflation to all employees. Our dividend yield in 2020 was 6.3%¹.

Minimising business risk

Minimising risk is core to every strategic and operational element of Polymetal's business and in its commitment to its stakeholders. This year, a greater emphasis was given to Covid-19, which was identified as an emerging risk in our 2019 Annual Report. Early identification of this risk by management and the robust action taken prevented any major outbreaks and ensured the health of our employees. The Company incurred approximately \$3 million per month in Covid-related expenditure, the bulk recorded as operating costs. This translates into approximately \$22 per GE ounce produced.

Other significant issues, critical judgements and estimates are disclosed on pages 118 and 119. We continue to have joint meetings with the Safety and Sustainability Committee to ensure that all relevant risks are taken into account and that there are sufficient provisions to mitigate for them.

Investing for the future

During 2020, our attention was primarily on the implementation of our two major development projects, Nezhda and POX-2, where construction and development activities progressed on schedule. Our capital expenditure guidance has been increased by approximately 20% to \$583 million, which is a reasonable expansion given the favourable market conditions. Covid-related restrictions, precautionary measures and cases of the disease on site have not slowed down project implementation. The Audit and Risk Committee receives regular updates from management to confirm that there are tight controls on capital expenditure and that these projects remain on schedule. In 2021, we will be making investment decisions about Veduga and Prognoz, our pipeline projects. With that in mind, we will continue to robustly monitor and control our spending to ensure the best returns on investment for our shareholders.

In 2020 we adopted a Green Financing Framework that supports our continuous progress towards achieving a low-emissions future and more efficient use of resources. Also this year, we agreed the first \$125 million green loan in the Russian metals and mining industry under this framework, which will be allocated to fund eligible green projects. This reconfirms Polymetal's commitment to a sustainable future.

Giacomo Baizini

Giacomo Baizini
Chair, Audit and Risk Committee

Key responsibilities		Focus during 2020
Integrity of financial statements	- Monitoring the integrity of the Group's consolidated financial statements - Reviewing financial statements, including the consistency of accounting policies across the Group, the methods used to account for significant transactions, the reasonableness of significant estimates and judgements and the clarity and completeness of disclosure	- Reviewed and recommended for approval financial and risk information included in the Annual Report 2019 and Polymetal's results for the six months to 30 June 2020 - Supervised preparation of the longer-term viability statement - Reviewed going concern and Covid-19 impact - Deep dive into significant accounting developments (audit market reform) - Overview of corporate transactions for 2020
Internal controls and risk management	- Reviewing the effectiveness of the Group's system of internal controls and risk management and ensuring shareholders' interests are properly protected - Monitoring and reviewing the effectiveness of the Group's internal audit	- Reviewed the critical risks and exposures, including significant judgements, findings, impairments and tax risks; discussed emerging risks - Reviewed reporting from internal auditors on key controls and approved internal audit plan - Performed an in-depth review of several subsidiaries (Polymetal International, PMTL, Polymetal Trade House) - Reviewed risk management systems at Veduga, Mayskoye and Varvara - Performed deep dive on cybersecurity risks - Reviewed compliance with sanctions protocols - Monitored the effectiveness of internal audit - Approved significant transactions
External auditor	- Making recommendations to the Board on the appointment or removal of the Group's external auditor - Reviewing the effectiveness of the external audit process - Reviewing the independence and objectivity of the external auditor and the appropriateness of the provision of any non-audit services	- Approved the terms of external audit engagement (including the scope) and the Group's external audit plan - Reviewed audit planning report for 2020 year end - Reviewed the actual external audit fee in 2020 compared with the authorised amount - Reviewed the independence and effectiveness of the external auditor - Reviewed non-audit services (including interim review)
Policies and procedures	Reviewing the Group's policies and procedures for preventing and detecting bribery and fraud, and the systems and controls in place to ensure that the Group complies with relevant regulatory and legal requirements	- Supervised compliance with the Company's Anti-Bribery and Corruption, Whistleblowing, Treasury and other policies and procedures - Reviewed approach to related and connected party transactions - Performed accounting policies review - Reviewed Alternative Performance Measures - Reviewed the work plan for 2021

Fair, balanced and understandable The Board and the Audit and Risk Committee are satisfied that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee ensures that the Company has applied the following robust annual process: - In October, Group management and external auditors hold a planning session. Clear instructions and a timeline are provided to all participants in the annual reporting process. All regulatory requirements and best practice recommendations are monitored and communicated to the participants on an ongoing basis. - In late December, members of all Board Committees receive the relevant draft sections of the Annual Report to ensure that the key messages and information disclosed are aligned with the Company's strategy and performance and are consistent with their understanding of the Company's business. - In February, the Committee holds a conference call to review critical accounting judgements and estimates disclosed in the notes to the financial statements and to discuss any significant issues related to the consolidated financial statements. The Committee takes into account the	conclusions and observations made by the external auditor over key judgements and significant issues. - The Committee reviews the disclosure of Alternative Performance Measures (APMs) to ensure appropriate prominence of APMs and IFRS measures and their presentation throughout the Annual Report. A guide to APMs can be found in the 'Alternative performance measures' section on page 216. - In late February, all Directors receive and review a full draft of the Annual Report and consolidated financial statements to ensure consistency of disclosure of the Company's established purpose, values and strategy. - In early March, the Committee reviews the final Annual Report and financial statements – including significant accounting issues explained in the notes to the consolidated financial statements, based on its knowledge, discussions, management papers or other interactions with management, as well as the conclusions of external auditors – and recommends them to the Board for approval. - In early March, the preliminary financial statements are approved by the Board for release to the London Stock Exchange to ensure timely disclosure of financial information. - In mid-March, the Annual Report is approved by the Board for publication on the Company's website and circulation to its shareholders.
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Significant issues related to the financial statements	
The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. During the year, the Committee has focused in particular on the key issues and areas of judgement listed below as being business-sensitive. The Committee has also reviewed detailed external auditor reports outlining audit work performed and any issues identified in respect of key judgements (see the independent auditor's report on pages 156–165).	
Significant issues addressed by the Committee	How the Committee addressed the issues
Significant corporate transactions Accounting for corporate transactions involves a number of judgements, specifically in respect of complex legal structures and appropriate accounting treatment, including but not limited to: determining purchase price allocation, estimating the fair value of the contingent consideration, accounting for the put and call options, gains and losses arising on the transactions.	Veduga In April 2020, VTB invested \$35 million in cash in exchange for newly issued Amikan (Veduga) share capital, resulting in VTB holding a 40.6% stake in the asset. As part of the transaction, VTB was granted a put option to sell its stake in Amikan to Polymetal on certain conditions, along with the similar call option granted to Polymetal. Both put and call options are to be settled in Polymetal shares. The Committee challenged the judgement applied by the Group to determine whether the options represent potential voting rights. The accounting approach followed is set out in Note 28. Nezhda power line In June 2020, Polymetal entered into a preliminary lease agreement to lease on pre-agreed terms for the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The completion and commencement date of the lease is scheduled for 2022. The Committee reviewed the accounting treatment for the transaction, classification and valuation of guarantees issued and accounting treatment of the put and call options as part of the wider lease agreement (as set out in Note 29). In both cases, the Committee challenged the key judgements made by management in these areas and concluded that these were made appropriately and consistently, concluding that the disclosures made in the Annual Report were fair and clear. See page 117.
Recoverability of metal inventories At 31 December 2020, the Group held \$542 million in respect of inventory, including ore and concentrate stockpiles and heap leach work in progress totalling \$517 million. In accordance with IAS 2 Inventories, inventory is required to be valued at the lower of cost or net realisable value. The assessment of the recoverability of ore stockpiles and heap leach work in progress requires management judgement, including determination of expected metal volume to be recovered, processing costs and future prices to be realised on sale.	Management performed net realisable value calculations by estimating the recoverability and valuation of metal inventories as of 30 June 2020 and 31 December 2020. The Committee examined the price assumptions used by management as well as unit costs, treatment charges and other internal assumptions used in determining the net realisable value of unfinished goods within metal inventories (ore and concentrate stockpiles). The Committee is satisfied that the appropriate write-down of metal inventories to net realisable value has been recognised in the current financial year. See Note 22 on page 200.
Recoverability of exploration and evaluation assets At 31 December 2020, the Group held exploration and evaluation (E&E) assets of \$104 million (31 December 2019: \$387 million). E&E costs are capitalised based on the 'successful efforts' method when management concludes that future economic benefits are likely to be realised as a result of exploration activities and internal assessment of Mineral Resources. The evaluation of future prospects of the asset requires significant judgement.	Management performed detailed analysis of the recoverability of E&E assets as at 31 December 2020. The Committee examined the management analysis of recoverability of exploration and evaluation assets and assessed management's approach to determine whether the existing exploration and evaluation assets are likely to generate future economic benefits and whether any indicators of impairment had been identified. The factors assessed included the nature and objective of the project, the project's current stage and the extent of E&E that has been performed, project timeline, main risks of the project and the latest geological results and testing. This review did not indicate any concerns with the carrying value of the Group's E&E assets as at 31 December 2020. See Note 18 on page 195.

Significant issues addressed by the Committee	How the Committee addressed the issues
Tax exposures The Group is subject to domestic and international income tax and mining taxes in the Russian Federation and Kazakhstan. Judgement is required in determining the tax due when dealing with different tax legislation. At 31 December 2020, probable exposures totalled \$12 million and predominantly relate to a risk identified in respect of Russian mineral extraction tax.	The Committee received updates on the status and progress of tax audits and evaluated management's assessment of various tax risks and appropriateness of provisions made in the financial statements, where applicable. The review did not identify any concerns with respect to the Group's tax compliance and relevant disclosure in the financial statements. See Note 12 on page 190 and Note 16 on pages 192–194.
Longer-term viability statement The viability statement, scenario analysis process and key risks factored into the analysis are presented on pages 152–153.	The Committee exercised oversight of the viability statement development process, including assessment of the Group's prospects made by management, the time horizon over which the assessment is made, the basis of preparation and the results of risk-scenario analysis. Additionally, the Committee challenged how the risk of operating disruptions due to Covid-19 had been modelled in a stress scenario. The Committee concluded that the scenario analysis, time horizon and assumptions used were severe and feasible, including those related to the potential impact of Covid-19 on the Group's financial and operating performance and future prospects, and well aligned with the Group's budgeting and forecasting processes, strategy and business model. See pages 152–153.

Internal controls and risk management

Risk management

Risk management is the responsibility of the Board and is integral to the achievement of the Group's strategic objectives. The Board is satisfied that there is an ongoing process, which was operational during the year and up to the date of approval of the Annual Report, for identifying, evaluating and managing the principal risks faced by the Group, as described on page 87.

The Board takes account of material changes and trends in the risk profile, including robust assessment of the Company's emerging risks, and considers whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives. The Group's Risk Management Policy and process ensures that the procedures are embedded in all of Polymetal's systems and processes, ensuring that the Company's responses to risk remain current and dynamic.

The Group enforces a responsible business culture throughout all Group entities to mitigate principal risks and to keep residual risk at an acceptable level. The Audit and Risk Committee assists the Board with its assessment of the Group's principal risks and its review of the effectiveness of the risk management process. During its meetings throughout the year, the Committee reviews reports on the Group-level risk profiles and controls that are in place.

The Group has implemented enterprise and operational policies and controls to manage risks that may affect the achievement of the Group's strategic objectives. Transaction-level internal controls are designed to enhance the value of operational-level objectives and accountability of new projects and initiatives.

In conducting its annual review of the effectiveness of risk management and the internal control system (including financial, operating and compliance controls), the Committee considers the key findings from the ongoing monitoring and reporting processes, management representations and independent assurance reports. Management provides a timely response to issues raised by internal audit. Where possible, the issues are resolved within one reporting period.

Further details of the Group's risk management framework and risk governance are provided on pages 86–87.

Internal audit (IA)

The IA Department supports the Board, through the Audit and Risk Committee, in evaluating the Company's and the Group's governance framework. It also aims to raise levels of understanding and awareness of risk and control throughout the Group.

Internal auditors maintain organisational independence from Group management by reporting to the Audit and Risk Committee on substantive matters and to the Group CEO for administrative purposes; the internal auditors additionally report their findings to the members of the Group's executive management. Any potential conflicts of interest should be disclosed by the internal auditors as they arise; internal auditors are not allowed to audit areas where they have held operational roles in the previous 12 months.

The IA Department's annual work plan is approved by the Audit and Risk Committee. It is based on a risk tolerance evaluation that ensures the achievement of the Group's operating objectives and focuses on the principal risks of the Group's risk profile. The head of IA reports to the Board through the Audit and Risk Committee. The KPIs of the head of IA are: completion of work in accordance with the approved plan, quality of audits and the number of follow-up audits, where agreed recommendations have been implemented.

In addition to the Audit and Risk Committee assessment, the internal auditors use an annual self-certification process, which requires managers throughout the Group to personally confirm the testing of internal controls and compliance with Group policies within their business or function, as well as the steps taken to address actual or potential issues that are identified. The results of self-certification as well as management response thereto are provided to the Committee along with other reports on the IA activities.

The IA Department also performs periodic external certification. The most recent of these was presented to the Audit and Risk Committee in 2019 and confirmed that independence and objectivity of the Group's IA Department is in compliance with international standards for internal audit.

Audit tender

The Group has a policy of tendering the external audit at least every ten years. The most recent tendering process took place in 2019, with a view to appointing the external auditor for the 2020 audit, which also coincided with the completion of the five-year term of the audit partner. Deloitte LLP had been the auditor for 10 years, following Polymetal's listing on the London Stock Exchange. The tendering process was held in compliance with the Competition and Markets Authority regulations, applicable EU requirements and Financial Reporting Council (FRC) guidance.

Following an evaluation of the tenders, the Audit and Risk Committee recommended Deloitte LLP to the Board for approval as external auditors for the year commencing 1 January 2020. The decision was driven by expertise, better resources and the approach to delivering high-quality audit services to Polymetal. After considering the Committee's recommendation, the Board proposed Deloitte LLP as auditor. Shareholders approved this appointment at the Company's 2020 AGM. The Company is in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation Order 2014.

Internal control framework and activities

The management structure of the Group and internal policies and procedures are aimed at maintaining a robust control framework within the Group to encourage the achievement of strategic objectives within set risk tolerance levels. This framework includes:

- An appropriate tone set from the top (Board level), aimed at building the appropriate control environment and ethical climate
- Management support of a comprehensive risk management system (for more detail refer to pages 86–87)
- Strong segregation of duties including internal controls over sensitive transactions
- Specific control activities implemented at all levels of the Group
- A periodic review of the effectiveness of internal controls.

The governance framework reflects the specific structure and management of the Group, where authority and control are delegated by the Board to different levels, from senior management to the managers of the Group's operating entities, and then cascaded down to business and project managers as appropriate. Within this framework, authority is delegated with clearly prescribed limits and decisions are escalated where either project size or risk profile require a higher level of authority. In addition to controls operating at transaction level (production, exploration, construction, procurement), the control framework also includes a set of general procedures for transaction approval, financial accounting, reporting and budgeting.

The Board confirms that the actions it considers necessary have been or are being taken to remedy any failings or weaknesses in the Group's system of internal controls. Based on the results of the review of risk management and internal control activities undertaken by the Board and the Audit and Risk Committee, the Board considers that the risk management and internal control systems are in accordance with the relevant principles and provisions of the UK Code and other applicable guidance.

External auditor

External auditor appointment

The re-appointment of Deloitte LLP as the Group's external auditor is reviewed annually by the Audit and Risk Committee. Deloitte LLP was appointed auditor in 2011, with Deloitte CIS having been auditor of JSC Polymetal since 2007. Dean Cook became audit partner from 2020. The Committee's assessment of the external auditor's

performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditor until the conclusion of the AGM in 2021. Resolutions to authorise the Board to re-appoint and determine the auditor's remuneration will be proposed at the AGM on 26 April 2021.

Non-audit services by the external auditors

Following the Jersey Financial Services Commission's consultation on changes to the Crown Dependencies' Audit Rules and Guidance, the definition of Public Interest Entities incorporated in the European Economic Area (EAA PIEs) was extended to market-traded companies (MTCs) such as Polymetal. Therefore, the Revised Ethical Standard, issued by the UK Financial Reporting Council, became mandatory for Polymetal from 15 March 2020.

The Audit and Risk Committee monitors the Company's relationship with its external auditor in relation to the provision of non-audit services to ensure that auditor objectivity and independence are safeguarded. The external auditors are engaged in permitted non-audit services only, subject to the prohibited non-audit services for public interest entities, as provided in the Revised Ethical Standard. The 70% cap on non-audit fees remains applicable to certain services provided by the external auditor. The extent and nature of non-audit services performed by the external auditor in 2020 is disclosed in Note 14 to the consolidated financial statements.

Pre-approval thresholds are in place for the provision of permitted non-audit services by the external auditor. Non-audit services are approved by management (if below \$5,000), by the Chair of the Audit and Risk Committee (if between \$5,000 and \$20,000), and by the Audit and Risk Committee (if above \$20,000).

Further information is available in the Policy on Independence and Provision of Non-Audit Services on the Company's website.

In 2020, non-audit fees were \$0.51 million of which \$0.48 million were incurred for audit-related assurance services for the Group's half-year review. Non-audit fees represented 42% of the 2020 audit fee (2019: 46%). Non-audit fees, excluding audit-related services, amounted to \$0.03 million, or 2% (2019: 3%) of total fees for the audit and audit-related services.

The Audit and Risk Committee has considered information pertaining to the balance between fees for audit and non-audit work for the Group in 2020 and concluded that the nature and extent of non-audit services provided do not present a threat to the external auditor's objectivity or independence.

Auditor independence

Each year, the auditors are required to confirm in writing to the Committee that they have complied with the independence rules of their profession and regulations governing independence, and that they have complied with the requirements of the Company's policy on the provision of non-audit services. The external auditor is required to maintain appropriate records to provide reasonable assurance that its independence from the Company is not impaired.

Review of the effectiveness of the external audit process and audit quality

The Audit and Risk Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality, which focuses on the following areas:

- The audit partners, with particular focus on the lead audit engagement partner
- The audit team
- Planning and scope of the audit and identification of areas of audit risk

- Execution of the audit
- The role of management in an effective audit process
- Communications by the auditor with the Audit and Risk Committee, and how the auditor supports the work of the Audit and Risk Committee
- How the audit contributes insights and adds value
- The independence and objectivity of the audit firm and the quality of the formal audit report to shareholders.

An auditor assessment is completed annually by each member of the Audit and Risk Committee and by the CFO by way of a formal questionnaire. Feedback is also sought from the Group CEO, other members of the finance team, divisional management and the head of internal audit. The feedback from this process is considered by the Audit and Risk Committee, and is provided both to the auditor and to management. Action plans arising are also reviewed by the Committee.

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements, management's approach to the value of the independent audit, the booking of audit adjustments arising (if any) and the timely provision of draft public documents for review by the auditor and the Audit and Risk Committee.

Policies and procedures

Evaluation

The most recent externally facilitated evaluation was undertaken in 2019 by Fidelio Partners. Further information on the conclusions of this evaluation and steps taken in 2020 is provided on page 109.

The Committee evaluated a letter from the Financial Reporting Council (FRC) received in late 2020 with observations on the 2019 Annual Report. Management's written responses were reviewed by the Committee chairman and discussed with the external auditors. As a result management has clarified and enhanced some disclosures in this Annual Report and Accounts. The Committee was pleased to note the FRC's confirmation, received in February 2021, that it had concluded the correspondence on this matter.

In 2020, the Committee carried out a comprehensive self-evaluation of its performance. The members of the Committee, CFO and members of the finance team completed a thorough assessment questionnaire on the work of the Audit and Risk Committee and other related issues, including external audit and the quality, experience and expertise of the internal auditors. Based on the assessment results, the areas that needed attention were aggregated and incorporated into the 2020 Committee work plan. All comments received were fairly minor and the areas for further focus included:

- Better reporting to the Board on the work performed by the Committee
- Circulation of any finance-related papers to the Audit Committee prior to the Board review
- Training to understand the principles and developments in corporate reporting and regulation
- Enhanced communication between the Committee and IA Department
- Continued work on the review of related party transactions and appropriateness of accounting policies, including APMS
- Better engagement with the Safety and Sustainability Committee on risks.

The principles and provisions

In the reporting period, all members of the Committee had financial experience and competence relevant to the sector in which the Company is operating; Messrs Baizini and Oliveira have competence in accounting and Mr Flores has competence in finance. Detailed information on the experience, skills and qualifications of all Committee members can be found on pages 98–99. Mr Flores is a member of the Safety and Sustainability Committee, which ensures continuity between the workings of both Committees.

Ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Board. The Board considers that the Audit and Risk Committee complies with the provisions of the UK Code, FRC Guidance on Audit Committees and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Committee gives due consideration to applicable laws and regulations, the provisions of the UK Code and the requirements of the Listing Rules.

UK Bribery Act 2010

The Company and its Directors are committed to ensuring adherence to the highest legal and ethical standards. This is reflected in every aspect of the way the Group operates. Bribery is a criminal offence in the countries in which the Group operates. Corrupt acts expose the Group and its employees to the risk of prosecution, fines and imprisonment, as well as endangering the Company's reputation. The Group has a Code of Conduct in place, which refers to its Anti-Bribery and Corruption Policy. The policy extends across all of the Group's business dealings in all countries and territories in which the Group operates and applies to Directors, managers and all employees of the Group, as well as relevant business partners and other relevant individuals and entities. The policy prohibits the payment, offer or authorisation of bribes, the receipt or acceptance of a bribe, or the payment, offer or promise to pay any facilitating payments. The Board attaches the utmost importance to this policy and applies a zero-tolerance approach to acts of bribery and corruption by any of the Group's employees or by business partners working on the Group's behalf.

As part of the implementation of internal procedures to comply with the UK Bribery Act, the Group has a formalised Whistleblowing Policy which defines the processes in place for staff to communicate, in confidence, concerns about possible improprieties, unethical or illegal activities and ensures that arrangements are in place for the independent investigation of such matters. Management reports to the Committee twice a year on the implementation of policies and procedures within the Group's operations, and any instances of corruption or unethical conduct within the Group. Further information on due diligence processes implemented by the Company in pursuance of those policies is available in the Sustainability Report. The Company affirms that it has not denied any personnel access to the Audit and Risk Committee and that it has provided protection to whistleblowers from adverse personnel action.

All policies and procedures on the prevention of bribery and corruption are regularly reviewed by the Audit and Risk Committee with any required changes recommended to the Board.

The Code of Conduct, Anti-Bribery and Corruption and Whistleblowing Policies are available on the Company's website.



Our focus this year was on executive succession planning and a longer-term review of how well we are growing future leaders within the business.”

Nomination Committee composition and meeting attendance

Board member	Board meetings
Ian Cockerill (Chair) ¹	3/3
Ollie Oliveira ²	3/3
Giacomo Baizini	3/3
Tracey Kerr ³	1/1

1 Chair from 30 January 2020.
2 Chair until 29 January 2020.
3 Member until 30 January 2020.

The Nomination Committee comprises three independent non-executive Directors who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable). In 2019, the Committee was chaired by Mr Oliveira to facilitate the Board Chair succession programme; from 30 January 2020, Mr Cockerill became Chair of the Nomination Committee. Ms Kerr was a Committee member until 30 January 2020.

The Board considers that the composition and work of the Nomination Committee complies with the requirements of the UK Code.

Dear shareholders

In January this year I replaced Ollie Oliveira as Chair of the Nomination Committee. I am grateful for his experience and his efficient work on leading Polymetal through the non-executive succession programme, which has largely been completed. We continue to review our non-executive directorship requirements, but do not expect to make any major changes in the short term.

In 2020, our focus shifted to executive succession. We started the year by reviewing our CEO and succession planning for his direct reports. Although there is no immediate threat of changes in our senior management team – and Polymetal has been exceptionally successful at retaining its top talent – it is always prudent to ensure that we have plans in place.

Later in the year, we moved on to longer-term planning to ensure that we are growing leaders with the ability to become senior executives in 5–10 years. We undertook a detailed review of their existing skills, pathway to success and development plan. We are confident that all key areas of top management are covered and that there is sufficient diversity in the pipeline. To ensure we focus on diversity, 40% of the candidates in the long-term succession programme are female. It is our remit and objective to have a Board and management team composed of representatives with world-class skills in finance, mining, ESG and stakeholder engagement.

The Nomination Committee continues to work closely with the Remuneration Committee on Polymetal's diversity programmes. We review gender pay gap annually and can confirm that our employees receive equal pay for the same work. However, as in all mining companies, females remain under-represented and particularly at senior management level. We are implementing a number of diversity programmes to address this, which are showing encouraging results. Three of Polymetal's colleagues were named in this year's list of '100 Global Inspirational Women in Mining'; one of them was a member of the 2015 Young Leader's programme, endorsed by the Board.

2020 was an unusual year. We did our best to carry out Nomination Committee work as normal but the inability to travel hindered our core engagement programmes. In 2021, we are planning to hold two sessions enabling us to meet the Young Leaders; online sessions are no replacement for personal communication. We will also undertake a longer site trip in order to continue visiting key operations and talking to the people who make Polymetal's work possible on the ground. We will also continue our work reviewing Polymetal's strategy, culture and values. The Nomination Committee fully supports the Board's objectives in maintaining the highest possible standards of corporate governance throughout the business.

Ian Cockerill

Ian Cockerill
Chair, Nomination Committee

	Key responsibilities	Focus during 2020
Board structure review and evaluation	- Leads a formal, rigorous and transparent process for Board appointments - Regularly reviews the Board structure, size and composition and makes recommendations to the Board about any changes - Makes recommendations to the Board about the Directors' re-appointment at the end of their term of office - Reviews the results of the Board performance evaluation that relate to the composition of the Board and individual Directors	- Reviewed requirements of independent non-executive Director succession - Reviewed the time required from non-executive Directors - Continued to review the skills and experience of the Board, term limits of Directors, concept of independence - Reviewed the structure, size and composition of all Committees, including skills, knowledge, experience and diversity and made recommendations to the Board about changes - Made recommendations to the Board about the re-election of Directors at the AGM - Supervised the tailored induction process - Led review of the external evaluation of the Board and all Committees
Leadership and conflicts of interest	- Keeps both executive and non-executive leadership needs of the Group under review - Requires Directors and proposed appointees to the Board to disclose any conflict of interest or significant commitments, with an indication of the time involved - Requires Directors to apply for approval before undertaking additional external appointments	- Kept the executive leadership needs of the Group under review in order to ensure the continued ability of the Group to compete effectively in the marketplace - Continued succession discussion at executive level, including support in developing a diverse pipeline - Reviewed long-term succession, including potential leaders in 5–10 years - Reviewed the report on the development of participants in the Young Leaders Programme - Discussed the personal development plan for the senior management team and Young Leaders
Diversity and governance	- Leads on diversity and provides a statement of the Board's policy on diversity, including gender and ethnicity, any measurable objectives that it has set for implementing the policy and progress on achieving objectives - Focuses on the Company's approach to succession and planning, and how both support developing a diverse pipeline - Reviews the Company's gender balance within the Group leadership team	- Reviewed HR reports, including headcount, costs, diversity, professional development, employment culture, approach to the learning process and training benchmarking information - Discussed diversity highlights, including the policy on diversity and inclusion, how it had been implemented and progress on achieving the objectives - Reviewed Women in Mining, Russia programme - Discussed ethnic diversity and Parker Review recommendations - Reviewed external evaluation results - Performed internal Committee evaluation - Reviewed the Committee's terms of reference - Reviewed the work plan for 2021

Board succession

In 2017, the Company started its Board succession programme in response to external Board evaluation feedback and to ensure that the Board continued to work effectively to achieve the Group's objectives. Polymetal appointed Spencer Stuart, an international search firm, to assist with the phased refresh of its Board. No other services were provided by Spencer Stuart and it has no other connections with Polymetal or individual Directors.

In 2018, three new Directors, Tracey Kerr, Giacomo Baizini and Ollie Oliveira, were appointed and three existing Directors, Russell Skirrow, Len Homeniuk and Marina Grönberg, stepped down from the Board. In 2019, Ian Cockerill and Italia Boninelli joined the Board while neither Bobby Godsell nor Jonathan Best offered themselves for re-election at the AGM. In 2020, Victor Flores and Andrea Abt became non-executive Directors and Christine Coignard did not offer herself for re-election.

As a result of the structured succession process, the Board members now have a combination of skills covering all of Polymetal's strategic objectives, including business strategy, finance, mining and sustainability, investment banking, human capital and governance. The average length of service on the Board has reduced to 3.7 years; the Board still has sufficient historic knowledge about the Company while also drawing on the skills and experience of its newest members.

Board Director	Tenure on 1 March 2021	0–2 years	2–6 years	6–9 years
Andrea Abt	11 months			
Victor Flores	1 year 1 month			
Italia Boninelli	1 year 3 months			
Ian Cockerill	1 year 10 months			
Ollie Oliveira	2 years 9 months			
Giacomo Baizini	3 years 2 months			
Tracey Kerr	3 years 2 months			
Vitaly Nesis	9 years 3 months			
Konstantin Yanakov	9 years 3 months			

Diversity
Board diversity

We continue to focus on diversity. Ensuring we have sufficient gender, cultural, ethnic and experiential diversity is critical if we're to avoid 'group think'. We have a 33% female representation on our Board and our ethnic spread is incredibly diverse. Our Board comprises people with a wide range of experience and skills from very different backgrounds: two Russians, a Mexican-born American, an Italian, a German, an Australian, a South African, a Portuguese and a British citizen. In 2020, we appointed Victor Flores, a Mexican-born American who identifies himself with and has evident heritage from Central America. The Nomination Committee will ensure that it maintains at least one Director from an ethnic minority background in line with its objectives.

Board diversity is addressed as part of the Board succession programme, including considering candidates with little or no previous Board experience in public companies for appointment as non-executive Directors. We are assisted in this process by Spencer Stuart, an international search firm and signatory to the voluntary Code of Conduct on gender diversity and best practice. The lead partner on the assignment is female. Since the official start of the Board succession programme in 2017, we have appointed three female Directors: Andrea Abt, Italia Boninelli and Tracey Kerr. We have, therefore, achieved the 33% target of women on the Board ahead of the 2020 deadline for FTSE 350 companies, as defined by the Hampton-Alexander Review. The Nomination Committee will ensure that this proportion of women on Polymetal's Board is at least sustained in line with its objectives.

Polymetal's Diversity and Inclusion Policy includes a section on Board diversity.

Workforce diversity

Our workforce is composed solely of employees of Russian or Kazakh background. We do not collect ethnicity information about our Russian-based employees and are specifically not allowed to collect such data in Kazakhstan. Our robust Group policies enable us to continue to improve our approach to diversity within the business.

Polymetal is committed to the principles of non-discrimination, inclusion and diversity for both the Board and its employees. All have equal opportunities regardless of gender, age, race, nationality, language, origin, wealth, residence, religion and other beliefs, social or other personal circumstances. The Company's Code of Conduct and Diversity and Inclusion Policy outlines the principles and approach to diversity and prohibit any discrimination. Regular compliance monitoring is undertaken by the HR department, which ensures that our internal procedures are implemented throughout all Group companies. No instances of discrimination were reported in 2020. The Group is in full compliance with all local legislation in the countries where it operates that prohibit any discrimination in payment and promotion. Further information on workforce diversity is available in our Sustainability Report.

In 2020, the overall proportion of women working in the Group was 21% (2019: 21%).

Employee gender parity	Male			Female		
	2020 ¹	2019	2018	2020 ¹	2019	2018
All employees, of which:	79%	79%	80%	21%	21%	20%
Managers	78%	77%	78%	22%	23%	22%
Employees with vocational training or higher education	60%	58%	61%	40%	42%	39%
Workers	89%	88%	88%	11%	12%	12%

1 There are restrictions on employment of females in certain dangerous jobs in Russia and Kazakhstan. Taking into consideration such employees, adjusted numbers for females increase from 11% to 14% for workers and from 21% to 24% for overall workforce.

Gender pay

The Nomination and Remuneration Committees undertook an in-depth review of the workforce gender pay gap during 2019 and continue to review it annually. It concluded that, while there is no gender pay gap for the same positions, the gender imbalance within the mining industry in general impacts the gender pay ratio in Polymetal, which in 2020 was 1.25 (2019: 1.30). The Board determined that in order to narrow the gender pay gap, Polymetal needs to continue improving its talent pipeline.

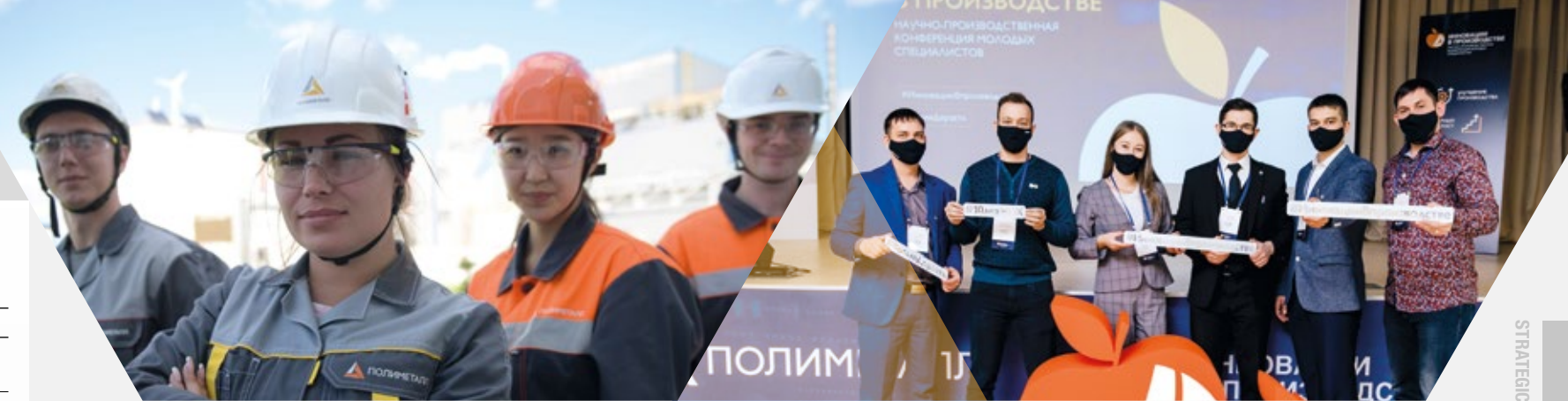
The Group HR department identified the following priority areas for 2021:

- Providing diversity training for managers responsible for hiring and promotion processes
- Supporting women's ambitions to master new professions and build careers
- Creating more options for enhancing both the vocational and leadership skills and qualifications of employees within the Company
- Enhancing Polymetal's brand to make it more appealing to all candidates.

The Group is focused on attracting, retaining and promoting women in professions traditionally dominated by men: production, processing, metallurgy, geology, construction and procurement. It is also essential to create a pipeline of candidates deemed capable of achieving senior management positions in such roles as mine surveyor/geologist and specialists in production or mine planning. In 2020, 20% of such vacancies were filled by women. Further information is available on page 124.

Looking to the future, it is vital that women are also represented at a more junior level and we have made significant improvements in the gender balance of our Talent Pool; more than doubling the share of women over the past three years from 10% in 2017 to 25% in 2020. At least one-third of participants in our Young Leader Programme are now women.

We believe that increasing female representation will benefit the Group and we actively endorse female participation in Polymetal's management. We acknowledge that reducing the gender imbalance, and with it the gender pay gap, is a long-term goal and we will continue to focus on inclusivity and diversity in order to enable our employees to fulfil their potential.



The Young Leaders Programme

Our Young Leaders Programme is now well established and ongoing. This programme helps to evaluate the Talent Pool and tailors training for the future senior management needs of the Group. Within the programme, regular meetings take place between Young Leaders and Board members, which enable the Board to challenge and debate with the Young Leaders, who in return have an opportunity to ask questions and interact directly with the Board. 40% of those taking part in the Young Leaders are female.

Every year, a group of Young Leaders, specialists from different departments and subsidiaries who have excelled in their jobs, are chosen to make a Board presentation in London. This group is divided into two and each allocated a topic to prepare. Training is provided on both the particular topic and general presentation skills. Prior to the trip to London, the groups have internal conference calls to discuss the presentations and then practice their presentations in front of their colleagues in St. Petersburg. In 2020, due to Covid-19 restrictions on travelling, we were unable to hold this session but plan to rectify this by including two such sessions for the Young Leaders Programme in 2021.

Young Leaders' development progress

Despite no meeting with Young Leaders this year, the Board continues to monitor progress of the previous years' cohorts. Thirty-five graduates of the 2016–2019 programmes participated in 102 training programmes (including one starting a PhD), eight received promotion and three were rotated to a different area of operation to expand their experience.

Scientific and Industrial Conference for young professionals

Growing leaders within the Company is the key focus of creating a pipeline, which starts from the youngest of our colleagues. They recently graduated, have a fresh eye and come up with creative ideas, which we value. Any Group employee aged under 30 with higher education and who has worked for Polymetal for over a year can take part.

In 2020, our Scientific and Industrial Conference celebrated its 10th anniversary. Since its launch, 335 employees have taken part. The annual conference consists of regional rounds and a final. Young professionals submit a project topic and are allocated an experienced mentor from within the Company to assist them throughout their project. The topics vary from geology, mining, processing and industrial safety to improvement of management processes, economics and HR management. The best of these receive prizes and practical projects are transformed into real projects. The scientific conference provides rapid progress and career opportunities; out of 46 participants in 2019, 17 have been promoted, 14 have been included in the Talent Pool and 18 proposed projects have been implemented.

In October 2020, 20 finalists of the 2019 Conference from different operations and with different professional experience met in the Mining University, St. Petersburg to solve a case on the Preparation of a Sustainable Development Strategy for an Acquired Company/ Operation. Young professionals were given a chance to use their ideas and develop solutions, affecting environmental safety, work conditions and interaction with local communities.

Women in Mining Russia

This year, two of Polymetal's female colleagues, along with other female leaders in the Russian industry, set up Women in Mining Russia. Its main objective is to support women's professional development and to promote a culture of equal opportunities within the mining industry, including:

- Promotion of initiatives to improve the business climate and the role of women in extractive industries
- Implementation of support mechanisms and business communications among women
- Promotion of modern forms of business partnerships in the development of professional women's leadership
- Popularisation of engineering education among women.

Despite pandemic-related limitations, Women in Mining Russia achieved significant successes in its first year. These included attracting the support of experts from our industry, as well as media attention and awareness among leading universities in Russia. A series of webinars were delivered on topics such as leadership, careers in mining, operational efficiency, personal finance and time management.

This year, three of Polymetal's employees were included in 2020 list of '100 Global Inspirational Women in Mining'. Two of our Board members, Tracey Kerr and Italia Boninelli are previous recipients of this award and will provide mentoring opportunities for female leaders aspiring to reach high ranks in mining, and work closely with Women in Mining Russia leaders to enable more international exposure and networking opportunities.



An increased emphasis on sustainability does not detract from our commitment to the highest safety standards.”

Safety and Sustainability Committee composition and meeting attendance

Board member	Board meetings
Tracey Kerr (Chair)	3/3
Vitaly Nesis ¹	3/3
Ian Cockerill ²	3/3
Victor Flores	2/2
Jean-Pascal Duvieusart ³	0/1

1

Member from 30 January 2020

2

Member from 27 April 2020

3

Member until 27 April 2020

The Safety and Sustainability Committee comprises three Directors. The Committee is chaired by Ms Kerr and its other members are Messrs Cockerill, Nesis and Flores.

Our Committee members’ experience includes a wide range of sustainability issues, such as: health and safety, operational risk management, environment, and climate change (including policy, carbon neutrality pathway, climate risk management, TCFD compliance and sustainability reporting).

Dear shareholders

2020 was an exceptional year for the whole world. Due to high commodity prices, it was perhaps easier for mining companies than for some other businesses; however, while we continued to operate, it was necessary to ensure that we did this safely at all our sites and offices. We implemented robust Covid-19 protocols as set out on page 67, which helped us prevent any major outbreaks across our operations.

In 2020, our safety programme focused on safety culture and contractor safety, while continuing to improve our critical risk management through the implementation of increasingly sophisticated technology. Our focus on safety has helped us deliver a substantial improvement in our safety performance – in 2020 we had no fatalities at our operations, for either our employees or contractors, and a 38% improvement in our injury performance.

From 2021 we will be introducing a 1.2x multiplier to be applied to the bonus for our Group CEO in order to reward exceptional safety performance. This approach to zero fatalities aligns with that already implemented for management personnel at lower levels. We will also increase the penalty threshold for severe and fatal cases from 2021. This is outlined in greater detail in the Remuneration Report on page 143.

This year, we introduced an environmental, social and governance (ESG) metric to our Group CEO’s KPIs and for other relevant employees. A score of 14% (140% of target) was attained, reflecting improvement in our ESG ratings along with multiple external awards for our projects and reporting, described in more detail on the next page.

We devoted a significant amount of time to refining our climate strategy and making sure that it aligns with Group strategy. We are increasing the amount of green financing we use and the share of ESG instruments has now reached 16% of total debt. As part of this, we have agreed a \$125 million Green Loan with Société Générale. This innovative transaction is the first in the Russian metals and mining industry, embedding the Company’s ESG principles into its investment decisions. This in turn provides reassurance to our stakeholders that our business strategy is aligned with the UN’s Sustainable Development Goals.

We have ambitious plans for next year. We will review and strengthen our climate strategy and goals. Focus sessions are planned on renewable energy and biodiversity. Joint meetings are planned with the Audit and Risk Committee to ensure that our risk systems cover all aspects of safety and sustainability. We will continue our in-depth review of all stakeholders with a particular focus on the communities where we operate. We will track our progress towards our goals. This increasing emphasis on sustainability does not, however, impinge on our core commitment to the absolute safety of our employees and contractors.

With my fellow Committee members, I am looking forward to undertaking these duties on behalf of the Company and its stakeholders.

Tracey Kerr

Tracey Kerr
Chair, Safety and Sustainability Committee

Key responsibilities		Focus during 2020
Safety	- Receives reports from management on significant safety, health and sustainability issues - Oversees management’s interaction with regulatory authorities on safety, health and sustainability matters - Reviews and monitors the safety, health and sustainability performance of the Group - Considers whether an independent audit of processes is appropriate and reviews audit results and findings on health, safety and sustainability, the action plans pursuant to the findings and the result of investigations into significant events	- H&S work plan for 2020–2023, key risks assessment - H&S report for 2020 - Safety deep dives: case studies in management of contractor safety and rock fall risk at Magadan (Omolon H&S deep dive) - Near-miss incidents review - Engagement of consultants to develop measures to eliminate fatal accidents - Review of the findings of the Feijão expert panel report and implications for Polymetal - Digitalisation in H&S: case studies from the entities and future plans
Sustainability	- Oversees the Company’s overall approach to sustainability, including the establishment and periodic review of the safety, health and sustainability strategy and policies - Receives regular updates from management regarding compliance with safety, health and environmental legislation and internal targets; commitment to the principles of the International Council on Mining and Metals and the UN Global Compact regarding sustainable development and the policies and systems in place to monitor such compliance	- Review of Sustainability Report for 2019 - Compliance with the Cyanide Code review - Approach to climate strategy: climate risks and their management, carbon footprint and ways of reducing it, Task Force on Climate-related Financial Disclosures and Paris Agreement - Energy efficiency; ways of reducing energy consumption; green energy - Green financing - Tailings management: Russian/Kazakh state standards, International Council of Mining and Metals and Global Tailing Standard - Assessment of the efficiency of sustainability risk management systems at Varvara
Ethical conduct	- Ensures that the Company consistently exhibits and promotes ethical, transparent and responsible behaviour, engages with key stakeholders and communities, and contributes to the development and growth of healthy and sustainable communities - Monitors the effectiveness of the safety, health and sustainability policies, systems, risk management programmes and processes in place - Liaises with the Audit and Risk Committee and internal audit function, oversees the implementation of the safety, health and sustainability risk management and internal control procedures - Reviews the benchmarking of the policies, systems and monitoring processes	- Modern Slavery Statement and implementation of the Modern Slavery Policy - Group policies review and recommendation for Board approval (Human Rights Policy and Community Engagement Policy) - External evaluation follow-up - Review of the Committee’s performance and its terms of reference - Review of the work plan for 2021

ESG scorecard

In line with the Company’s enhanced emphasis on ESG, from 2020 the KPI structure for the Group CEO has been changed by introducing a 10% ESG KPI. The sustainability/ESG KPI is defined each year by the Safety and Sustainability Committee in line with the Group’s long-term targets and is based on a comprehensive scorecard.

For 2020, our focus was on environment, personnel and social partnership in host regions. As this was the first year of operating the programme, we made sure that we were putting in place a structure that would work for the long-term and address the most important matters for Polymetal. This included:

- developing a detailed programme for greenhouse emissions reduction;
- reducing fresh water use for processing;
- implementing a diversification programme;
- categorising social projects and assessing the efficiency of social investments.

Performance against the scorecard was assessed by the Safety and Sustainability Committee and recommended for approval by the Board, with the Group CEO abstaining on any decisions in relation to the scorecard. For 2020, the Group achieved a result of 140% for the ESG KPI on the back of a strong performance in our ESG programmes. Further information on remuneration is available in the Remuneration Committee’s report on page 143.

In 2021 we will continue to ensure that the ESG KPI is further developed, that its criteria are stretching and measurable, and that targets are aligned with the Group’s overall strategic approach to ESG.

To ensure consistent application and measurable results, the ESG KPI cascades down to all relevant employees: Group CEO, COO, mine directors, subsidiary directors and their deputies, senior managers in the management company and heads of the main operational units and their deputies.

Group 1

CEO and COO

Group 2

Mine directors, subsidiary directors and their deputies, top managers in the management company

Group 3

Heads of the main operational units and their deputies

Remuneration at a glance

The overview below summarises the vesting outcomes for our incentives during 2020, and the alignment of these outcomes with our corporate strategy, and the actual payments to the Group CEO for 2020.

Remuneration policy

Our remuneration policy

Key features

Base salary

To attract and retain high-calibre executives

Link to strategy:

- Robust performance
- Delivering growth

- Annual review by Remuneration Committee
- Increases in line with the wider workforce, except where a change in the scope of the role occurs

Annual bonus

To focus on achieving annual performance goals, based on KPIs and strategy

Link to strategy:

- Securing the future

- Maximum bonus opportunity – 120% of base salary
- 50% of the bonus earned is compulsorily deferred into shares
- Penalty factor for fatal/severe accidents

50% subject to 3-year deferral

1/3 shares

1/3 shares

1/3 shares

50% cash

Performance Share Plan

To provide long-term alignment with shareholders' interests by delivering above-market returns

Link to strategy:

- Securing the future
- Governance and sustainability

- Default grant level – 125% of base salary
- 4-year vesting period and an additional mandatory 1-year holding period
- TSR performance against global peers

Shares

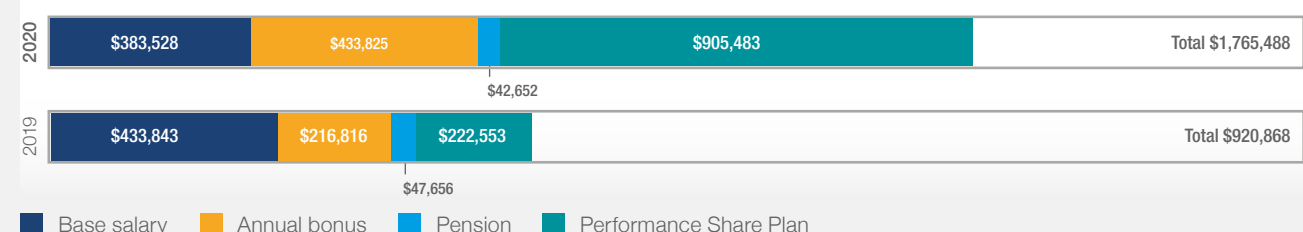
1-year post-vest holding

Year 2021 2022 2023 2024 2025 2026

Single total figure of remuneration (audited information)

The graph below sets out total remuneration for the Group CEO for 2020. Further details are provided on page 142.

Group CEO



Pay for performance

Fatalities

0

2019: 2

Net earnings

\$1,086m

(+125%)

Dividend yield (2020)

6.3%

Including final dividend proposed for 2020.

Annual bonus outcome

Annual bonus payment made in respect of performance for the year comprised 111% of base salary, or \$433,825.

Further details on the performance measures, targets and actual outcomes are provided on page 143

Target

Production	TCC	New projects	DIS	Sustainability
20%	20%	25%	25%	10%

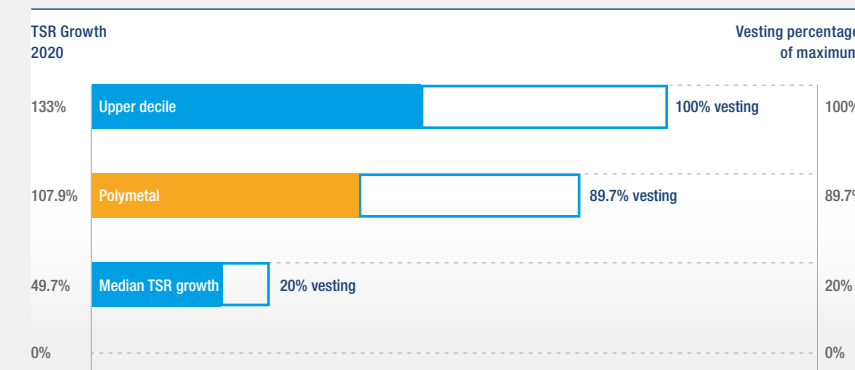
Outcome

Production	TCC	New projects	DIS	Sustainability	Penalty
30%	30%	24%	25%	14%	(12%)
					111% \$433,825

PSP vesting

During the four-year performance period ending 28 April 2020 for the PSP awards made in 2016, Polymetal achieved a positive absolute TSR of 107.9% and outperformed a median TSR of 49.7% of the FTSE Gold Mines Index constituents.

Further details on PSP vesting are provided on page 145





During 2020 we continued to focus on aligning implementation of our remuneration policies with the Company's enhanced emphasis on sustainability.”

Remuneration Committee composition and meeting attendance

Board member	Board meetings
Ollie Oliveira ¹	3/3
Italia Boninelli	3/3
Tracey Kerr ²	2/2
Christine Coignard (Chair) ³	2/2
Giacomo Baizini ⁴	2/2

1 Chair from 27 April 2020
2 Member from 30 January 2020
3 Chair and member until 27 April 2020
4 Member until 27 April 2020

Two additional informal Committee meetings were held in 2020.

The Remuneration Committee comprises three independent non-executive Directors who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable). The Committee is chaired by Mr Oliveira and its other members are Ms Boninelli and Kerr. Ms Coignard chaired the Committee until the AGM on 27 April 2020. Mr Baizini stepped down from the Committee from 27 April 2020. Ms Kerr joined the Committee on 30 January 2020.

The Board considers that the composition and work of the Remuneration Committee complies with the requirements of the UK Code.

Dear shareholders

Polymetal was fortunate to be in an industry less affected by Covid-19.

Whilst Covid-19 remains our key source of uncertainty, the Company remained on track with its operational delivery and exceeded 2020 production guidance while maintaining the guidance for TCC and AISC. In 2020, the Company paid \$481 million of dividends, a twofold increase year-on-year. There were no furloughs or redundancies in the Company and we did not use any Covid-19 financial assistance offered by local governments. Polymetal continues to provide varied financial and operational support to healthcare facilities across all regions of its presence. No adjustments were made to bonus KPI targets in 2020 and, as a result, we achieved a payout of 92% of maximum opportunity for the Group CEO.

The rapid increase in prices for basic goods and services amid the pandemic plus the decrease in value of both national currencies affected the family incomes of our Russia- and Kazakhstan-based employees. Current market conditions are also driving competition for a skilled workforce. In order to retain key personnel, from 1 September 2020, the Remuneration Committee approved a second unscheduled 5% indexation of the base salary for all Company employees (including top management, but excluding the Group CEO), bringing the annual increase to 9%; a similar 5% increase in line with this shall be made to the Group CEO from 1 April 2021 in addition to the annual scheduled inflation-based increase. The Remuneration Committee continues to closely monitor Polymetal's performance prior to approving the payment of any bonus or salary increases to ensure that formulaic outcomes are avoided.

2020 was the first year that we increased the scope of sustainability KPIs within the annual bonus scheme. In line with the Company's enhanced emphasis on sustainability, from 2020 the KPI structure for the Group CEO and relevant senior management has changed: an additional 10% ESG KPI was introduced, alongside simultaneous decreases in both production and TCC KPIs from 25% to 20%. The health and safety KPI and the new ESG KPI now constitute 35% of the overall KPIs.

On behalf of the Committee and Company management, I would like to express our thanks to the previous Chair, Christine Coignard, for her valuable service over the last six years.

We are looking at the challenges of 2021 with the expectation that the pandemic will continue to impact the business. We will continue to monitor how best to respond to this in the interests of our employees and, of course, our shareholders.

[Signature of Ollie Oliveira]

Ollie Oliveira
Chair, Remuneration Committee

	Key responsibilities	Focus during 2020
Remuneration Policy	Determining, within agreed terms of reference, the remuneration of the Chair and specific remuneration packages for the executive Director, the Company Secretary and members of senior management, including any pension rights and compensation payments	- Approach to remuneration: executive remuneration strategy and structure; employee remuneration review, including results of internal survey, salary benchmarking, workforce engagement on remuneration - Investors' feedback on remuneration consultation and Directors' Remuneration Policy to be voted on by shareholders at the 2020 AGM - Annual review of the Board Chair's fee - Performance Share Plan (PSP) update and scheme analysis; a list of criteria for PSP inclusion
Remuneration of executive management	- Making recommendations to the Board on the Group's policy on the remuneration of executive management - Formulating suitable performance criteria for the performance-based pay of executive management - Reviewing and overseeing all aspects of any executive share scheme operated by or to be established by the Company	- Approval of bonuses and deferred shares issued to the Group CEO and senior management; confirmation that there was no malus or clawback - Senior management salary review; approval of KPIs for 2020 - Approval of PSP grant for 2020 - Approval of PSP vesting (award of 2016 grant) - General Group employee performance feedback structure - Revised Long-Term Incentive Plan (LTIP) rules
Governance and employee benefit structures	- Having a duty of care to keep abreast of and act upon changes in law, regulations and other published guidelines or recommendations regarding the remuneration of directors of listed companies, including formation and operation of share schemes - Considering and making recommendations to the Board concerning disclosure of details of remuneration packages and structures, in addition to those required by law or regulations - Reviewing and advising the Board on any major changes in employee benefit structures throughout the Company or the Group	- Final approval of the Remuneration Report for 2020 - Proxy guidance update: impact of Covid-19 on disclosure requirements - Employee remuneration review (workforce engagement on remuneration) - Review of the Committee's terms of reference - Internal evaluation - Review of the work plan for 2021

Changes to the implementation of the Remuneration Policy for 2021

Each year, the Remuneration Committee gives significant thought to the relevance and applicability of the revised Remuneration Policy to determine whether any changes are required to our approach to implementation in the context of Polymetal's strategy, industry-specific market conditions and expectations for the following year. Following the Remuneration Committee's review this year, we believe that the policy remains fit for purpose. However, we do believe one change is required to the health and safety metric within the annual bonus as explained below.

Health and safety continues to be a central tenet of our strategy. The safety of our employees remains paramount and we continue to evolve our safeguarding procedures in order to prevent further incidents. The annual target of zero fatalities is our top priority.

The Committee is very mindful of the sensitive nature of operating a metric linked to fatalities within incentives. Following careful consideration by the Remuneration Committee, with significant input from the Safety and Sustainability Committee, we are proposing to adjust the approach currently taken to the health and safety performance measure under the annual bonus. This implementation proposal is not a change to our Remuneration Policy or to the maximum annual bonus opportunity and does not require shareholder approval. However, we believe it to be appropriate to communicate significant changes in the application of the policy to our shareholders, alongside our rationale.

Our approach to the health and safety measure

For the Group CEO the health and safety metric applies as a multiplier to the whole bonus.

Current approach	Proposed approach
0 fatalities or severe cases: 1.0x multiplier	0 fatalities or severe cases: 1.2x multiplier
More than 0 fatalities or severe cases, but fewer than 5 fatalities or 10 severe cases: multiplier between 0.5x and 1x	More than 0 fatalities or severe cases, but fewer than 3 fatalities or 6 severe cases: multiplier between 0.5x and 1x
5 fatalities or 10 severe cases: 0.5x multiplier	3 fatalities or 6 severe cases: 0.5x multiplier

Rationale for change

The Remuneration Committee discussed the above change with input from the Safety and Sustainability Committee, and the rationale is as follows:

- The inclusion of contractual staff in the metric from 2020 aligned to our commitment to a zero-fatalities target in relation to all employees and contractors on our sites.
- Changing the multiplier from 1.0x to 1.2x in the case of zero fatalities reflects the importance of and focus on attaining this goal.
- Using stricter threshold for fatalities and severe cases to start applying penalty multiplier.
- This approach aligns to that taken for lower level management personnel, where the 1.2x multiplier was implemented for the 2020 annual bonus.

Decisions made for 2021 in the light of Covid-19

We are grateful to our employees who continue to steer our Company through the Covid-19 crisis. The Remuneration Committee recognises that executive performance needs to be incentivised at a time when management teams are being asked to demonstrate significant leadership and resilience.

The Committee took account of the individual circumstances of the impact on Polymetal's stakeholders. We can confirm that we took a consistent approach for both executives and the general workforce throughout the pandemic. No performance conditions were adjusted for Covid-19 in 2020. There were also no furloughs, headcount reductions, pay freezes, bonus cuts or reduced hours. We continue to enjoy a strong balance sheet and received no government support. There was no impact on dividend payments.

We will continue to monitor the LTIP vesting to ensure no windfalls of rewards. As part of the revised Directors' Remuneration Policy approved at the 2020 AGM, a cap was introduced for the option grants made from 2020 (vesting in 2024) onwards: the value that can be received in the year of vesting is limited to twice the face value of the award on grant. To ensure that there is no excessive vesting in the interim period, we will be checking 2021 and any further vesting against this cap.

Mechanics of the scheme

There will be no increase to the annual bonus opportunity, and this will remain at 120% of salary for the Group CEO. The Committee is cognisant of the fact that, in implementing the multiplier in this way, it would be possible for the Group CEO to receive a maximum payout under the bonus in a scenario where a maximum performance outcome is not achieved under all KPIs. To mitigate shareholder concerns in respect of this scenario, the Remuneration Committee would note the following:

- As part of the multiplier operation, the Committee will review any outcomes holistically, considering the overall underlying performance of the business and achievement against the KPIs, and will apply discretion to disapply or reduce the 1.2x multiplier where it is felt that the outcomes are not appropriate.
- Polymetal has a strong track record of taking remuneration decisions that are in the best interests of shareholders, and the Committee will utilise discretion if formulaic outcomes are deemed inappropriate.
- As such, the Committee is comfortable that this approach will not lead to excessive pay levels.

Overall, the 1.2x multiplier would only be operated where there are zero fatalities or severe cases and the Remuneration Committee is also satisfied with the overall safety culture, training and prevention.

We intend to start applying the 1.2x multiplier to the Group CEO's annual bonus from 2021 (first payout in April 2022). The Board and the Remuneration and Safety and Sustainability Committees are unanimous in proposing this implementation approach. The proposals will make up part of our implementation of the Remuneration Policy within the 2020 Directors' Remuneration Report, submitted for shareholder vote at the 2021 AGM, and we hope our shareholders will be supportive of this.

The main features of Polymetal's Remuneration Policy:

- Polymetal's Remuneration Policy sets out to achieve the following:
- Structure the remuneration package towards long-term corporate performance taking into consideration the interests of all of our stakeholders as a whole.
 - Attract and fairly reward high-calibre directors and executives in respect of the responsibilities undertaken and comparable pay levels.
 - Incentivise management to maximise the value of Polymetal and align the interests of executives with those of shareholders.

The Remuneration Committee believes that the current pay structure for executive management is well aligned to the strategy of maintaining stakeholder value through growth and cash flow generation alongside a culture with high standards of corporate governance and sustainable development for the following reasons:

- There is a good balance between fixed and variable pay. Variable pay represents more than 50% of the total remuneration package for the Group CEO.
- The KPIs used are tailored to the strategic objectives and corporate culture.
- The KPIs currently used for variable pay can be objectively measured and are within management's control. Use of directly controllable KPIs ensures not only strategic alignment, but also reinforces the motivational impact of the annual bonus targets.
- Deferral of 50% of the annual bonus ensures that the short-term annual targets are not achieved at the expense of long-term shareholder value creation. This also enables management to participate in the share price and dividend upside and strengthens alignment between management and shareholders' interests.

Finally, the long-term incentive plan provides a further significant incentive to execute the strategy of long-term value creation. It only generates significant payouts if Polymetal excels among its peers on delivering TSR by combining growth and dividends.

Remuneration Policy alignment with the UK Code

When determining executive remuneration policy, the Committee is addressing the following principles as set out in the revised UK Code:

UK Code principle	How it is addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	- Senior management interests are aligned with those of our shareholders and the Company's long-term objectives. 50% of the bonuses awarded each year to the Group CEO and the senior management team are deferred into shares in the Company through the Deferred Share Awards (DSA) over a period of three years and malus provisions apply to the unvested awards. - The PSP provides an additional focus for key employees of the Group on delivering superior TSR. Stringent PSP vesting conditions, based on above median relative TSR and underpinned by positive absolute shareholder returns, are therefore fully aligned with sustainable shareholder-value creation. - A vesting period of four years under the PSP, over which malus and clawback conditions apply to the unvested awards, with an additional post-vest holding period of one year (resulting in a total term of five years) ensures that management focuses on the long-term interests of the Company and of its stakeholders. - To read more about how we engage with our stakeholders, see pages 54 and 112.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The general structure of the Directors' Remuneration Policy is simple and straightforward, including three main elements: - Fixed: base salary (any increase is typically in line with the wider workforce) and pension contributions (do not exceed the mandatory defined contribution to the statutory pension fund, in line with the wider workforce). - Short-term: annual bonus based on achievement of financial and non-financial KPIs. KPIs for the senior executives' team mirror those of the Group CEO where applicable and include directly controllable metrics. - Long-term incentive plan: provides a further significant incentive to execute the strategy of long-term value creation. DSA (50% of the Group CEO's and senior executives' bonus based on annual KPIs is deferred into shares released in equal instalments over three years) and PSP (based on relative and absolute TSR over a vesting period of four years, followed by an additional post-vest holding period of one year).
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	- The Committee can use discretion in particular circumstances to override excessive outcomes. - The Remuneration Policy is aligned with the Group's risk management assessment process. - Caps are applied to short-term and long-term remuneration to reduce the risk of potential excessive gains, as well as malus and clawback provisions.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	- The scenario analysis on page 137 provides estimates of the minimum target and maximum opportunity for the Group CEO remuneration. - In addition, the effect of future share price increases on the LTIP outcome has been illustrated on page 137
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	- Performance-related pay makes up a significant proportion of the remuneration package (53% and 69% of total remuneration for target and maximum performance scenarios, respectively), with an appropriate balance between the reward for short- and long-term performance. - The drivers of variable pay (KPIs) are stretching, well-aligned with the Company's strategic and operational objectives, and cascade throughout the organisation in a way that ensures our employees' pay is aligned to Polymetal's performance and to the wider principles of the policy. - Performance targets for all incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.
Alignment to culture Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.	- The KPIs used are tailored to the strategic objectives and corporate culture. - The management KPIs include significant weighting towards sustainability metrics, with the Group CEO's component purposefully focused on ESG. More than 70 different ESG KPIs are individually applied throughout the Group to the employees most able to make a difference.

Directors’ Remuneration Policy

Summary table

At the AGM on 27 April 2020, the Committee received shareholder approval of the following Remuneration Policy to cover a period of three years. The policy applied from the date of approval.

Element and purpose/link to strategy	Operation	Opportunity	Performance metrics used and period applicable																											
Executive Director – Group CEO																														
Base salary To attract and retain high-calibre executives	The Committee reviews the base salary on an annual basis and, when setting base salary for the following year, takes into account general economic and market conditions, underlying Group performance, the level of increases made across the Group as a whole, the remuneration of executives in similar positions in FTSE and global mining peers, and individual performance.	Over the policy period, the base salary for the Group CEO will be set at an appropriate level within the peer group and will increase in line with base salary increases for the wider workforce, except where a change in the scope of the role occurs. The annual base salary for the reporting year and the current year is set out in the Annual Report on Remuneration and on page 149.	Not applicable.																											
Pension To provide funding for retirement	The Group does not fund any pension contributions or retirement benefits, except contributions to the mandatory pension fund of the Russian Federation, as required by Russian law. The Group pays defined contributions to the mandatory pension fund. This permits retiring employees to receive a defined monthly pension for life from the statutory pension fund.	Pension contribution does not exceed the mandatory contribution made to the pension fund of the Russian Federation. Currently 10% of total pay.	Not applicable.																											
Benefits	The Group does not provide any benefits for its Group CEO.	Not applicable.	Not applicable.																											
Annual bonus To focus on achieving annual performance goals, which are based on the Group's KPIs and strategy	The annual bonus result is determined by the Committee after the year end, based on performance against defined targets. Annual bonuses are paid three months after the end of the financial year to which they relate. 50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments through the DSA plan. Clawback and malus conditions apply to the DSA. No clawback is applied to the cash part of the annual bonus, as this provision would contradict the labour law of the Russian Federation. Details of the DSA are set out on the next page.	Target bonus opportunity – 100% of base salary. Maximum bonus opportunity – 120% of base salary. There is an additional penalty factor for fatal/severe cases of up to 50% of the annual bonus. For 2021 bonus calculations, a 1.2 multiplier will be applied to the entire bonus, as there were 0 fatalities among payroll and contractual staff. The Committee has discretion to vary the list and weighting of performance metrics over the life of this Remuneration Policy. In addition, the Committee has discretion to vary performance metrics part-way through a year if there is a significant event, which causes the Committee to believe that the original performance metrics are no longer appropriate.	The annual bonus is earned based on the achievement of a mix of financial and non-financial measures over the financial year. For 2020, performance metrics (as described in detail on page 143) and associated weightings for each were: <table><tr><th>KPI</th><th>Weight</th><th>Maximum %</th></tr><tr><td>Production</td><td>20%</td><td>Max achievement 150% (weighted – 30% of base salary)</td></tr><tr><td>Total cash cost</td><td>20%</td><td>Max achievement 150% (weighted – 30% of base salary)</td></tr><tr><td>Completion of new projects on time and within budget</td><td>25%</td><td>Max achievement 110% (weighted – 27.5% of base salary)</td></tr><tr><td>Health and safety</td><td>25%</td><td>Max achievement 100% (weighted – 25% of base salary)</td></tr><tr><td>ESG</td><td>10%</td><td>Max achievement 150% (weighted – 15% of base salary)</td></tr><tr><td>Total before cap on maximum bonus</td><td>100%</td><td>127.5%</td></tr><tr><td colspan="3">There is a cap on the overall maximum bonus outcome – 120% of base salary.</td></tr><tr><td>Total</td><td>100%</td><td>120% of base salary</td></tr></table> No discretion was used in 2020.	KPI	Weight	Maximum %	Production	20%	Max achievement 150% (weighted – 30% of base salary)	Total cash cost	20%	Max achievement 150% (weighted – 30% of base salary)	Completion of new projects on time and within budget	25%	Max achievement 110% (weighted – 27.5% of base salary)	Health and safety	25%	Max achievement 100% (weighted – 25% of base salary)	ESG	10%	Max achievement 150% (weighted – 15% of base salary)	Total before cap on maximum bonus	100%	127.5%	There is a cap on the overall maximum bonus outcome – 120% of base salary.			Total	100%	120% of base salary
KPI	Weight	Maximum %																												
Production	20%	Max achievement 150% (weighted – 30% of base salary)																												
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There is a cap on the overall maximum bonus outcome – 120% of base salary.																														
Total	100%	120% of base salary																												

Element and purpose/link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP)			
Deferred Share Awards plan (DSA) Deferral to encourage retention and alignment with shareholders' interests	50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments. Clawback and malus provisions apply for the unvested portion of the DSA; the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Not applicable.	Entitlement to this deferred component is subject to continued employment over the deferral period. In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment due to death, injury, ill-health, disability, redundancy, retirement, or any other circumstance which the Committee determines (Good Leaver Circumstances). Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances there would be no pro-rating of the DSAs for the time from the award date until cessation of employment or for performance. The DSA would lapse under other circumstances. No performance conditions apply to the DSA shares as they have been subject to fulfilment of annual KPIs.
Performance Share Plan (PSP) To provide long-term alignment with shareholders' interests by delivering sustainable above-market shareholder returns	Under the PSP, annual rolling conditional share awards are made with a four-year vesting period and an additional mandatory holding period of one year following vesting. Stretch performance targets reward participants for delivering positive absolute and superior relative TSR performance against global peers over the performance period. Clawback and malus provisions apply for the unvested portion of the PSP, whereby the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. At the Board's absolute discretion, a clawback provision could be applied in relation to vested shares. Retesting of the performance conditions in future years is not allowed under any circumstances.	Maximum grant permitted under the plan rules is 150% of salary per annum. Default grant level is expected to be 125% of base salary. The value that can be received in the year of vesting will be limited to twice the face value of the award on grant. Any gains above this will be forfeit before the start of the one-year holding period. In certain exceptional circumstances, the Remuneration Committee will be able to use discretion to disapply the cap. Outstanding awards during 2016, 2017, 2018, and 2019 had a default grant level of 150% of salary. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Vesting is based on relative TSR, measured over four years against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting: 0% vests for below median performance 20% vests at median performance 100% vests at upper quintile performance and above - Vesting occurs on a linear basis between median and upper quintile performance. No award will vest if absolute TSR is negative, regardless of relative performance. The Committee may substitute, vary or waive the performance targets if an event occurs which causes the Committee to consider that the target is no longer appropriate. The Committee has discretion to vary the proportion of awards that vest to ensure that the outcomes are fair and appropriate, and reflect the underlying performance of the Group.

Use of discretion for LTIP programme (DSA and PSP)

When setting forward-looking targets, it is not always possible to predict the outcomes, especially with the quickly changing market environment and the volatility of our sector. The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate. The Committee will make adjustments to retain the original intent and challenge of the performance measure in the event of, for example, corporate transactions, significant commodity, share price or other macroeconomic volatility or changes to accounting standards. If any discretion is exercised, the rationale will be fully disclosed in the subsequent Annual Report.

Element and purpose/link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP) continued			
Minimum shareholding requirements To strengthen alignment between the interests of the executive Director and those of shareholders	Unvested shares under the PSP or DSA are not taken into account when calculating progress towards the minimum shareholding requirements. For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Post vesting and tax, all shares acquired under PSP and DSA awards must be retained until the shareholding requirement is met.	500% of base salary for the Group CEO. The retention of the full shareholding is required for two years post-cessation of employment.	Not applicable.

Non-executive Directors

Fees for non-executive Directors To attract and retain high-calibre non-executive Directors	The fees of independent non-executive Directors are set by reference to those paid by other FTSE peer companies. Fees are set to reflect the responsibilities and time spent by non-executive Directors on the affairs of the Company. No fees are paid to non-independent, non-executive Directors. Non-executive Directors are not eligible to receive benefits and do not participate in incentive or pension plans. The following fees are paid in addition to the non-executive Director base fee: Committee Chair's fee; Senior Independent Director fee; Committee membership fee; and Board, Committee and General Shareholder Meeting attendance fees. The Remuneration Committee determines the framework and broad policy for the remuneration of the Board Chair for approval by the Board. The remuneration of non-executive Directors is a matter for the Board Chair and the executive members of the Board, i.e. the Group CEO. Directors do not participate in discussions relating to their own fees.	Fees are reviewed, but not necessarily increased, on an annual basis. Any increase in non-executive Directors' fees will normally be in line with market levels for similar roles in UK-listed companies, except where a change in the scope of the role occurs. Current fee levels are set out in the Annual Report on Remuneration.	Not applicable.
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Performance measures and targets

The Committee selected the performance conditions indicated in the policy table because they are central to the Company's overall strategy, and include the key metrics used under the annual bonus and LTIP by the Group CEO to oversee the operation of the business.

Performance targets for all of our incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.

Illustration of application of the Remuneration Policy

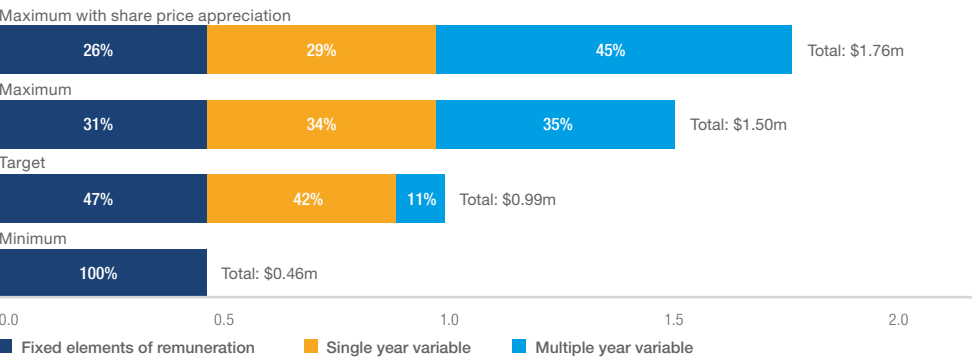
The composition and structure of the remuneration package for the Group CEO under four performance scenarios (minimum performance, target performance, maximum performance and maximum with share price appreciation) are set out in the chart below.

This chart shows that the proportion of remuneration delivered through short-term and long-term incentive schemes is in line with our Remuneration Policy and changes significantly across the three performance scenarios. As such, the package promotes the achievement of both short-term and long-term performance targets and drives the alignment of the Group CEO's interests with the interests of shareholders.

Note:

Scenario values are translated at the budgeted exchange rate of 72 RUB/\$.

APPLICATION OF REMUNERATION POLICY



	Minimum	Target	Maximum	Maximum with share price appreciation
Fixed elements	Base salary and pension	Base salary and pension	Base salary and pension	Base salary and pension
Single year variable	Performance against quantitative KPIs is below budget. Non-achievement of qualitative or non-financial KPIs. 0% pay-out.	Performance against quantitative KPIs is at budgeted levels. Full achievement of non-financial KPIs. 100% of base salary pay-out (83.3% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 120% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 120% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.
Multiple year variable	Share price performance is below the median of FTSE Gold Mines Index constituents. No shares vest.	Scenario is based on 125% policy awards. Share price performance is at median of FTSE Gold Mines Index constituents. Shares equivalent to 25% of base salary vest under the PSP (20% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available). Share price appreciation of 50% has been assumed.

No allowance has been made for the payment of dividend equivalents.

Approach to recruitment remuneration

The Committee’s approach to recruitment remuneration is to pay a competitive overall package, as appropriate, to attract and motivate the right talent for the role. If an executive is promoted to the Board from within the Company, any pre-existing awards or benefits that were made available to them prior to becoming a Director (and not in anticipation of an imminent promotion to the Board) will be retained and allowed to vest or be provided under the original terms.

The following table sets out the various components that would be considered for inclusion in the remuneration package for the appointment of an executive Director. Any new Director’s remuneration package would include the same elements, set at a level consistent with the scope of the role (at a level not exceeding that of the Group CEO as set out in the Remuneration Policy table), and be subject to the same constraints as those of existing executive Directors performing similar roles, as shown below.

Area	Policy and operation
Base salary and benefits	The base salary level will be set by taking into account the experience of the individual and the salaries paid in comparable companies. Depending on the circumstances of any particular appointment, the Committee may choose to set the base salary below market median and increase the amount paid over a period of time to achieve alignment with market levels for the role (with reference to the experience and performance of the individual), subject to the Company’s ability to pay. In line with the Remuneration Policy, as set out in the Directors’ Remuneration Policy table, no benefits will be provided to recruited Directors.
Pension	Pension contributions will be limited to the mandatory contributions required by Cypriot/Russian/Kazakh or any other applicable law, as set out in the Directors’ Remuneration Policy table.
Annual bonus	The executive Director will be eligible to participate in the annual bonus scheme as set out in the Directors’ Remuneration Policy table. The maximum annual opportunity is 120% of base salary. 50% of any bonus is deferred into shares under the DSA, as set out in the Directors’ Remuneration Policy table.
Long-term incentives	The executive Director will be eligible to participate in the PSP part of the LTIP at the Remuneration Committee’s discretion and in line with the details set out in the Directors’ Remuneration Policy table. The maximum annual grant permitted under the scheme rules is 150% of base salary and the normal grant level is up to 125% of base salary. Performance measures would apply, as set out in the Directors’ Remuneration Policy table.
Replacement awards	The Committee will seek to structure any replacement awards so that overall they are no more generous in terms of quantum or timing than the awards to be forfeited as a consequence of the individual joining the Company. In determining the quantum and structure of any replacement awards, the Committee will seek to replicate the fair value and, as far as practicable, the timing, form and performance requirements of the forfeited remuneration. The maximum value of replacement awards is capped at 50% of the individual’s base salary and at least 50% of any replacement award should be delivered in the Company’s shares.
Other	Should relocation of a newly recruited executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support may include, but not be limited to, payment of legal fees, removal costs, temporary accommodation/hotel costs, a contribution to stamp duty and replacement of non-transferable household items. In addition, and in appropriate circumstances, the Committee may grant additional support in relation to the payment of school fees and the provision of tax advice. The Company will reimburse the executive Director for all reasonable expenses which they may incur while carrying out executive duties.

Policy on payment for loss of office

The Committee’s approach when considering payments in the event of termination is to take into account individual circumstances, including the reason for termination, contractual obligations of both parties, and applicable share plan and pension scheme rules (including any relevant performance conditions).

Vitaly Nesis is an executive Director of Polymetal International plc and Group CEO of JSC Polymetal, a 100% subsidiary of the Group, incorporated in Russia. Further details are set out in the current Directors’ service contracts section on page 141.

The table below summarises the key elements of the executive Director policy on payment for loss of office.

Area	Policy and operation
Notice period	Polymetal International Six months from Company Six months from Director JSC Polymetal With immediate effect from Company One month from Director
Compensation for loss of office in service contracts	No entitlement in respect of directorship of Polymetal International. Up to three times average monthly salary in respect of directorship of JSC Polymetal in accordance with provisions of the labour law of the Russian Federation.
Treatment of annual bonus awards	Where an executive Director’s employment is terminated after the end of the performance year, but before the payment of the annual bonus is made, the executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an executive Director’s employment is terminated during a performance year, a pro-rated annual bonus award for the period worked in that performance year may be payable, subject to an assessment based on performance achieved over the period.
Treatment of unvested DSAs under plan rules	In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment in Good Leaver Circumstances. Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances, for the DSA already granted, there would be no pro-rating for time from the award date until cessation of employment or for performance.
Treatment of unvested PSP awards under plan rules	Any outstanding award will lapse at cessation of employment with the Group, unless the cessation is due to Good Leaver Circumstances, in which case the award will usually vest as normal in accordance with the terms of the award. Alternatively, the Committee may determine that the award will vest immediately. The Committee will determine the proportion of the award that will vest, taking into account (where relevant) the extent to which the performance conditions have been met or are likely to be met at the end of the performance period, and any other factors the Committee may consider relevant. The number of shares will also be pro-rated down to reflect the reduced service period.
Post-cessation shareholding requirement	The executive Director is to retain a minimum shareholding requirement (500% of base salary or actual shareholding if lower) for two years post-cessation of employment. Shares must be kept with a broker who can implement blocks on trades.
Exercise of discretion	Any discretion available in determining the treatment of incentives upon termination of employment is intended only to be relied upon to provide flexibility in unusual circumstances. The Committee’s determination will take into account the particular circumstances of the Director’s departure and the recent performance of the Group.
Corporate event	In relation to PSP awards, in the event that the Company’s shares cease to trade on the London Stock Exchange or any other recognised stock exchange (delisting) or the Directors of the Company pass a resolution to the effect that delisting is imminent or where the Board determines that a ‘significant event’ has occurred, which may be a demerger, winding-up or compulsory acquisition of the Company, or any other event as determined by the Board, at the discretion of the Board and, where applicable, with the consent of the acquiring company, PSP awards will not vest but will be exchanged for new PSP awards. In the event that the PSP awards are exchanged for new PSP awards: - The award date of the new PSP award shall be deemed to be the same as the award date of the original PSP award - The new PSP award will be in respect of shares in a company determined by the Board which may include any acquiring company - The new PSP award must be equivalent to the PSP award and will vest at the same time and in the same manner as the PSP award. Where relevant, either the vesting of the new PSP award must be subject to any performance conditions which are, so far as possible, equivalent to any conditions applying to the PSP award, or no performance conditions will apply but the value of shares comprised in the new PSP award shall be the value of the number of shares which would have vested under the PSP award if they had not been exchanged for new PSP awards. DSAs shall vest immediately and shall not be pro-rated for time or performance if any of the events referred to above occur.

Remuneration Policy for other employees

The Remuneration Policy for other members of the executive team and broader management team within the Group is consistent in both structure and KPIs to that of the Group CEO. While the value of remuneration will vary throughout the Group, depending upon the individual's role, significance to the business and the level of responsibility, the remuneration of all senior executives consists of a base salary, an annual bonus and participation in the LTIP (the PSP and DSA).

The KPI structure for all of our senior managers and key employees is tailored to individual responsibilities and performance. To reflect the aim of zero fatalities, the bonus calculation system for the Group CEO, some senior managers and mine management has a major focus on health and safety KPIs, adjusting bonus outcomes on all KPIs in the case of fatalities. We aim to ensure the corporate cohesiveness of the team as well as to support individual success and development.

Shareholding requirements are also set below the Group CEO level. Operation of the DSA programme for the most senior employees mirrors the executive Director's arrangement set out in the policy table, where 50% of the annual bonus is deferred into shares and released annually to the employees over a period of three years.

The Remuneration Policy for the wider group of employees is aimed at aligning pay with the achievement of targeted results for each employee. The Company's policy on fair pay provides for the payment of additional remuneration for employees living in difficult climatic locations and the delivery of appropriate levels of pay for different levels of work. The bonus component of remuneration for mid-level management and operational staff is measured based upon the achievement of production targets, increasing output, the level of justified cost savings, health and safety records and ESG metrics. In terms of pension arrangements, the Company applies a consistent approach for the Group CEO and other employees, and adheres to the mandatory pension contributions required under applicable laws.

Polymetal is firmly committed to acknowledging and rewarding employees' hard work and achievements. To help us attract and retain the best candidates, we offer a competitive remuneration package and benefits, which exceed regional averages in our areas of operation. We also aim to provide a pleasant and effective working environment as well as training or further education and other opportunities for our employees.

Salaries are considered for annual increases based on the Company's performance results, inflation rates and the competitive level of salaries versus the wider market. In 2020, an average 4% increase in compensation was made to the Group CEO in line with the workforce. From 1 September 2020 the second unscheduled 5% indexation of the base salary for all Company personnel, including top management, but excluding the CEO, was approved. The Remuneration Committee approved a 5% increase in line with the workforce for the Group CEO from 1 April 2021, in addition to the annual scheduled inflation-based increase. Effective from 1 April 2021, a 5% increase will be made in Russia and 8% in Kazakhstan in line with inflation.

Employees up to three levels below the Board (approximately 788 employees throughout the Group) are eligible to participate in the PSP at the discretion of the Remuneration Committee. In 2020, 447 employees were awarded the PSP. From 2020, the PSP policy default grant level is 125% of base salary for the Group CEO in line with other participants.

Top-down approach to remuneration structure within the Group

Employee level	Number of employees	Maximum bonus percentage of salary	Proportion of bonus deferred into shares (DSA)	Normal LTIP award grant
Group CEO	1	120%	50%	125%
Executive Committee	7	125%	50%	125%
Mine managing directors and senior executives	20	125%	50%	125%
Top management/support roles	16	60–100%	50%	125%
Senior managers and key personnel ¹	788	30–60%	n/a	Up to 125%
Other employees	11,233	10–30%	n/a	n/a

1 PSP participants (447 of 788) from the pool of senior managers and key personnel are recommended by the Company and approved by the Board. Being granted options in one year does not necessarily mean they will be granted the following year.

Statement of consideration of employment conditions elsewhere in the Group

In setting the Remuneration Policy for the Group CEO, the Committee takes into account a range of factors, including remuneration packages and overall base salary increases awarded to the wider employee population during the year.

The Committee did not formally consult with the employees when reviewing the policy, however it considered informal feedback through our formalised workforce engagement programme with the Board, 'direct line' communication channel, and through the intranet, where a dedicated page was set up to communicate to Group employees how executive remuneration aligns with the wider Company pay policy. 17% of all questions received by the Board related to remuneration and labour; the Committee carefully reviewed them and responded to each individual employee. The answers to all of the questions received as part of the Board engagement programme were published on the intranet and in the corporate newspaper. For details on workforce engagement refer to page 113.

Annual Report on Remuneration

Current Directors' service contracts

Group CEO

The table below highlights key elements of the service contract of the Group CEO with JSC Polymetal, the Russian holding company of the Group where he holds the CEO position:

Date of contract	1 September 2018
Expiry of term	31 August 2023
Payment in lieu of notice	None
Pension	None, except for defined contributions to the mandatory pension fund of the Russian Federation

At expiration of the previous five-year employment contract, on 31 August 2018, JSC Polymetal, a 100% indirect subsidiary of the Company incorporated in Russia, entered into an employment contract with Mr Nesis as its Group CEO. The contract was renewed on the same terms for a further period of five years.

Under the terms of the contract, the Group CEO undertakes to perform general management of JSC Polymetal and arrange for its commercial, economic, social and other activities with a view to providing for JSC Polymetal's further development. The employment contract does not contain any specific grounds for early termination. The contract can be terminated at any time on one month's notice by Mr Nesis and with immediate effect by JSC Polymetal in accordance with Russian labour and civil law. This could result in compensation of three average monthly salaries.

Mr Nesis entered into an appointment letter (as amended) with the Company in relation to his appointment as an executive Director. This appointment took effect on 29 September 2011 and was conditional on admission of shares to trading on the London Stock Exchange. Mr Nesis does not receive any fees in respect of his appointment as a Director of Polymetal International plc but is entitled to reimbursement of his reasonable expenses incurred in relation to carrying out his duties as a Director. The appointment of Mr Nesis as a Director may be terminated at any time in accordance with the Articles of Association and he is subject to annual re-election at the Annual General Meeting of shareholders. Mr Nesis can terminate his appointment as a Director on six months' notice. He is not entitled to receive any compensation in respect of his role as Director on termination of this appointment.

The full terms and conditions of appointment are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Non-executive Directors

Non-executive Directors do not have service contracts and the terms of their appointment are set out in letters of appointment. The appointment of any non-executive Director may be terminated at any time in accordance with the Articles of Association and they are subject to annual re-election at the Annual General Meeting of shareholders. The appointment of each non-executive Director may be terminated by either party on one month's notice. A non-executive Director is not entitled to receive any compensation on termination of their appointment. Each non-executive Director is subject to confidentiality restrictions without limitation in time.

The full terms and conditions of appointment of all of the Directors are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Dates of contract or appointment for non-executive Directors are set out in the table below:

Director	Date of appointment	Notice period
Andrea Abt	4 March 2020	1 month
Victor Flores	30 January 2020	1 month
Italia Boninelli	11 December 2019	1 month
Ian Cockerill	23 April 2019	1 month
Ollie Oliveira	25 April 2018	1 month
Giacomo Baizini	1 January 2018	1 month
Tracey Kerr	1 January 2018	1 month
Konstantin Yanakov	29 September 2011	1 month
Christine Coignard ¹	1 July 2014	1 month
Jean-Pascal Duvieusart ²	29 September 2011	1 month

1 Director until 27 April 2020.
2 Director until 27 April 2020.

Single total figure of remuneration (audited)

Summary

From 1 April 2020, the approved salary increase for the Group CEO was 4%, which is in line with Russian inflation and the average increase for the rest of our workforce. From 1 April 2021, a 5% salary increase will be made (in line with the unscheduled indexation for all of the Company’s employees made in September 2020 on the back of higher competition for the workforce and in order to retain key personnel) in addition to the annual scheduled inflation-based increase of 5% (in line with the inflation rate and the rest of the Russian-based workforce). The total salary increase will be 10%. The revised Group CEO base salary is \$430,967 per annum (using 72 RUB/\$ exchange rate).

As a result of the strong performance of the Company and achieving the set KPIs, the Group CEO received a bonus of 92% of maximum opportunity for the year (which constitutes 111% of his base salary or \$433,825), with 50% of bonus deferred into shares vesting over a period of the next three years under the terms of the DSA.

No discretion has been used in respect of non-executive and executive Directors’ remuneration throughout the reporting period. The Group CEO is the only executive member of the Board.

Group CEO

The table below sets out the 2020 remuneration for the Group CEO.

The Group CEO’s remuneration is denominated in Russian Roubles and converted to US Dollars for presentation purposes. The approach to exchange rates and Russian Rouble remuneration equivalent is set out in footnote 1 to this table.

Base salary		Taxable benefits		Annual bonus		Long-term incentive plans		Pension		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
383,528	433,843	–	–	433,825	216,816	905,483	222,553	42,652	47,656	1,765,488	920,868

- 1 The amounts are translated at the average rates of the Russian Rouble to the US Dollar for 2020 and 2019, respectively.
- 2 50% of the bonus received in 2020 will be deferred into 9,177 shares on 3 March 2020 at \$22.36 (RUB 1,705) per share (using the average price for the 90-day period ending 31 December 2020). In line with the policy disclosed on page 135, deferred shares will be released in equal tranches over a period of three years in March 2022, March 2023 and March 2024 and are not subject to further performance conditions.
- 3 In 2020, further to the vesting of the PSP awards made in 2016, 43,491 shares (2019: 21,236 shares) were issued to Mr Nesis. Further details on PSP vesting are provided on page 145. These shares are subject to a mandatory one-year holding period following vesting.
- 4 In 2020, \$387,840 of the \$905,483 vesting under the PSP was in relation to share price appreciation, excluding shares accrued relating to dividends.

Non-executive Directors

Details of total fees paid to non-executive Directors and the Board Chair during 2020 and 2019 are set out in the table below. Non-executive Directors do not receive performance-related pay.

	Total fees (\$)	
	2020	2019
Andrea Abt ¹	117,665	–
Victor Flores ²	148,668	–
Italia Boninelli	155,180	11,789
Ian Cockerill	483,195	239,518
Ollie Oliveira	213,988	214,108
Giacomo Baizini	208,776	231,682
Tracey Kerr	182,012	193,435
Christine Coignard ³	70,608	182,237
Bobby Godsell		110,187
Jonathan Best		77,568
Total non-executive fees	1,580,091	1,260,523

- 1 Director from 4 March 2020.
- 2 Director from 30 January 2020.
- 3 Director until 27 April 2020.

Single total figure of remuneration – Additional information (audited)

Annual bonus targets and outcomes

The targets for annual bonus measures and performance against these targets are set out below:

Measures	Link to strategy	Weight	Threshold	Target	Maximum	2020 outcome	Achievement
Achieving production budget, Koz	 Robust performance	20%	1,300	1,445	1,517	1,559	30%
Total Cash Cost per ounce of gold equivalent produced, \$/oz	 Robust performance	20%	761	691	657	638	30%
Completion of new projects on time and within budget	 Delivering growth	25%	1 point	10 points	10 points	9.2 points	24%
	 Securing the future						
Disability	 Governance and sustainability	25%	1% decrease y-o-y	>10% decrease y-o-y	>10% decrease y-o-y	10.06% decrease y-o-y	25%
Sustainability, including:	 Governance and sustainability	10%				14%	14%
Environment		4%	- Developing a detailed programme for greenhouse emissions reduction - Reducing fresh water use for processing by 4% compared to baseline 2018 year			- Programme has been 100% completed; the Group created a list of measures aimed at reduction for 2020–2021, and further, see page 60. - Fresh water use for processing has been reduced by 43% compared to baseline 2018 year, see page 61	6%
Personnel		3%	Implementing the diversification program			Diversification programme has been implemented at all Russian operations, see page 65.	3%
Social partnership in host regions		3%	Social projects categorisation and assessing the efficiency of social investments			Methodology of social project effectiveness was implemented across all operations, see page 68.	5%
Total achievement before penalty factor		100%					123%
Penalty factor for fatal/severe cases		Up to 50% of total bonus earned (10% for each fatality/two severe cases, incl. contractors)		n/a	n/a	0 fatalities and 2 severe cases	-12%
Final achievement for the year							111%

- 1 Lost time injury frequency rate.

The safety penalty factor for fatal/severe cases is up to 50% of the annual bonus earned for non-safety related KPIs. This resulted in the Group CEO receiving a bonus of 92% of maximum opportunity for the year (which constitutes 111% of his base salary or \$433,825).

Deferred Share Awards Plan (audited)

DSA deferred shares granted in 2020

50% of annual bonus for 2020 was deferred into 7,228 shares on 12 March 2020 at \$15.22 (RUB 969) per share (using the average price for the 90-day period ending 31 December 2019). In line with the policy disclosed on page 135, deferred shares will be released in equal tranches over a period of three years in March 2021, March 2022 and March 2023 and are not subject to further performance conditions.

Recipient	Deferred shares under	Date of grant	End of deferral period	Shares granted	Share price period	Share price, \$	Face value, \$
Group CEO	DSA grant 2020	12 March 2020	March 2023	7,228	Average price for the 90-day period ending 31 December 2019	15.22	110,026

DSA deferred shares vested in 2020

In accordance with the policy, part of the award of deferred shares under the DSA, which was granted in March 2017, March 2018 and March 2019, vested on 20 March 2020 and was transferred to the Group CEO, totalling 8,933 shares (including an additional 659 share awards for dividend equivalents).

DSA deferred shares grant proposed for 2021

In addition, further to the bonus approval for the year ended 31 December 2020, the Group CEO will receive a deferred bonus award in shares under the terms of the DSA (50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares) in March 2021. Share awards will vest annually over the next three years in equal instalments (in March 2022, 2023 and 2024), subject to continued service in the Group. Under the terms of the DSA, dividend equivalents will be received on vested shares reflecting the value of the dividends which have been paid during the period from the grant date to the vesting date. Dividend equivalents will also be paid as shares.

Summary of DSA deferred shares outstanding as of 2 March 2021

The current number of outstanding deferred shares under the DSA (following 7,228 deferred shares granted in 2020) is represented as follows:

Name	Position	Year of grant	Number of deferred shares granted	Number of shares vested in 2020	Additional share awards for dividend equivalents	Total number of shares vested under DSA grant	Outstanding shares under DSA grant
Vitaly Nesis	Group CEO	2017	7,909	2,637	341	8,250	–
		2018	10,261	3,420	344	7,184	3,421
		2019	12,369	4,123	182	4,305	8,246
		2020	7,228	–	–	–	7,228
		Total	37,767	10,180	867	19,739	18,895

Performance Share Plan (audited)

PSP award made in 2020

Under the PSP, a conditional award of 34,983 ordinary shares (at target grant level of 125% of annual base salary at March 2020) with no par value was made to Mr Nesis in 2020. It is exercisable following a respective four-year vesting period, subject to performance measures determined by Polymetal. For this award, vesting is based on relative TSR, measured against the constituents of the FTSE Gold Mines Index and also on the Company’s absolute TSR. Peers are ranked and the Company’s position determines vesting (0% vests for below median performance; 20% vests at median performance; 100% vests at top decile performance and above). No award will vest if absolute TSR is negative, regardless of relative performance.

Recipient	Award	Grant date	Performance period	Shares granted	Market share price on grant date ¹ \$	Notional value in case of 100% vesting \$
Group CEO	PSP grant 2020	27 April 2020	April 2020–April 2024	34,983	20.56	719,250

1 Closing spot share price at 27 April 2020.

PSP award vested in 2020

PSP awards vest based on relative TSR, measured over four years against the constituents of the FTSE Gold Mines Index and also on the Company’s absolute TSR. The four-year performance period ended on 28 April 2020 for the PSP awards made in 2016. These awards paid out 100% of maximum for top decile performance, 20% of maximum for median performance, and 0% of maximum for performance below median or if absolute TSR was negative. Polymetal achieved a positive absolute TSR of 107.9% and outperformed a median TSR of 49.7% of the FTSE Gold Mines Index constituents. Accordingly, the 2016 performance share awards have partially vested at 89.7% of the total awards granted. Additional share awards for the dividend equivalent during the four-year performance period were also paid. Further to the vesting of the PSP awards made in 2016, 43,491 shares vested to Mr Nesis. These shares are subject to a mandatory one-year holding period following vesting. No discretion was exercised in respect of changes in the share price since the date of the award.

Recipient	Vesting award	Vesting date	Performance period	Shares vested	Market share price on vesting date \$	Face value \$
Group CEO	PSP grant 2016	28 April 2020	April 2016–April 2020	43,491 (incl. 6,694 shares for dividend equivalent)	20.82	905,483 (incl. 139,369 for dividend equivalent)

The value of PSP vested and awarded to the Group CEO in respect of the 2016 PSP grant is included in the single total figure table on page 142.

Summary of PSP share options outstanding as of 2 March 2021

Name	Position	Year of grant/ Year of vesting	Number of PSP share awards granted	PSP awards release in 2020	Number of PSP shares vested (see above)	Outstanding shares under PSP grant
Vitaly Nesis	Group CEO	2016/2020	48,507	48,507	43,491	–
		2017/2021	47,249	–	–	47,249
		2018/2022	55,570	–	–	55,570
		2019/2023	60,740	–	–	60,740
		2020/2024	34,983	–	–	34,983
Total number of share options outstanding under the PSP			247,049	–	–	198,542

Other scheme interests awarded during the financial year

No other share awards were made to the Group CEO in 2020.

Total pension entitlements (audited)

Save for the Group’s defined contributions to the mandatory pension fund of the Russian Federation during the financial year ended 31 December 2020, no amounts were set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors and senior management. This is in line with the rest of the Russian-based workforce.

Loss of office payments or payments to past Directors (audited)

No loss-of-office payments or payments to past Directors were made in the year under review.

Remuneration Committee report continued

Directors’ shareholdings (audited)

The Group CEO is required to retain a shareholding equal to five times his base salary, i.e. 91,788 shares.

For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Shares are valued for these purposes at the average price for the 90-day period ending 31 December 2020 of \$22.36 per share translated at the closing exchange rate of the US Dollar to the Russian Rouble as at 31 December 2020.

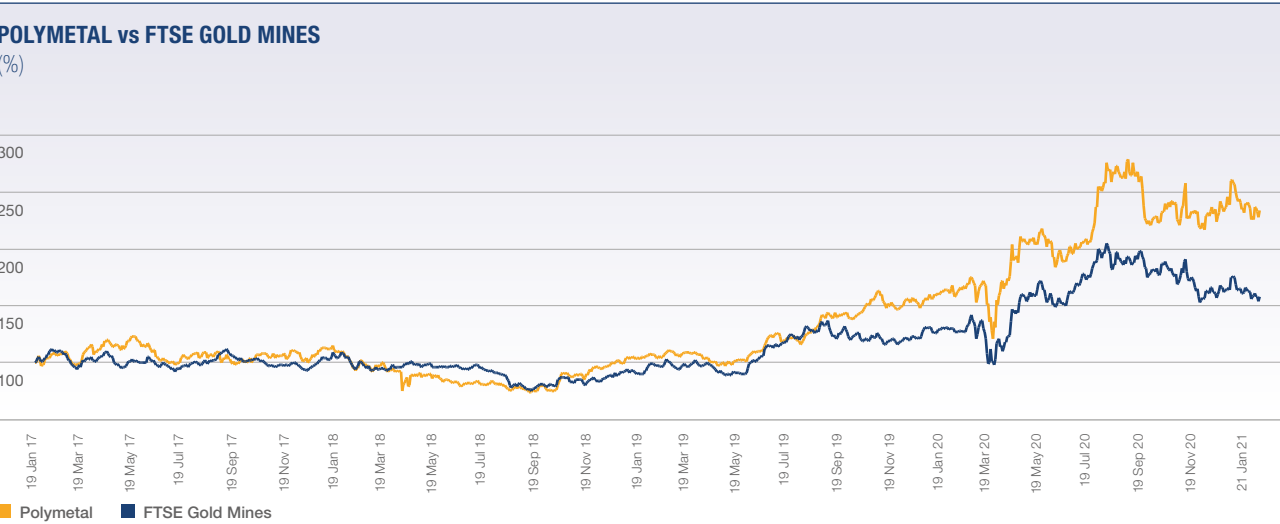
Shares that count towards shareholding requirements include unrestricted shares. The table below sets out the number of shares held, or potentially held, by Directors. For details of outstanding conditional share awards held by the Group CEO at 31 December 2020, refer to page 144.

Director	Shareholding requirement (% of salary)	Shares held			Options held		Current shareholding (% of salary)	Guideline met
		Owned outright	Unvested (subject to performance conditions)	Unvested (not subject to performance conditions)	Vested but unexercised	Exercised in year		
Vitaly Nesis	500%	3,327,768	–	–	–	–	18,127%	yes
Ian Cockerill		31,966	–	–	–	–	–	N/A
Ollie Oliveira ¹		21,200	–	–	–	–	–	N/A
Konstantin Yanakov		2,241	–	–	–	–	–	N/A
Italia Boninelli ²		1,460	–	–	–	–	–	N/A
Christine Coignard ³		5,500	–	–	–	–	–	N/A

1 Shares are held by a person closely associated with Mr Oliveira.
2 Shares are held by a person closely associated with Ms Boninelli.
3 Shares are held by a person closely associated with Ms Coignard as at 27 April 2020.

Performance graph

To provide context to the Company’s performance in its specific sector of operation, the graph below illustrates the Company’s TSR performance relative to the constituents of the FTSE Gold Mines Index, from the date of the Company’s listing on the London Stock Exchange in October 2011.



Group CEO’s pay in the last nine years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
CEO total remuneration (\$)	1,765,488	920,868	1,024,523	726,928	496,411	511,665	907,790	1,081,572	1,037,413	1,138,013
Annual bonus – % of maximum	92%	41%	49%	44%	40%	33%	90%	88%	90%	137% ¹
LTIP award – % of maximum	76%	27%	33%	–	–	–	–	–	–	–

1 An additional bonus was awarded by the Remuneration Committee to Mr Nesis for the successful IPO of the Company in November 2011. Mr Nesis was required to devote a significant amount of time above and beyond his normal day-to-day responsibilities as CEO to successfully bring about the IPO. Excluding the additional bonus, the annual bonus comprised 49% of maximum opportunity in 2011.

Percentage change in Group CEO’s remuneration

The table below shows the percentage change in the Group CEO total remuneration from 2019 to 2020, compared to the average change for all Group employees. To ensure the comparability of this figure, and to minimise distortions, the all-employee average remuneration figure is based on full-time permanent employees.

% change	Base salary		Annual bonus		Taxable benefits
	USD	Local currency	USD	Local currency	
Group CEO	-12%	+4%	+100%	+123%	n/a
Average employee	-6%	+9%	-2%	+14%	n/a

Group CEO to employee pay ratio

The UK regulations on CEO pay ratio disclosure do not apply to Polymetal as the Group has less than 250 UK employees, but we support the move to transparency of remuneration levels across the wider workforce and we have therefore chosen to voluntarily publish our median CEO pay ratio. The use of a pay ratio, and how it moves over time, is intended to help the stakeholders to make a balanced evaluation of how pay arrangements are delivered across the whole employee population.

A significant proportion of the Group CEO’s remuneration package is performance-related and dependent on the achievement of financial and non-financial KPIs, as well as being dependent on LTIP outcomes based on Polymetal TSR performance. Therefore, the ratio could range significantly from year to year. The Committee will continue to take into account factors such as internal relativities and ratios when considering executive pay.

The table provides the pay ratio of the Group CEO’s total remuneration to the equivalent pay for the lower quartile, median and upper quartile of Group employees (calculated on a full-time basis). The Group CEO remuneration is the total single figure remuneration for 2020 contained on page 142. Employee pay data was determined for the first nine months of 2020 with a projected calculation of the salary component of pay and benefits for the full financial year.

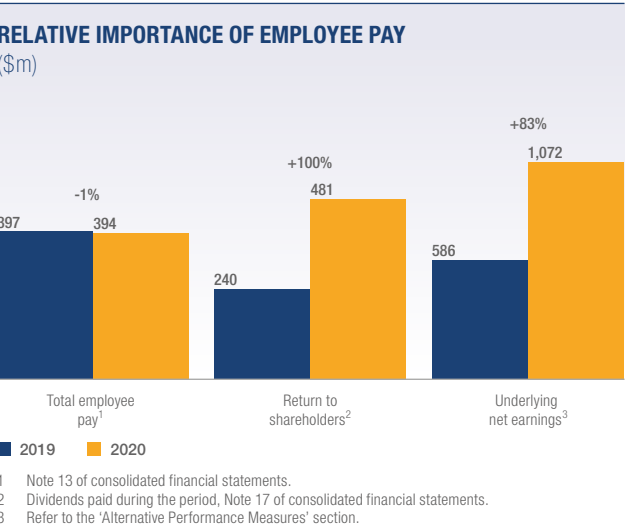
Year	Method	25th percentile	Median	75 percentile
2020	Option A	142	83	52
2019	Option A	70	40	25

Remuneration data, \$	2020
CEO single total figure of remuneration	1,765,488
Average Group employee remuneration	29,595
CEO pay to Group average employee ratio	60:1
Median Group employee remuneration	21,317
CEO pay to Group median employee ratio	83:1

The FY2020 ratio of 83:1 at the median compared to the FY2019 ratio of 40:1 reflects the proportion of the CEO’s pay being more heavily weighted to variable pay, including share-based long-term incentives, than for other employees. Specifically, the change from FY2019 to FY2020 is driven by a higher FY2020 PSP vesting of 89.7% compared to the PSP vesting of 32.1% in FY2019, as well as a higher annual bonus outcome of 111% of base salary compared with 52% in 2019.

Relative importance of spend on pay

The chart below shows how employee remuneration costs compare with profit before tax and distributions made to shareholders in 2020 and 2019.



Advisors

PricewaterhouseCoopers LLP (PwC) provided Polymetal with information and support in relation to general remuneration matters and implementation of the Company's remuneration policy. PwC is a member of the Remuneration Consultants' Group (RCG) and a signatory of the RCG Voluntary Code of Practice, and incorporates the principles of the Voluntary Code of Practice into its engagement. No other services were provided by PwC during 2020 other than external assurance services for the Company's Sustainability Report and tax advisory. Fees paid to PwC in relation to remuneration services provided to the Committee in 2020 totalled \$27,900 (2019: \$30,800), with fees quoted in advance and based on the level of complexity of the work undertaken.

PwC was selected in 2013, after submitting a proposal to management, to carry out benchmarking as part of a competitive process, the results of which were presented to the Remuneration Committee for approval.

During its work in 2020, the Committee was aided by the Group CEO, Board Chair, SID and senior finance and human resources executives of the Company.

Statement of consideration of shareholders' views

The Committee regularly consults with the Company's major shareholders, and sought their feedback on the revised Directors' Remuneration Policy. The shareholder consultation period started in October 2019 and the Board Chair, Senior Independent Director and the Remuneration Committee Chair participated in several meetings and calls requested by shareholders. In line with a shareholder query and to ensure that the safety KPI is preserved at 25% level, the ESG KPI was introduced by reducing both the production and TCC KPIs by 5%, rather than splitting the safety KPI into 15% safety and 10% ESG KPI. The maximum bonus opportunity is preserved at 125% of base salary. No other concerns over the proposals were raised and the revised Remuneration Policy was approved by Polymetal's shareholders in April 2020. In 2020, implementation of our Remuneration Policy was the focus of attention, especially in the light of market performance during the Covid pandemic. An update was circulated to major shareholders and proxy advisors about the expected remuneration outcomes for 2020 and safety multiplier. Online meetings with proxy advisors were arranged following this engagement in addition to responding to emails received.

Shareholder support for the Remuneration Policy and 2020 Directors' Remuneration Committee Report

The Company received shareholder approval of its Remuneration Policy at the AGM on 27 April 2020 to cover a period of three years. The policy applied from the date of approval. The Directors' annual Remuneration Committee Report was put to an advisory shareholder vote at the 2020 AGM of the Company. The table below shows full details of the voting outcomes.

	Votes for	Votes against	Votes withheld
Remuneration Policy (at the 2020 AGM)	352,776,157 (99.90%)	350,983 (0.10%)	1,519,513
2019 Remuneration Committee report (at the 2020 AGM)	351,303,741 (99.06%)	3,340,271 (0.94%)	2,642

Implementation of the Remuneration Policy in 2021

In 2021, the Committee intends to implement the Remuneration Policy for executive and non-executive Directors as follows:

Group CEO

Base salary

In accordance with the policy, the Group CEO's salary will be increased (in Roubles) by a total of 10% in 2021 in line with the rest of the workforce. Base salary for the Group CEO for 2020 and 2021 is set out below:

	2021 salary	2020 salary	% change
CEO	RUB 31,029,600	RUB 28,207,920	+10%
	\$430,967	\$447,745	-3.7%

Base salary for 2021 is translated at the budgeted exchange rate of 72 Roubles to US Dollar for 2021.

Pension and benefits

No pension or benefits plans are in place for 2021, except for the defined pension contributions to the mandatory pension fund of the Russian Federation.

Annual bonus

The prospective targets for annual bonus measures are considered commercially sensitive by the Board, particularly in the gold mining industry, because of the sensitivity of information that their disclosure may provide to the Company's competitors, given that these are largely based outside the UK and hence are not subject to the same reporting requirements as the Company. Targets and outcomes will be disclosed retrospectively at the end of the performance year.

Long-Term Incentive Plan (Deferred Share Awards Plan and Performance Share Plan)

Deferred Share Awards Plan

The Committee intends to defer annual bonus awards earned for the 2021 performance period in line with the policy disclosed on page 135.

Performance Share Plan

The Committee intends to make an award under the PSP to the Group CEO in 2021, in line with the policy disclosed on page 135. Vesting is based on relative TSR measured against the constituents of the FTSE Gold Mines Index and on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting:

	TSR v FTSE Gold Mines Index	Pay-out
Below threshold	Below median performance	0%
Threshold	Median performance	20%
Maximum	Upper quintile performance	100%

Straight-line vesting will occur between median and upper decile performance. No award will vest for performance below median, or if the Company's absolute TSR performance is negative, regardless of relative performance.

Non-executive Directors

There was no change to the non-executive Directors' fees in 2020. Fee rates for 2021 and 2020 are set out below:

	2021 \$	2020 \$
Independent Board Chair fee	500,000	500,000
INED basic fee	127,000	127,000
Additional fees:		
Senior Independent Director	25,000	25,000
Audit and Risk Committee Chair	38,000	38,000
Remuneration Committee Chair	19,000	19,000
Safety and Sustainability Committee Chair	19,000	19,000
Nomination Committee Chair	19,000	19,000
Committee membership fee (not payable to the Committee Chair)	13,000	13,000
Board and Committee meeting attendance fee	4,000	4,000

Approval

This report was approved by the Board of Directors and signed on its behalf by

Ollie Oliveira

Chair, Remuneration Committee

The Directors submit the Annual Report of Polymetal International plc together with the audited financial statements of Polymetal International plc for the year ended 31 December 2020.

Corporate governance

Refer to pages 106–111 for a description of the Group’s corporate governance structure and policies.

Financial and business reporting

The Board believes that the disclosures set out in the Strategic Report on pages 1–97 of this Annual Report provide the information necessary for shareholders to assess the Company’s performance, business model and strategy.

Environmental reporting

Information on the annual quantity of emissions from activities for which the Company is responsible as well as a ratio which expresses Polymetal’s annual emissions in relation to a quantifiable factor associated with the Company’s activities (GHG emissions intensity (Scope 1+2), t of CO₂e per Kt of ore processed) is available in the Sustainability Section on page 60 of this Annual Report. The Board believes that due to the importance of these metrics being put into context, this is the most appropriate section for disclosure.

Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group’s auditor is unaware
- The Director has taken all steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group’s auditor is aware of that information.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming AGM. The Audit and Risk Committee reviews both the level of the audit fee and the level and nature of non-audit fees as part of its review of the adequacy and objectivity of the audit process.

Directors

The Directors, their status and Board Committee memberships are set out on pages 106–107 of the Report.

Re-election policies

In accordance with the UK Code, all Directors are subject to annual re-election. Full terms and conditions of the appointment of non-executive Directors are available for inspection at the Company’s registered office.

The Directors’ biographical details are set out on pages 98–99. Following their performance evaluations, the Board and the Chair consider that each of the Directors standing for election or re-election will continue to be an effective contributor to the Group’s success and demonstrates commitment to their role.

Appointment and replacement of Directors

The Board may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director and, in either case, whether or not for a fixed term. Irrespective of the terms of his or her appointment, a Director so appointed shall hold office only until the next AGM. If not re-appointed at such AGM, they shall vacate office at its conclusion.

The Company may, by ordinary resolution, remove any Director from office (notwithstanding any provision of the Company’s Articles or of any agreement between the Company and such Director, but without prejudice to any claim that they may have for damages for breach of any such agreement). No special notice needs to be given of any resolution to remove a Director and no Director proposed to be removed has any special right to protest against his or her removal. The Company may, by ordinary resolution, appoint another person in place of a Director removed from office.

Directors’ interests

Directors’ interests are disclosed in annual declarations and the Company Secretary is notified promptly of any changes to those interests. Before each Board meeting, independent non-executive Directors reconfirm their independence and all Directors disclose whether they hold any interests in any matters to be reviewed at the Board meeting. Information on Directors’ interests in shares of the Company is set out in the Remuneration Report on page 146.

Directors’ indemnities

To the extent permitted by the Companies (Jersey) Law 1991, the Company has indemnified every Director and other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) out of the assets of the Company against any liability incurred by them for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company. This provision does not affect any indemnity to which a Director or officer is otherwise entitled.

Board and Committee terms of reference

The schedule of matters reserved to the Board and terms of reference for all Board Committees can be found in the Corporate Governance section on the Company’s website: www.polymetalinternational.com. Terms of reference are reviewed at least annually.

Political donations

The Company may not make a political donation to a political party or other political organisation, or to an independent election candidate, or incur any political expenditure, unless such donation or expenditure is authorised by an ordinary resolution of shareholders passed before the donation is made or the expenditure incurred. No such donations were made in 2020 (2019: none).

Capital structure

The structure of the Company’s share capital is detailed in Note 32 to the financial statements. There are no specific restrictions on the size of a holding or on the transfer of shares, which are both regulated by the Articles of the Company and applicable legislation. The Directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of shares or on voting rights.

The Articles of the Company can be altered by a special resolution of the Company. A resolution is a special resolution when it is passed by three-quarters of the members who (being entitled to do so) vote in person, or by proxy, at a General Meeting of the Company. Pursuant to the Company’s Articles, the Directors have the power to allot Equity Securities (as defined in the Articles).

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements and employees’ share plans. None of these is considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid. Substantial shareholdings in the Company are disclosed on page 234.

Details of employee option schemes are set out in the Remuneration Report on page 140. There were no acquisitions of the Company’s own shares in 2020.

As at 31 December 2020, the Group and its subsidiaries held no treasury shares (31 December 2019: no shares).

At the AGM of the Company held in 2020, the power to allot Equity Securities (as defined in the Articles) was renewed up to an aggregate number of 156,794,417 ordinary shares, provided that the Directors’ power in respect of such an amount may only be used in connection with a pre-emptive issue (as defined in the Articles).

The Directors are further empowered pursuant to Article 10.4 of the Company’s Articles to allot Equity Securities for cash as if Article 11 of the Articles (Pre-emptive rights) did not apply and for the purposes of paragraph (b) of Article 10.4 of the Articles, the Non Pre-emptive Shares (as defined in the Articles) are an aggregate number of up to 23,519,162 ordinary shares. The Directors are empowered to allot an additional 23,519,162 Equity Securities for cash as if Article 11 of the Articles (Pre-emptive rights) did not apply and for the purposes of paragraph (b) of Article 10.4 of the Articles. This additional authority can be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction that the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-emption Group.

The authorities above will, unless previously revoked or varied, expire at the conclusion of the Company’s next AGM (or, if earlier, at the close of business on the date which is 15 months after the date of the resolution which granted them, being 27 July 2021). Pursuant to Article 57 of the Companies (Jersey) Law 1991, the Company is authorised to make market purchases of ordinary shares of the Company, provided that:

- The maximum number of ordinary shares to be purchased is 47,038,325 ordinary shares
- The minimum price (excluding expenses) which may be paid for each ordinary share is 1 penny
- The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
 - An amount equal to 105% of the average of the middle market quotations of an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased

- An amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System
- Pursuant to Article 58A of the Companies (Jersey) Law 1991, the Company may hold as treasury shares any ordinary shares purchased pursuant to the authority conferred in this resolution.

This authority will expire at the conclusion of the Company’s next AGM or 18 months from the date of the passing of this resolution, being 27 October 2021 (whichever is earlier).

Approval of share issues, consideration for which does not exceed \$25 million, is delegated to any Director holding any executive office.

As of 1 March 2021, the total issued share capital of the Company comprises 471,818,000 ordinary shares of no par value, each carrying one vote. During the year, 1,629,799 ordinary shares in the Company were issued in accordance with the Long-Term Incentive Plan.

Dividends

The Group’s profit for the year ended 31 December 2020 attributable to equity holders of the Company was \$1,086 million (2019: \$480 million). Underlying net earnings (for details refer to the Financial review section) in 2020 were \$1,072 million (2019: \$586 million). In August 2020, the Company declared an interim dividend of \$0.40 per share (2019: \$0.20 per share), which was paid in September 2020.

The Directors have proposed the payment of a final dividend of \$0.89 per share (2019: \$0.42 per share).

Annual General Meeting

The AGM of shareholders of the Company will take place on Monday 26 April 2021 at 11:00 am (BST) at Berkeley Square House, Berkeley Square, London W1J 6BD, UK.

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

On behalf of the Board



Ian Cockerill

Board Chair
2 March 2021

Taking into account the Group’s current position and its principal risks that would threaten the business model, future performance and finance ability of the Company, for a period longer than the 12 months required by the going concern statement, management prepared a viability analysis which was assessed by the Board for approval.

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2020, the Group held \$386 million of cash (2019: \$253 million) and had net debt of \$1,351 million (2019: \$1,479 million), with \$2,281 million of additional undrawn facilities (2019: \$1,904 million) of which \$1,392 million (2019: \$1,079 million) are considered committed. Debt of \$334 million (2019: \$214 million) is due for payment within one year. The Group’s cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, but could secure additional financing if and when needed.

The Board is satisfied that the Group’s forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2020.

Viability statement

Based on key drivers and measures of success used within the business, the Board has assessed the prospects of the Group, taking account of the potential impact of the principal risks to the Group’s business model and ability to deliver its strategy, including solvency and liquidity risks during the reasonably reliable lookout period. Despite the impact of Covid-19 on the business, the strategy for value creation remains unchanged.

Assessment of prospects

Management has considered the Group’s long-term prospects aligned to the sustainability of the business model (detailed on pages 18–19) and covering a period of the average of Polymetal’s life-of-mine of 13 years, primarily with reference to the results of the Board-approved strategy (detailed on pages 24–25). Management has also considered the Group’s current strong financial position, including the level of cash at 31 December 2020 and the Group’s historic ability to generate free cash flow and raise and refinance debt as required.

The overall macroeconomic backdrop is set to remain supportive for gold, with the numerous political and economic uncertainties likely to lead to stock market volatility and higher risk aversion.

The strategic planning process is undertaken annually, and includes analyses of Polymetal’s current position, growth projects pipeline, cash flow, investment decisions and returns to shareholders. Accordingly, and considering global prospects for gold and gold price, the Board believes the prospects for the Group in the long run remain good.

Viability lookout period

The period over which the Board considers it possible to form a reasonable expectation as to the Group’s viability, based on the stress testing and scenario planning process employed by the Group, is the three-year period to December 2023. This is within the Group’s routine medium-term forecasting, performed on an annual basis, and covering strategic and investment planning. The Board is confident that routine operational risks are being monitored and managed effectively within this three-year lookout period, and the Group’s scenario planning is focused primarily on plausible changes in external factors, providing a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

Principal risks

The Board has continued to place appropriate emphasis on risk management in 2020, taking into account material external economic and geopolitical challenges and considering the Group’s responsiveness to changes within its business environment. The detailed assessment of the principal risks and uncertainties facing the Group is set out on pages 90–96 of this Annual Report.

The corporate planning process is underpinned by detailed life-of-mine plans, and overlaid with scenario stress testing. The stress tests are designed to evaluate the resilience of the Group to the potential impact of principal risks and the availability and effectiveness of the mitigating actions that could be taken to avoid or reduce the impact of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board’s regular monitoring and review of risk and internal control systems, as discussed on 119–120, are taken into account.

Key assumptions

The key assumptions underpinning the Board’s assessment of longer-term viability include gold and silver prices, production volumes, foreign exchange rates and the ability to roll forward borrowing facilities as they fall due in the ordinary course of business. These assumptions are consistent with those used for business planning purposes, and also for the assessment of impairment indicators and the recoverability of ore stockpiles and heap leach work in progress.

Assessment of viability

In order to assess the resilience of the Group to threats to its viability posed by principal risks in severe but plausible scenarios, the model was subjected to stress analysis together with an assessment of potential mitigating actions.

The four most significant risks in terms of their potential financial impact are modelled together as a single stress scenario, to understand their combined financial impact. These cover risks associated with market, currency, liquidity and construction, as set out below. The remaining principal risks are considered to be either immaterial or too remote to affect our viability over a three-year period. Management has considered a stress scenario of Covid-19 possible impacts.

The resulting impact on key metrics was considered with particular focus on solvency measures including debt headroom and covenants.

Liquidity and solvency

The Group is considered to be viable if its financial covenants are maintained within prescribed limits, and if there is available debt headroom to fund operations.

The sources of funding available to the Group are set out in Note 25 to the consolidated financial statements. Our base case projections demonstrate that the Group should be able to operate within the currently available debt facilities and comply with all related covenants during the lookout period. The committed undrawn facilities of \$1,392 million noted above have an average period of maturity of three years.

Our stress testing focuses in particular on 10% adverse changes in market prices of gold and silver and foreign exchange rates, as well as 10% overrun capital expenditure on the POX-2, Nezhda and Veduga projects, and demonstrates that under reasonably possible downside assumptions, only limited mitigating actions are required to maintain liquidity and covenant compliance.

There is no change in the Group’s stated dividend policy during the lookout period both in base and stress scenarios, but dividends are assumed to be linked to profits and therefore would reduce if profits reduce.

Expectations

The Board confirms that taking into account the Group’s current position and based upon the robust assessment of the principal risks facing the Group, focusing specifically on the impact of Covid-19 and related stress testing, together with available mitigating actions, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

Directors’ responsibility statement

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group’s financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board’s ‘Framework for the preparation and presentation of financial statements’.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue in operation and meet its liabilities as they fall due over the reasonably reliable lookout period of three years.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Ian Cockerill

Ian Cockerill
Board Chair

Vitaly Nesis

Vitaly Nesis
Group CEO
2 March 2021

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Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Polymetal International plc (the ‘parent company’) and its subsidiaries (the ‘Group’):

- give a true and fair view of the state of the Group’s affairs as at 31 December 2020 and of the Group’s profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated balance sheet;
- the Consolidated statement of cash flows;
- the Consolidated statement of changes in equity; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Accounting for the acquisition of the non-controlling interest in Veduga; • Accounting for the acquisition of the Nezhda power line lease; and • Completeness of related party relationships in significant corporate transactions. Within this report, key audit matters are identified as follows: •  Newly identified •  Increased level of risk •  Similar level of risk •  Decreased level of risk
Materiality	The materiality that we used for the financial statements was US\$47 million (2019: US\$25 million) which was determined on the basis of adjusted profit before tax. We have adjusted profit before tax for net foreign exchange gains of US\$23 million (2019: US\$36 million loss) and the net gain on disposal of subsidiaries of US\$13 million (2019: US\$16 million loss from discontinued operations). As there was no impact in 2020, there was no adjustment for a write down of assets held for sale (2019: US\$28 million loss).
Scoping	Our scoping identified 12 components: • Dukat, Omolon, Albazino and Kyzyl were subject to a full scope audit; and • Specified account balances were audited at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz and the Corporate component. This scoping represents a change from our 2019 audit with Amikan now being subject to analytical procedures at the Group level, previously specified audit procedures, and Prognoz being subject to audit of specified account balances, previously considered as part of the Corporate component. Our coverage and scoping assessment are discussed further in section 7 below. A number of balances across all components were tested centrally, as the business activities, processes and controls related to these balances are centralised in the Group’s head office.
Significant changes in our approach	The risks associated with accounting for the acquisition of the non-controlling interest in Veduga and the Nezhda power line lease were identified as key audit matters in 2020 due to the complexity of these transactions and given the level of judgement involved. See the key audit matters description below for further information. The risk associated with undisclosed related party relationships and corporate assets transactions potentially not being conducted on an arm’s length basis, was identified as a key audit matter in 2020 due to several corporate asset transactions undertaken that displayed indicators of a possible, previously undisclosed related party relationship. See the key audit matters description below for further information. Corporate transactions were considered to be less relevant for the 2019 audit as there were no significant corporate transactions undertaken. The risk associated with the recoverability of heap leach ore stock piles and work in progress, and the recoverability of exploration and evaluation assets were identified as key audit matters in 2019, but were considered to be less relevant for the 2020 audit, due to the decrease in the magnitude of these balances relative to our materiality and the positive economic environment, with gold and silver prices achieving historic high levels in the year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the Group’s ability to continue to adopt the going concern basis of accounting included our assessment of the entity’s:

- financing facilities including the nature of facilities, repayment terms and covenants;
- linkage to the business model and medium-term risks;
- assumptions used in the forecasts;
- amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis;
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of the forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Accounting for the acquisition of the non-controlling interest in Veduga ⓘ

Key audit matter description	As discussed in the Audit Committee’s report on page 118 and as disclosed as a critical accounting judgement in Note 3, in April 2020, the Group obtained 100% control over Amikan LLC, the licence holder of the Veduga mine. The transaction involved VTB Bank acquiring a 25.7% stake in Amikan LLC from the existing minority shareholders for cash consideration of US\$36 million and investing a further US\$35 million in cash in exchange for newly issued Amikan share capital, taking VTB Bank’s total holding to 40.6%. As part of transaction, VTB Bank was granted a put option to sell its stake in Amikan to Polymetal on certain conditions, along with a similar call option granted to Polymetal, as described in Note 28.
	Given the level of judgement involved, our key audit matter focuses on the appropriateness of accounting treatment of the acquisition of non-controlling interests, including accounting for the put and call options.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the design and implementation of relevant controls in relation to accounting for significant corporate transactions. In response to the key audit matter, we have: • Challenged management on whether the Group has an ‘in substance’ present ownership interest of 100% in Amikan LLC considering the requirements of IFRS 10 Consolidated Financial Statements and the option and shareholders’ agreements between VTB Bank and the Group reviewed by us; • Evaluated whether the put and call options represent potential voting rights that currently give the Group access to the returns associated with the related 40.6% ownership interest; and • We reviewed and assessed the appropriateness of the related disclosures, including classification of the liabilities due to VTB, in the financial statements.
Key observations	Based on our work, we are satisfied that the accounting for the acquisition of the non-controlling interest in Veduga and the related disclosures are appropriate.

5.2. Accounting for the acquisition of the Nezhda power line lease ⓘ

Key audit matter description	As discussed in the Audit Committee’s report on page 118 and as disclosed as a critical accounting judgement in Note 3, in June 2020 Polymetal entered into an agreement to lease on pre-agreed terms a single-circuit 110 kV grid power line, running from Khandyga to the Nezhda production site, and the related substation. The power line is being constructed and will be operated by a special purpose vehicle (SPV). After construction, which is expected to be complete by the end of 2022, the Group will lease the power line from the SPV. As disclosed in Note 29, the construction is being funded with a 10-year senior loan, guaranteed by the Group, and a subordinated loan facility. The senior loan is guaranteed by a conditional loan assignment agreement (a “put option”) and by a guarantee issued by Polymetal, both exercisable in certain events of default. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being completed by a certain date. Simultaneously, Polymetal was granted a call option to acquire a 100% interest in the SPV in the case of its default. Given the complexity of the transaction and the significant level of judgement involved, our key audit matter focuses on the appropriateness of the accounting treatment for the Nezhda power line lease and associated agreements including: • consideration of control, joint control or significant influence of the Group over the SPV; and • the accounting treatment of the put option, the guarantee and the call option.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the design and implementation of relevant controls in relation to accounting for significant corporate transactions. In response to the key audit matter, we have: • Challenged management’s accounting treatment of the Group’s relationship with the SPV through consideration of key elements of control, joint control and significant influence under relevant accounting standards; • Reviewed the relevant contracts and challenged management on their application of the scope of IFRS 16 Leases in relation to the lease of the Nezhda power line; and • Gained an understanding of the business purpose of the lease agreement, the guarantee and the put option and challenged whether the guarantee and the put option should be accounted for in accordance with requirements of IFRS 9 or IFRS 16; • We reviewed and assessed the appropriateness of the related disclosures in the financial statements.
Key observations	Based on our work, we are satisfied that the accounting for the Nezhda power line lease and the related disclosures are appropriate.

5.3. Completeness of related party relationships in significant corporate transactions ⓘ

Key audit matter description	Polymetal has undertaken a number of corporate transactions in the year, including both additional investments and disposal of non-core assets. The market for such assets is characterised by a relative small number of investors and as such, transactions with related parties are not uncommon. In relation to these transactions, we have identified a risk of unidentified or undisclosed related party relationships. Where a related party relationship exists, there is a risk that the transaction has not been conducted on an arm’s length basis or that the disclosure of the transaction is inaccurate, incomplete or does not appropriately reflect its substance. Consequently we identified this key audit matter to be a potential fraud risk. Our risk assessment identified that the key audit matter was of particular relevance to two transactions: • Veduga (Notes 3 and 28) where the remaining 25.7% interest not held by the Group was in substance acquired indirectly through a third party (as discussed in key audit matter 5.1.), of which, 7.4% was previously held by a related party of the Group; and • Irbychan Gold (Notes 4 and 23) where the assets were impaired by US\$28 million in 2019 prior to their disposal in 2020. The other significant corporate transactions completed in the year either did not exhibit indicators of possible related party relationships or in the case of the Tomtor (ThreeArc Mining Ltd) transaction (Note 21) it was clearly evident that this was as a transaction with a related party (Note 34) and no additional concerns were identified over it being conducted at an arm’s length.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the design and implementation of management’s relevant controls pertaining to identifying, authorising and reporting related party transactions, including the review by the Audit Committee of related party transactions (page 121) and the role of the Board in considering the disclosures thereof (page 106). We challenged the business rationale for the Veduga and Irbychan Gold transactions, taking into consideration our understanding of the Group’s business and its strategy, as well as the information contained in the Board minutes and press releases reviewed by us. Using publicly available information and research tools, we analysed the counterparties to the transactions to determine whether any that we identified as related parties had been appropriately recorded in the Group’s related parties register. We challenged management whether the Veduga and Irbychan Gold transactions had been conducted on an arm’s length basis, comparing the consideration in each case to an estimate of the fair value of the underlying mining assets based on our audit of life of mine models. We reviewed and assessed the completeness and accuracy of the disclosures in respect of these transactions.
Key observations	Based on our work, we concluded that the Veduga and Irbychan Gold transactions were conducted at values commensurate with our understanding of their corresponding underlying asset values and we are satisfied that the disclosures in respect of the transactions is appropriate.

6. Our application of materiality

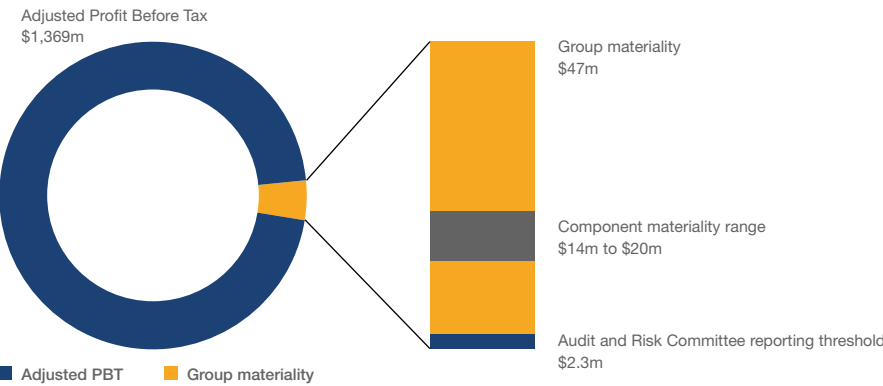
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	US\$47 million (2019: US\$25 million)
Basis for determining materiality	We used the Group’s adjusted profit before tax as the key benchmark. This approach is consistent with our 2019 audit and the selected materiality figure represents 3.4% of adjusted before tax (2019: 3.6%).
Rationale for the benchmark applied	The use of this metric is consistent with our 2019 audit and has been chosen on the basis that adjusted profit before tax is a key benchmark for management and investors to appraise the Group’s performance. We have adjusted profit before tax for net foreign exchange gains of US\$23 million (2019: US\$36 million loss) and the net gain on disposal of subsidiaries of US\$13 million (2019: US\$16 million loss from discontinued operations). As there was no impact in 2020, there was no adjustment for a write down of assets held for sale (2019: US\$28 million loss).

ADJUSTED PROFIT BEFORE TAX



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a. Our risk assessment, including our assessment of the Group’s overall control environment;
- b. The consistent organisational structure of the Group relative to the prior year audit;
- c. In the prior year, we identified a higher number of misstatements both corrected and uncorrected than in previous years;
- d. The degree of centralisation and common controls/processes; and
- e. Any changes in the business that impacted our anticipation of potential misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US\$2.3 million (2019: US\$1.25 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

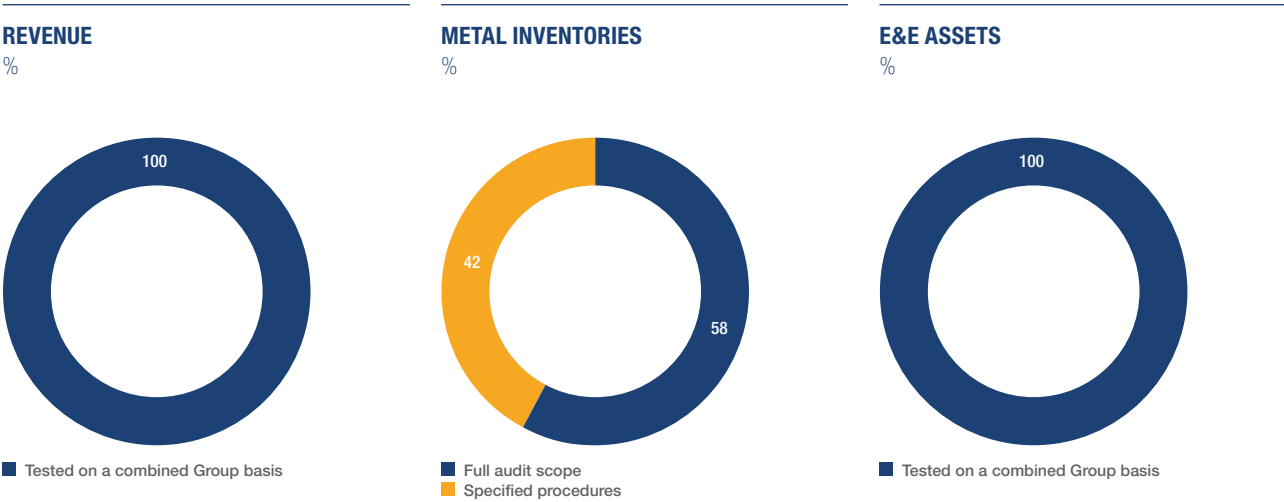
The Group holds various mining assets in Russia and Kazakhstan. Our scoping identified 12 components (Svetloye, Dukat, Omolon, Albazino, Voro, Varvara, Amursk, Mayskoye, Kyzyl, Nezhda, Prognoz and a single component comprising the support function corporate entities).

Our 2020 scoping followed the same approach as in 2019 where the audit team performed central testing over a number of the Group’s standardised processes and controls. For balances which were tested centrally, we have performed substantive audit procedures on all components.

We determined the scope of the procedures to be performed at each component on the balances not tested centrally. We have performed full scope audits at Dukat, Omolon, Albazino and Kyzyl. Focussed procedures were performed at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz and the Corporate component. This represents a change from our 2019 scoping with Amikan now being subject to analytical review procedures, previously specified audit procedures, and Prognoz being subject to audit of specified account balances, previously considered as part of the Corporate component.

The Group audit team was involved in the work of the component auditors at all stages of the audit process. The signing partner and senior members of the Group engagement team were in contact regularly throughout the year and during the final audit in 2021. Due to restrictions on overseas travel we did not visit the component team this year, as we had done in prior years. To satisfy ourselves that our oversight and supervision was appropriate we have reviewed component auditor work remotely and had frequent meetings with the component team, utilising a number of collaboration tools.

Our audit work was executed at levels of materiality applicable to each individual component, which were between US\$14.1 million and US\$19.7 million (2019: US\$12.5 million and US\$20.0 million).



7.2. Our consideration of the control environment

We evaluated design and tested implementation of all internal controls which are relevant to our audit. We also tested operating effectiveness and placed reliance on certain controls over metal inventories. The approach remains consistent with previous years, however this year we worked with our Deloitte Technical Mining Advisory Team in the testing of certain controls over measurement and recoverability of metal inventories. We worked with our IT specialists to test general IT controls and these were found to be operating effectively.

7.3. Working with other auditors

The Group audit team was in active dialogue throughout the audit with the component audit team responsible for the audit work under the direction and supervision of the Group audit team. The Group audit team assessed the risks and key areas of focus at the Group level and designed appropriate audit responses which were communicated to the component auditor and we have overseen the detailed risk assessment performed by the component audit team. The Group audit team determined whether the work was planned and performed in accordance with the overall Group audit strategy and the requirements of our Group audit instructions to the component team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including the component audit team and relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the area of unidentified or undisclosed related party relationships, specifically relating to significant transactions outside the normal course of business such as corporate acquisitions and disposals. Where a related party relationship exists, there is a risk that the transaction has not been conducted on an arm’s length basis, or that the disclosure of such transaction is inaccurate, incomplete or does not appropriately reflect its substance. The potential indicators of a previously undisclosed related party relationship are: asset disposals completed with a loss or impaired prior to disposal and asset acquisitions and disposals where a related party was indirectly involved. Based on our risk assessment, the risk of fraud has been pinpointed to two corporate transactions – the Irbychan Gold disposal and the acquisition of the non-controlling interest in Veduga. See the Key audit matter 5.3.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified completeness of related party relationships in significant corporate transactions as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and the component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the Company.

13. Corporate Governance Statement

The Listing Rules require us to review the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 152;
- the directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on page 152;
- the directors’ statement on fair, balanced and understandable set out on page 117;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 119;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 119; and
- the section describing the work of the audit committee set out on pages 116–121.

14. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by Polymetal International plc, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Polymetal International plc financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Use of our report

This report is made solely to the company’s members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Dean Cook MA FCA

For and on behalf of Deloitte LLP

Recognised Auditor
London, UK
2 March 2021

Consolidated financial statements

Consolidated income statement

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Revenue	6	2,865	2,241
Cost of sales	7	(1,129)	(1,197)
Gross profit		1,736	1,044
General, administrative and selling expenses	11	(184)	(181)
Other operating expenses, net	12	(99)	(68)
Reversal of previously recognised impairment	18	8	–
Loss from associates and joint ventures	21	(2)	–
Operating profit		1,459	795
Foreign exchange profit/(loss), net		23	(36)
Gain on disposal of subsidiaries, net	4	13	–
Write-down of assets held for sale		–	(28)
Change in fair value of contingent consideration assets and liabilities	30	(23)	(23)
Finance expenses, net	15	(67)	(74)
Profit before income tax		1,405	634
Income tax expense	16	(319)	(135)
Profit for the year from continuing operations		1,086	499
Loss for the year from discontinued operations ¹		–	(16)
Profit for the year		1,086	483
Profit for the financial period attributable to:			
Equity shareholders of the Parent		1,086	480
Non-controlling interest		–	3
		1,086	483
Earnings per share (\$) from continuing operations			
Basic	32	2.30	1.06
Diluted	32	2.27	1.05
Earnings per share (\$) from continuing and discontinued operations			
Basic	32	2.30	1.02
Diluted	32	2.27	1.01

¹ Represents a loss of \$13 million on the disposal of Kapan discontinued operation in January 2019 and a loss \$3 million on disposals of the remaining entities of the Armenia segment in 2019, which was previously classified within continuing operations.

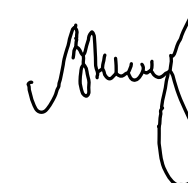
Consolidated statement of comprehensive income

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Profit for the period		1,086	483
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translating foreign operations		(567)	353
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax		34	(54)
Total comprehensive income for the period		553	782
Total comprehensive income/(loss) for the period attributable to:			
Equity shareholders of the Parent		556	777
Non-controlling interest		(3)	5
		553	782

Consolidated balance sheet

	Note	31 December 2020 \$m	31 December 2019 \$m
Assets			
Property, plant and equipment	18	2,787	2,810
Right-of-use assets	19	32	31
Goodwill	20	14	16
Investments in associates and joint ventures	21	24	2
Non-current VAT receivable		19	–
Non-current accounts receivable and other financial instruments	23	38	10
Deferred tax asset	16	56	73
Non-current inventories	22	95	114
Total non-current assets		3,065	3,056
Assets held for sale	4	–	14
Current inventories	22	662	644
Prepayments to suppliers		90	62
Income tax prepaid		33	18
VAT receivable		129	149
Trade receivables and other financial instruments	23	75	48
Cash and cash equivalents	24	386	253
Total current assets		1,375	1,188
Total assets		4,440	4,244
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	27	(187)	(158)
Current borrowings	25	(334)	(214)
Income tax payable		(13)	(7)
Other taxes payable		(51)	(41)
Current portion of contingent consideration liability	28	(41)	(7)
Current lease liabilities	19	(6)	(3)
Liabilities associated with assets classified as held for sale	4	–	(1)
Total current liabilities		(632)	(431)
Non-current borrowings	25	(1,403)	(1,518)
Contingent and deferred consideration liabilities	28	(120)	(59)
Deferred tax liability	16	(209)	(196)
Environmental obligations	26	(44)	(57)
Non-current lease liabilities	19	(27)	(29)
Other non-current liabilities		(3)	(3)
Total non-current liabilities		(1,806)	(1,862)
Total liabilities		(2,438)	(2,293)
NET ASSETS		2,002	1,951
Stated capital account	32	2,434	2,424
Share-based compensation reserve	33	31	26
Translation reserve		(1,832)	(1,302)
Retained earnings		1,369	780
Shareholders' equity		2,002	1,928
Non-controlling interest	28	–	23
Total equity		2,002	1,951

Notes on pages 170–215 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 2 March 2021 and signed on its behalf by:



Vitaly Nesiz
Group CEO
2 March 2021



Ian Cockerill
Board Chair

Consolidated financial statements

Consolidated statement of cash flows

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Net cash generated by operating activities	35	1,192	696
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(583)	(436)
Acquisitions of joint venture and associates	21	(24)	–
Proceeds from disposal of subsidiaries	4	23	43
Net cash outflow on acquisitions	18	(7)	–
Loans advanced		(9)	(6)
Repayment of loans provided		11	2
Net cash used in investing activities		(589)	(397)
Cash flows from financing activities			
Borrowings obtained	25	2,369	1,244
Repayments of borrowings	25	(2,366)	(1,410)
Repayments of principal under lease liabilities	19	(4)	(3)
Dividends paid	17	(481)	(240)
Proceeds from shares issued by subsidiary	28	35	–
Contingent consideration paid	28	(23)	(13)
Net cash used in financing activities		(470)	(422)
Net increase/(decrease) in cash and cash equivalents		133	(123)
Cash and cash equivalents at the beginning of the period	24	253	379
Effect of foreign exchange rate changes on cash and cash equivalents		–	(3)
Cash and cash equivalents at the end of the financial period		386	253

Consolidated statement of changes in equity

	Note	Number of shares outstanding (unaudited)	Stated capital account \$m	Share-based compensation reserve \$m	Translation reserve \$m	Retained earnings \$m	Total equity attributable to the parent \$m	Non- controlling interest \$m	Total equity \$m
Balance at 1 January 2019		469,368,309	2,414	24	(1,599)	540	1,379	18	1,397
Profit for the year		–	–	–	–	480	480	3	483
Other comprehensive income, net of income tax		–	–	–	297	–	297	2	299
Share-based compensation	33	–	–	12	–	–	12	–	12
Shares allotted to employees	32,33	819,892	10	(10)	–	–	–	–	–
Dividends	17	–	–	–	–	(240)	(240)	–	(240)
Balance at 31 December 2019		470,188,201	2,424	26	(1,302)	780	1,928	23	1,951
Profit for the year		–	–	–	–	1,086	1,086	–	1,086
Other comprehensive loss, net of income tax		–	–	–	(530)	–	(530)	(3)	(533)
Share-based compensation	33	–	–	15	–	–	15	–	15
Shares allotted to employees	32,33	1,629,799	10	(10)	–	–	–	–	–
Consolidation of non-controlling interest	28	–	–	–	–	(16)	(16)	(20)	(36)
Dividends	17	–	–	–	–	(481)	(481)	–	(481)
Balance at 31 December 2020		471,818,000	2,434	31	(1,832)	1,369	2,002	–	2,002

1. General

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group with operations in Russia and Kazakhstan.

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated in 2010 as a public limited company under Companies (Jersey) Law 1991 and has its place of business in Cyprus. Its shares are traded on the London, Moscow stock exchanges and Astana International Exchange.

Significant subsidiaries

As of 31 December 2020 the Company held the following significant mining and production subsidiaries:

Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	Effective interest held, %	
				31 December 2020	31 December 2019
Gold of Northern Urals JSC	Voro	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat	Magadan	Russia	100	100
Mayskoye Gold Mining Company LLC	Lunnoe	Magadan	Russia	100	100
	Arylakh				
	Mayskoye				
	Birkachan				
Omolon Gold Mining Company LLC	Tsokol	Magadan	Russia	100	100
	Burgali Olcha				
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	Amursk POX	Khabarovsk	Russia	100	100
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	100 ¹	74.31

1 Acquisition of non-controlling interest in GRK Amikan LLC (Note 28).

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As of 31 December 2020, the Group held \$386 million of cash (2019: \$253 million) and had net debt of \$1,351 million (2019: \$1,479 million), with \$2,281 million of additional undrawn facilities (2019: \$1,904 million) of which \$1,392 million (2019: \$1,079 million) are considered committed. Debt of \$334 million (2019: \$214 million) is due for payment within one year. The Group’s cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group’s forecasts and projections, having taken account of reasonably possible changes in trading performance including the impact from COVID-19 pandemic, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2020.

Basis of presentation

The Group’s annual consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of the measurement date.

The following accounting policies have been applied in preparing the consolidated financial statements for the year ended 31 December 2020.

New standards adopted by the Group and changes in accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2019, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- Definition of Material – Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*;
- Definition of a Business – Amendments to IFRS 3 *Business Combinations*;
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

The Group has determined these amendments do not have significant impact on its consolidated financial statements or are not applicable to the Group.

New accounting standards issued but not yet effective

The following standards and interpretations were in issue but not yet effective as of date of authorisation of these consolidated financial statements:

- IFRS 9 *Financial Instruments* Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the ‘10 per cent’ test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts*, effective for annual periods beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture, the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

The Group has determined these standards and interpretations are unlikely to have a significant impact on its consolidated financial statements or are not applicable to the Group.

2. Significant accounting policies

Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Changes to the Group’s ownership interests that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group’s interests and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss from the disposal is calculated as the difference between 1) the aggregated fair value of the consideration received and the fair value of any retained interest and 2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and non-controlling interests.

2. Significant accounting policies continued

Business combinations

IFRS 3 *Business Combinations* applies to a transaction or other event that meets the definition of a business combination. When acquiring new entities or assets, the Group applies judgement to assess whether the assets acquired and liabilities assumed constitute an integrated set of activities, whether the integrated set is capable of being conducted and managed as a business by a market participant, and thus whether the transaction constitutes a business combination, using the guidance provided in the standard. Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred. Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Where applicable, the consideration for the acquisition may include an asset or liability resulting from a contingent consideration arrangement. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in such fair values are adjusted against the cost of acquisition retrospectively with the corresponding adjustment against goodwill where they qualify as measurement period adjustments. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date. The measurement period may not exceed one year from the effective date of the acquisition. The subsequent accounting for contingent consideration that does not qualify for as a measurement period adjustment is based on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRS 9 *Financial Instruments* with the corresponding amount being recognised in profit or loss.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in equity are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Goodwill and goodwill impairment

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the Cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

In 2020 and 2019 the recoverable amount of the cash-generating unit was determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the life of mine models based on proved and probable ore reserves.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss from disposal.

Acquisition of mining licences

The acquisition of mining licences is often effected through a non-operating corporate entity. As these entities do not represent a business, it is considered that the transactions do not meet the definition of a business combination and, accordingly, the transaction is accounted for as the acquisition of an asset. The net assets acquired are accounted for at cost. Where asset acquisition is achieved in stages net assets acquired are accounted for as the sum of cost of the original interest acquired and the cost of additional interest acquired.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence constitutes the power to participate in the financial and operating policy decisions of the investee but does not extend to a control or joint control over the enactment of those policies. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

A joint arrangement is defined as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to its interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses.

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement and is accounted for using the equity accounting method.

When entering in a new joint arrangement, the Group applies judgement to assess whether the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (joint operation) or rights to the net assets of the arrangement (joint venture), using the guidance provided in the standard. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances.

Equity method of accounting

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee. When the Group's share of the losses of an associate or a joint venture exceeds the Group's interest in that entity, the Group ceases to recognise its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an investee at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) are applied to determine whether any indicators that the interest in an associate or a joint venture may be impaired. Where an indicator of impairment exists or the carrying value of the asset contains goodwill with an indefinite useful life, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single cash generating unit through the comparison of its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36.

2. Significant accounting policies continued

When a Group entity transacts with its investees, profits and losses resulting from the transactions with the investee are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or the joint venture that are not related to the Group.

Functional and presentation currency

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group’s entities located and operating in Kazakhstan (Varvarinskoye JSC, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC, Komarovskoye Mining Company LLC) is the Kazakh Tenge (KZT). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is US Dollar.

The Group has chosen to present its consolidated financial statements in US Dollars (\$), as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Group as it is a common presentation currency in the mining industry. The translation of the financial statements of the Group entities from their functional currencies to the presentation currency is performed as follows:

- all assets and liabilities are translated at closing exchange rates at each reporting period end date;
- all income and expenses are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are recognised in other comprehensive income and presented as movements relating to the effect of translation to the Group's presentation currency within the Translation reserve in equity; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated using exchange rates prevalent at those respective dates. All cash flows in the period are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of transaction.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

The Group translates its income and expenses in presentation currency on a monthly basis. During the years ended 31 December 2020 and 31 December 2019 exchange rates used in the preparation of the consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar
31 December 2020		
Year ended	73.88	420.71
Average	72.13	413.26
31 December 2019		
Year ended	61.91	381.18
Average	64.74	382.84

The Russian Rouble and Kazakh Tenge are not freely convertible currencies outside the Russian Federation, and Kazakhstan, accordingly, any translation of Russian Rouble and Kazakh Tenge denominated assets and liabilities into US Dollar for the purpose of the presentation of consolidated financial statements does not imply that the Group could or will in the future realise or settle in US Dollars the translated values of these assets and liabilities.

Foreign currency transactions

Transactions in currencies other than an entity's functional currencies (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement. Exchange differences generated by monetary items that forms part of the intragroup net investment in the foreign operation are recognised in the consolidated financial statements within foreign currency translation reserve.

Property, plant and equipment

Mining assets

Mining assets include the cost of acquiring and developing mining assets and mineral rights. Mining assets are depreciated to their residual values using the unit-of-production method based on proven and probable ore reserves according to the JORC Code, which is the basis on which the Group's mine plans are prepared. Changes in proven and probable reserves are dealt with prospectively. Depreciation is charged on new mining ventures from the date that the mining asset is capable of commercial production. In respect of those mining assets whose useful lives are expected to be less than the life of the mine, depreciation over the period of the asset's useful life is applied.

Mineral rights for the assets under development are included within Exploration and development. When a production phase is started, mineral rights are transferred into Mining assets and are depreciated as described below.

Capital construction-in-progress

Capital construction-in-progress assets are measured at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use.

Exploration and development assets

Mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, are capitalised into exploration assets if management concludes that future economic benefits are likely to be realised based on current internal assessment of exploration results and identified mineral resources.

In accordance with IFRS 6 *Exploration for and evaluation of mineral resources*, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised.

Exploration and evaluation expenditures are transferred to development assets when commercially-viable reserves are identified, so that the entity first establishes proved and probable reserves in accordance with JORC Code and respective mining plan and model are prepared and approved. At the time of reclassification exploration and evaluation assets are assessed for impairment based on the economic models prepared.

The costs to remove any overburden and other waste materials to initially expose the ore body, referred to as stripping costs, are capitalised as a part of development assets when these costs are incurred.

Non-mining assets

Non-mining assets are depreciated to their residual values on a straight-line basis over their estimated useful lives. When parts of an item of property, plant and equipment are considered to have different useful lives, they are accounted for and depreciated separately. Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Estimated useful lives are as set out below:

Machinery and equipment	5–20 years
Transportation and other assets	3–10 years

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the asset's carrying amount at the date. The gain or loss arising is recognised in the consolidated income statement.

2. Significant accounting policies continued

Stripping costs

During the production phase of a mine when the benefit from the stripping activity is the improved access to a component of the ore body in future periods, the stripping costs in excess of the average ore to waste ratio for the life of mine of that component are recognised as a non-current asset. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body made accessible as a result of the stripping activity.

Estimated ore reserves

Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits. The Group's reserves are estimated in accordance with JORC Code.

Leases

The group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognised a rights-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets and leases for the purposes of mining and exploration activities, which fall out of the IFRS 16 scope. For these leases, the Group recognises the leases payments as operating expenses on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability based on the effective interest method and by reducing the carrying amount to reflect the lease payments made. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and are presented as a separate line in the consolidated financial statements.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described below.

Impairment of property, plant and equipment

An impairment review of property, plant and equipment is carried out when there is an indication that those assets have suffered an impairment loss or there are impairment reversal indicators. If any such indication exists, the carrying amount of the asset is compared to the estimated recoverable amount of the asset in order to determine the extent of the impairment loss or its reversal (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. During the year ended 31 December 2020 the carrying amounts of all the Cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs of disposal calculation (Note 18). Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is applied to the development of proved and probable reserves.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or Cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. Impairment loss may be subsequently reversed if there has been a significant change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of an impairment loss is recognised in the consolidated income statement immediately.

Inventories

Metal inventories

Inventories including refined metals, metals in concentrate and in process, doré and ore stockpiles are stated at the lower of production cost or net realisable value. Production cost is determined as the sum of the applicable expenditures incurred directly or indirectly in bringing inventories to their existing condition and location. Work in-process, metal concentrate, doré and refined metal are valued at the average total production costs at each asset's relevant stage of production (i.e. the costs are allocated proportionally to unified metal where unified metal is calculated based on prevailing market metal prices). Ore stockpiles are valued at the average cost of mining that ore. Where ore stockpiles and work in-process are not expected to be processed within 12 months, those inventories are classified as non-current.

Net realisable value represents the estimated selling price for that product based on forward metal prices for inventories which are expected to be realised within 12 months, and the flat long-term metal prices for non-current inventories, less estimated costs to complete production and selling costs.

Consumables and spare parts

Consumables and spare parts are stated at the lower of cost or net realisable value. Cost is determined on the weighted average moving cost. The portion of consumables and spare parts not reasonably expected to be used within one year is classified as a long-term asset in the Group's consolidated balance sheet. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Trade receivables without provisional pricing that do not have a significant financing component (determined in accordance with IFRS 15 *Revenue from Contracts with Customers*) are not initially measured at fair value, rather they are initially measured at their transaction price.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

Trade receivables without provisional pricing that do not contain provisional price features, loans and other receivables are held to collect the contractual cash flows and therefore are carried at amortised cost adjusted for any loss allowance. The loss allowance is calculated in accordance with the impairment of financial assets policy described below.

Trade receivables arising from the sales of copper, gold and silver concentrate with provisional pricing features are exposed to future movements in market prices as described below and therefore contain an embedded derivative. IFRS 9 does not require that embedded derivatives are separated; instead, the contractual cash flows of the financial asset are assessed in their entirety. Trade receivables from sales of copper, gold and silver concentrates have contractual cash flow characteristics that are not solely payments of principal and interest, and are therefore measured at fair value through profit or loss in accordance with IFRS 9 and do not fall under the expected credit losses model (ECL) described below.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, trade and other receivables and contract assets, except for trade accounts receivable with provisional pricing. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2. Significant accounting policies continued

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

All financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or fewer, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Environmental obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of mining assets. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value using a risk-free rate applicable to the future cash flows, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the consolidated income statement over the life of the operation, through the depreciation of the asset in the cost of sales line and the unwinding of the discount on the provision in the finance costs line. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the consolidated income statement as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the consolidated income statement.

The provision for closure cost obligations is remeasured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to the risk free interest rate.

Employee benefit obligations

Remuneration paid to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. The Group pays mandatory contributions to the state social funds, including the Pension Fund of the Russian Federation and Kazakhstan, which are expensed as incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with the laws of countries where the Group operates.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies continued

Recognition of current and deferred tax

Current and deferred tax is recognised in the consolidated income statement, except when they relate to items that are recognised in the consolidated statement of comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in consolidated statement of comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Uncertain tax positions

Provision for uncertain tax positions is recognised within current tax when management determines that it is probable that a payment will be made to the tax authority. For such tax positions the amount of the probable ultimate settlement with the related tax authority is recorded. When the uncertain tax position gives rise to a contingent tax liability for which no provision is recognised, the Group discloses tax-related contingent liabilities and contingent assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Total exposures identified as of 31 December 2020 are disclosed in Note 16.

Mining tax

Mining tax includes royalties payable in Russian Federation and Kazakhstan. Mining tax in Russian Federation and Kazakhstan is calculated based on the value of the precious metals extracted in the period. This value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted (Russian Federation) or the average market price (Kazakhstan) during the reporting period. Mining tax is charged to cost of production and absorbed into metal inventories (Note 7).

Revenue recognition

The Group has three major streams: the sale of gold and silver bullions; sale of copper, gold and silver concentrate; sale of doré. Revenue is measured at the fair value of consideration to which the entity expects to be entitled in a contract with a customer in exchange for transferring promised goods, excluding amounts collected on behalf of third parties, such as value added tax (VAT). Group recognises revenue when it transfers control of a product or service to a customer.

Sale of gold and silver bullion

The Group processes doré produced in the Russian Federation into London Good Delivery Bars prior to sale. This final stage of processing is carried out on a toll-treatment basis at third party refineries. The Group sells gold and silver bullion to banks through long-term agreements. The sales price of each shipment is determined based on the prevailing market price as set by London Bullion Market Association (LBMA) on the day the control is transferred.

For domestic sales, the transfer of control generally occurs when the bullion is transferred to customers at the refinery gate under the Incoterms Free on Board (FOB) with revenue recognised at that point.

For export sales, once the gold and/or silver bars have been approved for export by the Russian customs authorities, they are transported to the vault of the purchaser. Control and title passes and revenue is recognised at the point when the gold and/or silver bars are received by the purchaser under the Incoterms DAP (Delivery at Place).

Sales of copper, gold and silver concentrate

The Group sells copper, gold and silver concentrate under pricing arrangements whereby the final price is determined by the quoted market prices in a period subsequent to the date of sale. These quotation periods differ from 1 to 4 months, depending on the specific terms of the relevant agreement.

For shipments under the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR), control passes to the customer and the revenue is recorded at the time of loading, whilst for shipments under the Incoterms Delivery at Place (DAP) and Delivery at Terminal (DAT), control passes when the goods are delivered at an agreed destination. The proportion of concentrate sold on CIF or CFR Incoterms is insignificant, and therefore no separate material performance obligations for freight and insurance services are recognised.

Revenue is initially recognised based on Polymetal’s estimate of copper, gold and silver content in the concentrate and using the forward London Bullion Market Association (LBMA) or London Metal Exchange (LME) price, adjusted for the specific terms of the relevant agreement, including refining and treatment charges which may be subtracted in calculating the provisional amount to be invoiced.

Subsequent adjustments to pricing during the quotation period is not considered to be variable consideration under IFRS 15, as the Group’s performance obligation has been satisfied at the point of delivery. Trade receivables arising from the sales of copper, gold and silver concentrate with provisional pricing features are accounted for under IFRS 9 *Financial Instruments* as described above. The provisionally priced accounts receivable, outstanding as of each reporting date, are marked to market using the forward price for the quotation period under the relevant agreement with mark-to-market adjustments recognised within revenue.

Doré

Doré sales arrangements are similar to the copper, gold and silver concentrate pricing arrangements described above, with shorter quotational periods of up to 14 days.

Share-based compensation

The Group applies IFRS 2 *Share-based Payments* to account for share-based compensation. IFRS 2 requires companies to recognise compensation costs for share-based payments to employees based on the grant-date fair value of the award.

The fair value of the awards granted under Performance Share Plan (PSP) (as defined in the Remuneration report) is estimated using a Monte-Carlo model valuation (see Note 33).

Awards which are granted under Deferred Share Awards (DSA) plan and are released over a period of three years, are measured at share price at a grant date and are prorated across periods to the different vesting dates (see Note 33).

The fair value of the awards granted is recognised as a general, administrative and selling expense over the vesting period with a corresponding increase in the share-based compensation reserve. Upon the exercise of the awards the amounts recognised within the share-based compensation reserve are transferred to stated capital account.

Earnings per share

Earnings per share calculations are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the treasury stock method, whereby the proceeds from the potential exercise of dilutive stock options with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’s common shares at their average market price for the period.

3. Critical accounting judgements and key sources of estimation uncertainty

In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have a significant impact on those financial statements. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in the future periods affected. The judgements involving a higher degree of estimation or complexity are set out below.

Critical accounting judgements

The following are the critical accounting judgements (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the financial statements. The Group applied judgement to determine the appropriate accounting approach to be followed for several corporate transactions, which were completed during the year.

Accounting for associates

When the Group enters into an investment where it has the power to participate in the financial and operating policy decisions of an investee or into arrangements with other parties for the joint ownership of particular assets or developments, it must assess whether the arrangements constitute significant influence, control, joint operations or a joint venture based on the rights and obligations of the parties to the arrangements (Note 2 sets out the related accounting policies).

In April 2020, Polymetal invested \$20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd (ThreeArc) (Note 21). The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and representation on the board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment is accounted for using the equity method.

Nezhda power line

In June 2020 the Group entered into a preliminary lease agreement to lease, on pre-agreed terms, the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The construction will be funded with Far East and Arctic Development Fund 10-year senior loan, guaranteed by the Group, and Credit Bank of Moscow subordinated loan facility. The completion and commencement date of the lease is scheduled for the second quarter 2022. The Group applied judgement to determine whether there are indicators of control over the project entity and concluded there are none, as well as to determine the classification and valuation of guarantees issued that were accounted for as a single contract with the lease agreement, as described in Note 29.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Veduga

In April 2020, VTB Bank (VTB) invested \$71 million in exchange for a 40.6% stake in Veduga, by acquiring a 25.7% stake in Amikan from the existing minority shareholders for cash consideration of \$36 million and investing a further \$35 million in cash in exchange for newly issued Amikan share capital. As part of the transaction, VTB was granted a put option to sell its stake in Amikan to Polymetal on certain conditions, along with a the similar call option granted to Polymetal, as described in Note 28. The Group applied judgement to determine whether the options represent potential voting rights. The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting right, that currently gives the Group access to the returns associated with related ownership interest, and therefore it falls within the scope IFRS 10 *Consolidated financial statements* requirements. The accounting approach followed is described in Note 28.

Use of estimates

The preparation of financial statements requires the Group to make estimates and assumptions that affect the amounts of the assets and liabilities recognised, amounts of revenue and expenses reported, and contingent liabilities disclosed, as of the reporting date. The determination of estimates is based on current and expected economic conditions, as well as historical data and statistical and mathematical methods as appropriate.

Key sources of estimation uncertainty

Based on the current favorable market conditions, including strong commodity prices and the local currency devaluation, as well as the stable outlook for commodity prices and their volatilities, management has determined that as of the reporting date there are no assumptions or other sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other sources of estimation uncertainty

Other sources of estimation uncertainty reflect those sources of estimation uncertainty of which management believe users should be aware, but which are not judged to have a reasonably possible material impact of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. They include: cash flow projections for impairment testing and impairment reversal, valuation of contingent consideration assets and liabilities and calculation of net realisable value of stockpiles and work-in progress.

DCF models are developed for the purposes of impairment testing, valuation of contingent consideration assets and liabilities and calculation of net realisable value of metal inventories. Expected future cash flows used in DCF models are inherently uncertain and could change over time. They are affected by a number of factors including ore reserves, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

- Ore reserves and mineral resources – Recoverable reserves and resources are based on the proven and probable reserves and resources in existence. Reserves and resources are incorporated in projected cash flows based on ore reserve statements and exploration and evaluation work undertaken by appropriately qualified persons (see below). Mineral resources, adjusted by certain conversion ratios, are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to ore reserves.
- Commodity prices – Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. Polymetal currently use a flat real medium-term and long-term gold and silver price of \$1,500 per ounce (2019: \$1,400 and \$1,200) and \$20 per ounce (2019: \$17 and \$15), respectively.
- Foreign exchange rates – Foreign exchange rates are based on observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. Management have analysed RUB/\$ rate movements for the year ended 31 December 2020. The long-term and medium-term rate RUB/\$ exchange rate is estimated at 72 RUB/\$ (2019: 65 RUB/\$ and 63 RUB/\$, respectively).
- Discount rates – The Group used a post-tax real discount rate of 9.0% (2019: 9.0%). Cash flow projections used in fair value less costs of disposal impairment models are discounted based on this rate.
- Operating costs, capital expenditure and other operating factors – Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management’s best estimate of the outcome of uncertain future events at the balance sheet date.

No impairment for property, plant and equipment was recognised during the year ended 31 December 2020 as no indicators of impairment were identified. The sensitivities for goodwill impairment testing are disclosed in Note 20, and in the absence of indicators for impairment, these are not extended to impairment testing more generally. The sensitivities of contingent consideration liabilities (\$161 million at 31 December 2020) and inventories held at net realisable value (\$52 million at 31 December 2020) to a reasonably possible change in key assumptions described above are not considered material.

Environmental obligations

The Group’s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group’s provision for future decommissioning and land restoration cost represents management’s best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable interest rate for discounting the future cash outflows. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

4. Disposal of subsidiaries

Irbychan Gold

In November 2019, the Group carved out a group of assets, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity as a part of the programme to dispose of smaller short-lived assets. It was determined that Irbychan Gold met the definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations*, so it was presented separately in the balance sheet as of 31 December 2019. The disposal group did not represent separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it did not meet the definition of discontinued operation.

Based on the non-binding agreement signed in 2019 with a third party, owned by a Polymetal former employee and long-term Polymetal business partner, the expected sale price was \$13 million. In accordance with the measurement requirements of IFRS 5, at 31 December 2019, the disposal group was measured at the lower of its carrying amount and fair value less costs to sell, and the Group recognised a loss of \$28 million.

On 31 March 2020, the sale was completed. In accordance with the finalised agreement, the consideration receivable comprised \$10 million fixed upfront cash payment (being RUB 800 million at the RUB/USD exchange rate of 78.85 as of the date of closing) and a 1% annual net smelter return (NSR) receivable by the Group if the gold price exceeds \$1,500/oz. The royalty proceeds are capped at \$50 million in Rouble equivalent. Additionally, if the average gold price in 2022 exceeds \$1,600/oz simultaneously with RUB appreciation, Polymetal will receive any positive foreign exchange difference between the \$ values of the Rouble fixed cash payment made (RUB 800 million) at 31 December 2022 and at 30 January 2020.

The NSR royalty and foreign exchange compensation payment meets the definition of contingent consideration receivable and were accounted for at their fair value at the disposal date. The fair value was determined based on the life of the mine (LOM) model of the mines sold and calculated using Monte Carlo modelling. The fair value of total consideration receivable was estimated at \$2 million by applying the key assumptions set out below:

Gold price volatility	16.52%
Gold price per ounce as of disposal date	\$1,605
RUB/USD exchange rate volatility	12.7%
RUB/USD exchange as of disposal date	78.85
Discount rate	11.7%

Due to the depreciation of the Russian Rouble, at the date of disposal net assets of the subsidiary and the gain on disposal were as follows:

	\$m
Property, plant and equipment	2
Non-current ore stock piles	9
Total assets classified as held for sale	11
Environmental obligations	(1)
Total liabilities associated with assets classified as held for sale	(1)
Net assets of disposal group	10
Cash consideration received	10
Contingent consideration receivable	2
Total consideration	12
Gain on disposal	2

4. Disposal of subsidiaries continued

North Kaluga

In May 2020, Polymetal entered into a legally binding agreement to sell North Kaluga deposit to a third party, North Kaluga Mining Limited, as a part of the Group’s strategy to dispose of smaller and low-margin assets.

The transaction consideration consisted of a \$11 million fixed upfront cash payment, 5% net smelter return (NSR) and 50% royalty on Excess Revenue. Excess Revenue is defined as actual revenue less base revenue, where the latter is revenue calculated based on actual grades and the following metal prices: Cu = \$5,500/t, Zn = \$2,310/t, Au = \$1,650/oz, Ag = \$18.7/oz. Both NSR and the Excess Revenue royalty are capped at \$300 million.

The fair value of the NSR and the royalty met the definition of contingent consideration receivable and were estimated at \$7 million as of the date of the agreement (31 December 2020: \$24 million as described in Note 23). The fair value of the NSR receivable was determined using a valuation model based on the expected production and was calculated using a Monte Carlo model. The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of disposal date per ounce/tonne, \$	Price volatility, %	Constant correlation to gold, %
Gold	1,761.85	13.43%	n/a
Silver	17.86	23.8%	54%
Copper	5,825	19.2%	(62)%
Zinc	2,070	23.6%	(62)%
Discount rate 11.7%			

In July 2020, the Group completed the sale of North Kaluga. At the date of disposal, net assets of the disposed subsidiary and gain on disposal were as follows:

	\$m
Property, plant and equipment	14
Other current assets	1
Intercompany debt	(3)
Net assets disposed of	12
Cash consideration received	11
Contingent consideration receivable	7
Total consideration	18
Gain on disposal	6

PGGK disposal

In June 2020, the Group sold its 100% interest in a minor subsidiary PGGK to the third party for \$2 million in cash and further repayment on intercompany debt of \$4 million. PGGK’s net assets amounted to \$1 million and the Group recognised gain on disposal of \$5 million.

5. Segment information

The Group has identified five reportable segments:

- Magadan (Omolon, Dukat, Mayskoye);
- Ural (Voro);
- Khabarovsk (Amursk POX, Albazino, Svetloye, Veduga, Kutyn);
- Kazakhstan (Varvara, Komar, Kyzyl);
- Yakutia (Nezhda, Prognoz).

Reportable segments are determined based on the Group’s internal management reports, which are separated based on the Group’s geographical structure. Minor companies and activities (management, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within ‘Corporate and other’ segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group’s reportable segments are based in the Russian Federation and Kazakhstan.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 216.

The accounting policies of the reportable segments are consistent with those of the Group’s accounting policies under IFRS. From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management’s perspective. During the year ended 31 December 2020 the Group reclassified several development projects from «Corporate and other» to ‘Magadan’, ‘Ural’ and ‘Khabarovsk’ segments. The comparative information was restated accordingly.

Revenue shown as ‘Corporate and other’ comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group’s production entities. The Group recognises Revenue and related Cost of sales in a segment where the source ore was mined, regardless whether it was processed on behalf of that segment at production facilities related to another hub, Revenue and Cost of sales of the production entities are reported net of any intersegmental Revenue and Cost of sales related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from a management and forecasting perspective.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements. The segment adjusted EBITDA reconciles to the profit before income tax as follows:

5. Segment information continued

Period ended 31 December 2020 (\$m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	940	1,096	681	148	–	2,865	–	–	2,865
Intersegment revenue	–	–	–	–	–	–	421	(421)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	265	406	221	35	–	927	259	(270)	916
Cost of sales	338	489	274	39	–	1,140	259	(270)	1,129
Depreciation included in Cost of sales	(73)	(72)	(49)	(6)	–	(200)	–	–	(200)
Write-down of metal inventory to net realisable value	–	(8)	–	2	–	(6)	–	–	(6)
Write-down of non-metal inventory to net realisable value	–	(4)	(4)	–	–	(8)	–	–	(8)
Rehabilitation expenses	–	1	–	–	–	1	–	–	1
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	18	31	17	6	8	80	110	(28)	162
General, administrative and selling expenses	20	31	18	6	8	83	129	(28)	184
Depreciation included in SGA	(2)	–	(1)	–	–	(3)	(4)	–	(7)
Share-based compensation	–	–	–	–	–	–	(15)	–	(15)
Other operating expenses excluding additional tax charges	22	39	12	8	8	89	11	(1)	99
Other operating expenses	22	39	12	8	8	89	11	(1)	99
Bad debt and expected credit loss allowance	–	–	(2)	–	–	(2)	–	–	(2)
Additional tax charges/fines/penalties	–	–	2	–	–	2	–	–	2
Loss from associates and joint ventures	–	–	–	–	–	–	2	–	2
Adjusted EBITDA	635	620	431	99	(16)	1,769	39	(122)	1,686
Depreciation expense	75	72	50	6	–	203	4	–	207
Rehabilitation expenses	–	(1)	–	–	–	(1)	–	–	(1)
Write-down of non-metal inventory to net realisable value	–	4	4	–	–	8	–	–	8
Write-down of metal inventory to net realisable value	–	8	–	(2)	–	6	–	–	6
Reversal of previously recognised impairment	(5)	(3)	–	–	–	(8)	–	–	(8)
Share-based compensation	–	–	–	–	–	–	15	–	15
Bad debt and expected credit loss allowance	–	–	2	–	–	2	–	–	2
Additional tax charges/fines/penalties	–	–	(2)	–	–	(2)	–	–	(2)
Operating profit	565	540	377	95	(16)	1,561	20	(122)	1,459
Foreign exchange gain	–	–	–	–	–	–	–	–	23
Gain on disposal of subsidiaries, net	–	–	–	–	–	–	–	–	13
Change in fair value of contingent consideration assets and liabilities	–	–	–	–	–	–	–	–	(23)
Finance expenses, net	–	–	–	–	–	–	–	–	(67)
Profit before income tax									1,405
Income tax expense	–	–	–	–	–	–	–	–	(319)
Profit for the year									1,086
Current metal inventories	109	221	100	30	12	472	–	–	472
Current non-metal inventories	30	89	39	6	6	170	20	–	190
Non-current segment assets:									–
Property, plant and equipment, net	738	358	710	68	820	2,694	93	–	2,787
Goodwill	–	14	–	–	–	14	–	–	14
Non-current inventory	31	26	36	2	–	95	–	–	95
Investments in associates	–	–	–	–	–	–	24	–	24
Total segment assets	908	708	885	106	838	3,445	137	–	3,582
Additions to non-current assets:									–
Property, plant and equipment	82	97	256	36	150	621	13	–	634
Acquisition of subsidiaries	–	–	–	–	–	–	7	–	7

Year ended 31 December 2019 (\$m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	681	842	569	149	–	2,241	–	–	2,241
Intersegment revenue	–	–	–	–	–	–	249	(249)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	476	228	37	–	948	155	(164)	939
Cost of sales	295	582	278	51	–	1,206	155	(164)	1,197
Depreciation included in Cost of sales	(87)	(92)	(49)	(7)	–	(235)	–	–	(235)
Write-down of metal inventory to net realisable value	–	(12)	–	(7)	–	(19)	–	–	(19)
Write-down of non-metal inventory to net realisable value	–	1	–	–	–	1	–	–	1
Rehabilitation expenses	(1)	(3)	(1)	–	–	(5)	–	–	(5)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	14	31	17	6	8	76	100	(15)	161
General, administrative and selling expenses	16	32	18	6	8	80	116	(15)	181
Depreciation included in SGA	(2)	(1)	(1)	–	–	(4)	(4)	–	(8)
Share-based compensation	–	–	–	–	–	–	(12)	–	(12)
Other operating expenses excluding additional tax charges	12	27	15	5	(1)	58	9	(1)	66
Other operating expenses	12	26	18	5	(1)	60	9	(1)	68
Bad debt and expected credit loss allowance	–	–	(1)	–	–	(1)	–	–	(1)
Additional tax charges/fines/penalties	–	1	(2)	–	–	(1)	–	–	(1)
Adjusted EBITDA	448	308	309	101	(7)	1,159	(15)	(69)	1,075
Depreciation expense	89	93	50	7	–	239	4	–	243
Rehabilitation expenses	1	3	1	–	–	5	–	–	5
Write-down of non-metal inventory to net realisable value	–	(1)	–	–	–	(1)	–	–	(1)
Write-down of metal inventory to net realisable value	–	12	–	7	–	19	–	–	19
Share-based compensation	–	–	–	–	–	–	12	–	12
Bad debt and expected credit loss allowance	–	–	1	–	–	1	–	–	1
Additional tax charges/fines/penalties	–	(1)	2	–	–	1	–	–	1
Operating profit	358	202	255	87	(7)	895	(31)	(69)	795
Net foreign exchange loss	–	–	–	–	–	–	–	–	(36)
Write-down of assets held for sale	–	–	–	–	–	–	–	–	(28)
Change in fair value of contingent consideration assets and liabilities	–	–	–	–	–	–	–	–	(23)
Finance expenses, net	–	–	–	–	–	–	–	–	(74)
Profit before income tax									634
Income tax expense	–	–	–	–	–	–	–	–	(135)
Profit for the year from continuing operations									499
Loss from discontinued operations	–	–	–	–	–	–	–	–	(16)
Profit for the year									483
Current metal inventories	77	226	109	30	–	442	1	–	443
Current non-metal inventories	26	107	38	5	8	184	17	–	201
Non-current segment assets:									–
Property, plant and equipment, net	812	406	568	45	815	2,646	164	–	2,810
Goodwill	–	16	–	–	–	16	–	–	16
Non-current inventory	41	47	23	3	–	114	–	–	114
Investments in associates	–	–	–	–	–	–	2	–	2
Total segment assets	956	802	738	83	823	3,402	184	–	3,586
Additions to non-current assets:									–
Property, plant and equipment	89	87	117	12	155	460	10	–	470

6. Revenue

	Year ended 31 December 2020			\$m
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (\$ per oz/t payable) (unaudited)	
Gold (thousand ounces)	1,428	1,392	1,772.88	2,467
Silver (thousand ounces)	19,668	19,327	20.13	389
Copper (tonnes)	1,529	1,435	6,273.35	9
Total				2,865

	Year ended 31 December 2019			\$m
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (\$ per oz/t payable) (unaudited)	
Gold (thousand ounces)	1,410	1,363	1,377.35	1,878
Silver (thousand ounces)	22,507	22,076	15.81	349
Copper (tonnes)	2,864	2,705	5,175.64	14
Total				2,241

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Sales within the Russian Federation	1,215	1,044
Sales to Kazakhstan	942	655
Sales to East Asia	539	472
Sales to Europe	169	70
Total	2,865	2,241

Included in revenues for the year ended 31 December 2020 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2020 revenues from such customers amounted to \$1,120 million, \$605 million, \$337 million and \$264 million respectively (2019: \$659 million, \$439 million, \$338 million and \$266 million, respectively).

Presented below is an analysis per revenue streams as described in Note 2 Significant accounting policies:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Bullions	1,358	1,074
Concentrate	902	709
Doré	605	458
Total	2,865	2,241

7. Cost of sales

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Cash operating costs		
On-mine costs (Note 8)	437	485
Smelting costs (Note 9)	350	359
Purchase of ore and concentrates from third parties	106	59
Mining tax	142	115
Total cash operating costs	1,035	1,018
Depreciation and depletion of operating assets (Note 10)	206	250
Rehabilitation expenses	(1)	5
Total costs of production	1,240	1,273
Increase in metal inventories	(127)	(98)
Write-down of inventories to net realisable value (Note 22)	14	18
Idle capacities and abnormal production costs	2	4
Total	1,129	1,197

8. On-mine costs

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Services	205	229
Labour	117	132
Consumables and spare parts	112	119
Other expenses	3	5
Total (Note 7)	437	485

9. Smelting costs

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Consumables and spare parts	149	155
Services	136	139
Labour	64	63
Other expenses	1	2
Total (Note 7)	350	359

10. Depletion and depreciation of operating assets

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
On-mine	143	188
Smelting	63	62
Total in cost of production (Note 7)	206	250
Less: absorbed into metal inventories	(6)	(15)
Depreciation included in cost of sales	200	235

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded from the Group's calculation of Adjusted EBITDA (see Note 6), also excludes amounts absorbed into unsold metal inventory balances.

11. General, administrative and selling expenses

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Labour	139	136
Share-based compensation (Note 33)	15	12
Depreciation	7	8
Services	5	8
Other	18	17
Total	184	181
<i>including</i>		
Mine site expenses	83	78
Corporate head office expenses	101	103
Total	184	181

12. Other operating expenses, net

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Social payments	28	24
Exploration expenses	26	19
Provision for investment in Special Economic Zone (Note 27)	18	11
Taxes, other than income tax	15	11
Change in estimate of environmental obligations (Note 26)	(3)	(2)
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(2)	1
Other expenses	17	4
Total	99	68

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to \$18 million in 2020 (2019: \$11 million).

In 2020 other expenses include \$7 million to Covid-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits and other expenses.

Operating cash flow spent on exploration activities amounts to \$26 million (2019: \$10 million).

13. Employee costs

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Wages and salaries	305	313
Social security costs	74	71
Share-based compensation	15	12
Total employee costs	394	396
Reconciliation:		
Less: employee costs capitalised	(47)	(43)
Less: employee costs absorbed into unsold metal inventory balances	(14)	(15)
Employee costs included in costs of sales	333	338

The weighted average number of employees during the year ended 31 December 2020 was 12,308 (year ended 31 December 2019: 11,811).

Compensation of key management personnel is disclosed within Note 34.

14. Auditor's remuneration

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Fees payable to the auditor and their associates for the audit of the Company's Annual Report		
United Kingdom	0.47	0.35
Overseas	0.74	0.74
Audit of the Company's subsidiaries	0.08	0.06
Total audit fees	1.29	1.15
Audit-related assurance services (half-year financial statements review)	0.48	0.47
Total audit and half-year review fees	1.77	1.62
Other services	0.03	0.03
Total non-audit fees	0.03	0.03
Total fees	1.80	1.65
Non-audit fees as % of audit and half-year review fees	2%	2%

15. Finance expenses, net

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Interest expense on borrowings	59	72
Unwinding of discount on lease liabilities (Note 19)	3	3
Unwinding of discount on environmental obligations (Note 26)	3	4
Unwinding of discount on contingent and deferred consideration liabilities (Note 28)	5	2
Finance income	(3)	(7)
Total	67	74

No significant amount of finance cost related to the discontinued operations in either year.

During the year ended 31 December 2020 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of \$10 million (2019: \$9 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 3.39% (2019: 4.26%) to cumulative expenditure on such assets.

16. Income tax

The amount of income tax expense for the years ended 31 December 2020 and 31 December 2019 recognised in profit and loss was as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Current income taxes	271	101
Deferred income taxes	48	34
Total	319	135

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Profit before income tax	1,404	634
Theoretical income tax expense at 20%	281	127
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(42)	(34)
Tax effect of intercompany dividends	39	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	9	5
Change in fair value of contingent consideration liability	5	4
Losses not recognised and written-off	5	6
Non-deductible interest expense	7	14
Non-taxable consolidation adjustments on disposal of subsidiaries	3	–
Other non-taxable income and non-deductible expenses	12	13
Total income tax expense	319	135

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based payment expenses, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Svetloye LLC is subject to tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021 and 10% from 2022 to 2026. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023 and a tax rate of 10% during 2024–2028.

Tax exposures recognised in income tax

In 2020 and 2019 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 29) (covering taxes and related interest and penalties) of approximately \$157 million being uncertain tax positions (31 December 2019: \$99 million) which relate to income tax. This is connected largely to more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other taxpayers. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three and five calendar years preceding the year of tax review for Russia and Kazakhstan respectively. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

Management does not anticipate a significant risk of material changes in estimates in these matters in the next financial year.

Income tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the consolidated statement of comprehensive income is presented below:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	4	5
Deferred tax expense	–	–
Total income tax recognised in other comprehensive income	4	5

Current and deferred tax assets recognised within other comprehensive income relate to the tax losses originated by foreign currency exchange losses, allowable for tax purposes and generated by monetary items that form part of the intragroup net investment in the foreign operation. These foreign currency exchange losses are recognised in the consolidated financial statements within the foreign currency translation reserve.

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Deferred tax liabilities	(209)	(196)
Deferred tax assets	56	73
Total	(153)	(123)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Property, plant, and equipment and other non-current assets \$m	Trade and other payables \$m	Tax losses \$m	Intercompany dividends \$m	Other \$m	Total \$m
At 1 January 2019	(255)	4	167	–	5	(79)
Charge to profit or loss	(5)	11	(40)	–	–	(34)
Acquisition	–	–	–	–	1	1
Exchange differences	(21)	1	9	–	–	(11)
At 31 December 2019	(281)	16	136	–	6	(123)
Charge to profit or loss	2	4	(33)	(15)	(6)	(48)
Exchange differences	40	(3)	(18)	–	(1)	18
At 31 December 2020	(239)	17	85	(15)	(1)	(153)

The Group believes that recoverability of the recognised deferred tax asset (DTA) of \$85 million at 31 December 2020 (2019: \$136 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2017 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years through to 2021. From 2022 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

16. Income tax continued

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2020. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantly by Mayskoye Gold Mining Company LLC, Varvarinskoye JSC, Polymetal JSC and South-Verkhoyansk Mining Company JSC. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices.

No deferred tax asset has been recognised in respect of \$58 million (2019: \$112 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2020 the Group recognised current income tax of \$24 million related to intercompany dividends, which were remitted during the year. Additionally, as of 31 December 2020 the Group has recognised a deferred tax liability of \$15 million for the undistributed retained earnings of certain of the Group subsidiaries, which are expected to be remitted from these subsidiaries in foreseeable future (2019: nil). No deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group subsidiaries have been recognised where the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to \$2,887 million (2019: \$3,363 million).

17. Dividends

Dividends recognised during the years ended 31 December 2020 and 31 December 2019 are detailed in the below:

	Dividends				
	cents per share	\$m	Deducted from the equity during the period	Proposed in relation to the period	Paid in
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	198	2020	2019	May 2020
Interim dividend 2020	40	189	2020	2020	September 2020
	Total dividends				
			Deducted from the equity \$m	Proposed for the period \$m	Paid in \$m
Year ended 31 December 2019			240	386	240
Year ended 31 December 2020			481	189	481

18. Property, plant and equipment

	Development assets \$m	Exploration assets \$m	Mining assets \$m	Non-mining assets \$m	Capital construction in-progress \$m	Total \$m
Cost						
Balance at 31 December 2018	466	365	2,349	50	150	3,380
Additions	84	43	174	5	164	470
Transfers	(12)	(50)	111	10	(59)	–
Reclassified as held for sale	–	(9)	–	(6)	–	(15)
Change in environmental obligations (Note 26)	–	–	15	–	1	16
Eliminated of disposal of subsidiary	–	–	–	(1)	(2)	(3)
Disposals and write-offs including fully depleted PPE	(5)	(4)	(177)	(1)	–	(187)
Translation to presentation currency	56	42	181	7	20	306
Balance at 31 December 2019	589	387	2,653	64	274	3,967
Additions	70	39	149	11	365	634
Transfers	(150)	(252)	447	3	(48)	–
Change in environmental obligations (Note 26)	–	–	(5)	–	3	(2)
Acquisitions	–	7	–	–	–	7
Eliminated of disposal of subsidiary	(12)	(2)	–	(2)	–	(16)
Disposals and write-offs including fully depleted PPE	–	–	(72)	(1)	(1)	(74)
Translation to presentation currency	(73)	(75)	(371)	(10)	(50)	(579)
Balance at 31 December 2020	424	104	2,801	65	543	3,937

	Development assets \$m	Exploration assets \$m	Mining assets \$m	Non-mining assets \$m	Capital construction in-progress \$m	Total \$m
Accumulated depreciation, amortisation						
Balance at 31 December 2018	–	–	(934)	(27)	–	(961)
Charge for the period	–	–	(270)	(9)	–	(279)
Reclassified as held for sale	–	–	–	4	–	4
Disposals and write-offs including fully depleted PPE	–	–	175	1	–	176
Translation to presentation currency	–	–	(95)	(2)	–	(97)
Balance at 31 December 2019	–	–	(1,124)	(33)	–	(1,157)
Charge for the period	–	–	(232)	(7)	–	(239)
Impairment reversal	–	–	8	–	–	8
Disposals and write-offs including fully depleted PPE	–	–	64	1	–	65
Translation to presentation currency	–	–	167	6	–	173
Balance at 31 December 2020	–	–	(1,117)	(33)	–	(1,150)
Net book value						
31 December 2019	589	387	1,529	31	274	2,810
31 December 2020	424	104	1,684	32	543	2,787

Mining assets, exploration and development assets at 31 December 2020 included mineral rights with net book value which amounted to \$1,045 million (31 December 2019: \$1,258 million) and capitalised stripping costs with net book value of \$141 million (31 December 2019: \$109 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. During the year ended 31 December 2020 the Group recognised disposals of fully depleted PPE with cost of \$30 million (year ended 31 December 2019: \$134 million). As of 31 December 2020 capital Construction in progress includes prepayments made for equipment and construction works amounting to \$154 million (2019: \$106 million).

No property, plant and equipment was pledged as collateral at 31 December 2020 or at 31 December 2019.

18. Property, plant and equipment continued

Novopetrovskoye acquisition

On 7 August 2020, the Group acquired, for a cash consideration of \$7 million, a 75% stake in the wholly-owned subsidiary of Rosgeo, which owns the license for the Novopetrovskaya area.

The Group was granted a 7-year call option to acquire the remaining 25% interest following the Russian statutory reserve estimate (GKZ). Simultaneously the Group was granted a 7-year put option to sell 75% back at nominal price. The option becomes exercisable when the Russian statutory reserve estimate (GKZ) is approved. The call option does not represent potential voting rights as it is not currently exercisable, and is valued at nil as of 31 December 2020.

The transaction represents an asset acquisition in accordance with IFRS 3 Business Combination, acquisition is in substance the acquisition of an assets, being an exploration license, rather than the acquisition of a business, as the acquired company does not have any processes that have the ability to create contribute to the creation of outputs. The consideration paid is mainly attributable to the acquired mineral rights.

Reversal of previously recognised impairments

The Group has reversed a previously recognised impairment charge related to the Magadan (Omolon Gold Mining Company LLC) and Kazakhstan (Varvarinskoye JSC) segments, amounting to \$3 and \$5 million, respectively. This reversal resulted from a positive change in commodity prices estimates used to determine the CGUs' recoverable amounts since the impairment loss was initially recognised.

The reversal of the previously booked impairment charge relates to the mining assets not amortised to the reporting date and is included in the statement of profit or loss and other comprehensive income as a separate line.

The carrying amounts of all the cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs to disposal calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the life of mine model based on proved and probable ore reserves.

The Group used a post-tax real discount rate of 9.04% (2019: 9.04%) in the DCF calculations which is equal to its nominal weighted average cost of capital of 11.7% (2019: 11.7%) translated into real terms. The DCF method used is based on the following key assumptions:

Commodity prices

Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. An impairment reversal was recognised as a result of the tests performed at 30 June 2020 with the following commodity prices applied: for 2021–2022 the real price for gold and silver of \$1,500 per ounce and \$17 per ounce respectively were used. The flat real long-term price for gold and silver of \$1,400 per ounce and \$15 per ounce respectively were used from 2023 onwards. If the commodity price assumptions as at 31 December 2020 (Note 3) were applied, that would not result in any changes to reversal of impairment charge recognised.

Proved and probable reserves

Production volumes are derived from the detailed life of mine plans which are based on JORC proven and probable reserves.

Production costs

Production costs are based on management's best estimates over the life of the mine, and reflect past experience.

19. Leases

Movements of the right-of-use assets for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Right-of-use assets		
At 1 January	31	31
Additions	16	8
Depreciation charge for the period	(4)	(4)
Disposals	(4)	(9)
Accumulated depreciation of assets disposed	1	1
Translation to presentation currency	(8)	4
At 31 December	32	31

The most significant leases of the Group are office leases.

Movements of the lease liabilities for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Lease liabilities		
At 1 January	(32)	(31)
New lease contracts	(16)	(8)
Unwinding of discount on lease liabilities	(3)	(3)
Repayments of lease liabilities	6	6
Termination of lease contracts	4	8
Translation to presentation currency	8	(4)
At 31 December	(33)	(32)
Less current portion of lease liabilities	(6)	(3)
Total non-current lease liabilities	(27)	(29)

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and continues to account those lease agreements as lease expenses:

- Lease agreements with variable payments;
- Lease agreements of land plots to explore for or use minerals and similar non-generative resources;
- Short-term lease agreements that expire within 12 months from the date of initial application;
- Lease agreements of low value assets (of \$5,000 or less).

Amounts recognised in profit and loss for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Expenses related to lease exemptions	(3)	(2)
Unwinding of discount on lease liabilities	(3)	(3)
Depreciation of right-of-use assets	(4)	(4)
Total lease expenses	(10)	(9)

20. Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Mayskoye	11	12
Dukat	3	4
Total	14	16

The recoverable amount of the cash-generating unit is determined based on a fair value less costs of disposal calculation, which represent Level 3 fair value measurement in accordance with IFRS 13. The impairment testing procedure and related assumptions are described in detail in Note 2 and Note 3 “Use of estimates” section above.

Sensitivity analysis

For Dukat and Mayskoye management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 10% simultaneous decrease in gold and silver prices over the life of mine;
- 10% appreciation in RUB/\$ exchange rates;
- 10% increase in operating expenses over the life of mine; and
- 0.5% increase in the discount rate applied.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections. No scenarios would result in impairment of any of the recognised goodwill.

21. Investments in associates and joint ventures

	31 December 2020		31 December 2019	
	Voting power %	Carrying Value \$m	Voting power %	Carrying Value \$m
Interests in associates and joint ventures				
Tomtor (ThreeArc Mining Ltd)	9.1	20	n/a	–
Chesterfield Resources Plc	22.9	2	n/a	–
Matenvunai LLC	25.0	1	n/a	–
Pekinskaya LLC	35.0	1	n/a	–
Proeks LLC	30.0	–	30	2
Total		24		2

Movement during the reporting periods was as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
At 1 January	2	2
Acquisitions	24	–
Loss from associates and joint ventures	(2)	–
At 31 December	24	2

Tomtor (ThreeArc Mining Ltd)

In March 2020, Polymetal entered into a legally binding agreement to invest \$20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd (ThreeArc). ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals exploration project (Tomtor). The transaction was completed in April 2020.

The project is comprised of the Tomtor open-pit deposit and the Krasnokamensk Hydrometallurgical Facility which will be built near the town of Krasnokamensk. Krasnokamensk, located in South-Eastern Siberia close to the border with China, is the location of Russia’s largest uranium mine and associated processing and tailings storage infrastructure.

Tomtor is located in the north-west of Yakutia. It is expected to be one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally. In 2018, statutory PFS and updated GKZ reserves were approved totalling 30.5 Mt of ore at 4.0% Nb2O51+10.6% REO2 grade containing 1.2 Mt of Nb2O5 and 3.2 Mt of REO.

This investment represents a high-grade, large, long-lived project, which provides Polymetal with the exposure to green technology with significant potential to contribute to active climate change management and leverages Polymetal’s leading technical capabilities in hydrometallurgy and already established regional presence in Yakutia.

The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and representation on the board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

The transaction represents a related party transaction as ICT Holding Ltd, a substantial shareholder of Polymetal International plc, is the majority owner of ThreeArc. The transaction was entered into on market terms based on pre-money enterprise value estimated at \$259 million.

During the period from transaction completion to 31 December 2020, no significant share of profit/(loss) from Tomtor was recognised.

Matenvunai LLC

In May 2019, the Group signed the term sheet with Mineral Exploration Network (Finland) Ltd to participate in early-stage exploration in the Chaunsk region of Chukotka, Russia. In March 2020 the deal was finalised and the Group invested \$0.3 million in exchange for a 25% stake in Matenvunai LLC. Polymetal has also entered into an “earn-in” agreement for financing of exploration, technical research and a JORC feasibility study in exchange for a right to increase its share in the project up to 80% after the completion of these tasks. The Group determined that the arrangement constitutes a joint venture in accordance with IFRS 11 *Joint arrangements* and the investment is accounted using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Matenvunai was recognised.

Pekinskaya LLC

In October 2020, Polymetal has agreed to invest \$0.5 million in exchange for a 35% stake in Pekinskaya Mining Company Ltd (Pekinskaya) with an opportunity to increase its interest up to 100% in several years through an “earn-in” agreement for financing of exploration, technical research and feasibility study. Pekinskaya is a copper-gold-silver exploration company active in Taimyr Dolgan-Nenets municipal district of Krasnoyarsk Krai, where it seeks to receive a mineral exploration license. The Group has determined that it exercises significant influence over the investee and therefore Pekinskaya constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the year ended 31 December 2020 no significant share of profit/(loss) from Pekinskaya was recognised.

Chesterfield Resources PLC

In November 2020, Polymetal has agreed to invest \$2.8 million in exchange for a 22.9% stake in Chesterfield Resources PLC (Chesterfield). Chesterfield is a copper-gold exploration company active in Cyprus. The transaction was completed in December 2020.

This investment is in line with Polymetal’s strategy to invest in mining companies in its regions of operation, and increase its exposure to copper.

The Group determined that it exercised significant influence over the investee as of 31 December 2020 and therefore Chesterfield constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Chesterfield was recognised.

21. Investments in associates and joint ventures continued

Proeks LLC

During the year ended 31 December 2020, the Group determined that the investment is not recoverable and it was written down to nil. The impairment change of \$2 million was recognised within loss from associates and joint venture line.

Matenvunai LLC, Pekinskaya LLC, Chesterfield Resources PLC and Proeks LLC do not represent equity method investments that are individually material.

The following table summarises the aggregate financial position of the investments on a 100% basis. The summarised financial information below represents amounts in the associate's consolidated financial statements prepared in accordance with IFRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. As of 31 December 2020 none of the entities held any significant cash balances and did not record any significant amounts of revenue or expenses, depreciation and amortisation, interest income and expenses, income tax.

	Tomtor	Non-significant investments	Total
	31 December 2020 \$m	31 December 2020 \$m	31 December 2020 \$m
Non-current assets	295	4	299
Current assets	8	4	12
Non-current liabilities	(83)	(1)	(84)
Current liabilities	(1)	–	(1)
Equity	220	3	223

Reconciliation of Tomtor net assets to the investment recognised in the Group balance sheet

Group interest	9%
Net assets	220
Carrying value of investment	20

22. Inventories

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Inventories expected to be recovered after twelve months		
Ore stock piles	69	78
Consumables and spare parts	26	36
Total non-current inventories	95	114
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	138	131
Ore stock piles	194	214
Work in-process	115	75
Doré	15	10
Metal for refining	10	12
Refined metals	–	1
Total metal inventories	472	443
Consumables and spare parts	190	201
Total current inventories	662	644

Write-downs of metal inventories to net realisable value

The Group recognised the following write-downs and reversals to net realisable value of its metal inventories:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Ore stock piles	(2)	(12)
Ore in heap leach piles	(4)	(10)
Copper, gold and silver concentrate	–	3
Total	(6)	(19)

The key assumptions used as of 31 December 2020 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) are described in Note 3 "Use of estimates" section. For short-term metal inventories applicable quoted forward prices as of 31 December 2020 were used: gold and silver price of \$1,906 per ounce (2019: \$1,540) and \$26.6 per ounce (2019: \$18), respectively.

During the year ended 31 December 2020 the Group recognised a write-down of consumables and spare parts inventory of \$8 million (year ended 31 December 2019: reversal of previous write-down of \$1 million).

The amount of inventories held at net realisable value at 31 December 2020 is \$52 million (31 December 2019: \$44 million).

23. Accounts receivable and other financial instruments

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Non-current accounts receivable and other financial instruments		
Contingent consideration receivable (Note 4)	25	–
Loans provided to third parties	4	6
Other long-term assets	9	4
Total	38	10
Trade receivables and other financial instruments		
Receivables from provisional copper, gold and silver concentrate sales	46	25
Other receivables	21	16
Short-term contingent consideration receivable	3	–
Less: Allowance for doubtful debts	(3)	(2)
Total trade and other receivables	67	39
Shares held at FVTPL	2	7
Short-term loans provided	6	2
Total other short-term financial instruments	8	9
Total	75	48

The average credit period on sales of copper, gold and silver concentrate at 31 December 2020 was 14 days (2019: 13 days). No interest is charged on trade receivables. The Group's doubtful debt relates to its non-trade receivables, which are fully impaired.

During the year ended 31 December 2020 the Group recognised contingent consideration receivable as a result of disposals of Irbychan Gold and North Kaluga deposit (Note 4). Contingent consideration was estimated using Monte-Carlo modeling based on applicable life-of-mine plans as described in Note 4.

23. Accounts receivable and other financial instruments continued

The table below sets out a summary of changes in the fair value of the contingent consideration receivable, which are classified as Group's Level 3 financial assets (Note 30) for the year ended 31 December 2020:

	Irbychan Gold \$m	North Kaluga \$m	Total \$m
Opening balance	–	–	–
Additions (Note 4)	2	7	9
Change in fair value, included in profit or loss	2	17	19
Total contingent consideration	4	24	28
Less current portion of contingent consideration receivable	–	(3)	(3)
Total non-current contingent consideration	4	21	25

The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of valuation date per ounce/ tonne	Volatility, %	Constant correlation to gold, %
Gold	1,891	13.79%	n/a
Silver	26.49	29.4%	84%
Copper	7,741	19.0%	13.69%
Zinc	2,724	23.5%	(42)%
RUB rate	73.88	17.4%	
Discount rate 11.7%			

24. Cash and cash equivalents

		Year ended	
		31 December 2020 \$m	31 December 2019 \$m
Bank deposits	– USD	180	179
	– other currencies	8	16
Current bank accounts	– USD	193	55
	– other currencies	5	3
Total		386	253

Bank deposits as of 31 December 2020 are mainly presented by the US Dollar deposits, bearing an average interest rate of 0.39% per annum (2019: US Dollar deposits, bearing an average interest rate of 1.31% per annum and KZT demand deposits, bearing an interest rate of 7.52%).

25. Borrowings

		Actual interest rate at			31 December 2020			31 December 2019		
		Type of rate	31 Dec 2020	31 Dec 2019	Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
Secured loans from third parties		floating	1.95%	3.61%	–	200	200	–	75	75
<i>US Dollar denominated</i>		fixed	4.10%	4.00%	144	92	236	136	236	372
Total					144	292	436	136	311	447
Unsecured loans from third parties										
<i>US Dollar denominated</i>		floating	1.53%	3.48%	80	207	287	26	350	376
<i>US Dollar denominated</i>		fixed	2.64%	4.25%	101	850	951	52	849	901
<i>Euro denominated</i>		fixed	1.65%	2.85%	9	–	9	–	8	8
<i>RUB denominated</i>		fixed	5.00%	n/a	–	54	54	–	–	–
					190	1,111	1,301	78	1,207	1,285
Total					334	1,403	1,737	214	1,518	1,732

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in US Dollars. Where security is provided it is in form of a pledge of revenue from certain sales agreements.

Movements in borrowings are reconciled as follows:

		Year ended	
		31 December 2020 \$m	31 December 2019 \$m
At 1 January		1,732	1,899
Borrowings obtained		2,369	1,244
Repayments of borrowings		(2,366)	(1,410)
Net foreign exchange losses		86	(61)
Exchange differences on translating foreign operations		(86)	61
Arrangement fee amortisation		2	(1)
At 31 December		1,737	1,732

At 31 December 2020, the Group had undrawn borrowing facilities of \$2,281 million (31 December 2019: \$1,904 million), of which \$1,392 million are considered committed (31 December 2019: \$1,079). The Group complied with its debt covenants throughout 2020 and 2019.

The table below summarises maturities of borrowings:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Year ended, 31 December 2020	–	214
31 December 2021	334	241
31 December 2022	195	241
31 December 2023	255	257
31 December 2024	334	279
31 December 2025	50	–
31 December 2026	164	125
31 December 2027	133	125
31 December 2028	133	125
31 December 2029	133	125
31 December 2030	6	–
Total	1,737	1,732

26. Environmental obligations

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Opening balance	57	32
Change in estimate of environmental obligations (Note 12)	(3)	(2)
Decommissioning liabilities recognised as increase in Property plant and equipment (Note 18)	(2)	16
Rehabilitation expenses	(1)	5
Effect of unwinding of discount	3	4
Reclassified to discontinued operations	–	(1)
Translation effect	(10)	3
Closing balance	44	57

The principal assumptions are related to Russian Rouble and Kazakh Tenge projected cash flows. The assumptions used for the estimation of environmental obligations were as follows:

	2020	2019
Discount rates	5.19%–6.96%	5.21%–8.1%
Inflation rates	2.6%–6.9%	2%–6%
Expected mine closure dates	3–29 years	1–30 years

The Group does not hold any assets that are legally restricted for purposes of settling environmental obligations.

The discount rates applied are based on the applicable government bond rates in Russia and Kazakhstan. The expected mine closure dates are consistent with life of mine models and applicable mining licence requirements.

27. Trade payables and accrued liabilities

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Trade payables	90	73
Accrued liabilities	45	49
Labour liabilities	14	14
Provision for investment in Special Economic Zone (Note 12)	18	12
Advances received	7	5
Other payables	13	5
Total	187	158

In 2020 the average credit period for payables was 30 days (2019: 30 days). There was no interest charged on the outstanding payables balance during the credit period. The Group has financial risk management policies in place, which include budgeting and analysis of cash flows and payment schedules to ensure that all amounts payable are settled within the credit period.

28. Contingent and deferred consideration liabilities

	31 December 2020						31 December 2019
	Contingent considerations at fair value				Deferred consideration at amortised cost		Contingent considerations at fair value
	Omolon \$m	Prognoz \$m	Komar \$m	Total at fair value \$m	Veduga \$m	Total \$m	Total \$m
Opening balance	11	16	39	66	–	66	54
Additions	–	–	–	–	71	71	–
Change in fair value, included in profit or loss	4	8	30	42	–	42	23
Unwinding of discount (Note 15)	1	1	–	2	3	5	2
Cash settlement	(4)	–	(19)	(23)	–	(23)	(13)
Total deferred and contingent	12	25	50	87	74	161	66
Less current portion of contingent consideration liability	(6)	–	(35)	41	–	(41)	(7)
Total deferred and non-current contingent	6	25	15	46	74	120	59

Veduga

In October 2018 the Group acquired an additional 31.7% stake in GRK Amikan LLC (“Amikan”), where it was a partial owner since 2006. Amikan is a the licence holder for the Veduga property, which is a high-grade refractory gold deposit with reserves currently estimated at 2.8 Moz of gold at an average grade of 4.6 g/t with further significant potential exploration upside. Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

In April 2020, VTB Bank (VTB) invested \$71 million in exchange for a 40.6% stake in Veduga, by acquiring 25.7% stake in Amikan from the existing minority shareholders for cash consideration of \$36 million and investing a further \$35 million in cash in exchange for newly issued Amikan share capital.

As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal during the two-year option window (between the 3rd and the 5th anniversary following signing) at a notional amount of \$71 million plus a fixed rate of return subject to certain adjustments, including adjustment for any dividends paid to date. Simultaneously Polymetal was granted a call option to acquire VTB’s stake in Amikan any time during the 4 years and 9 months following signing at the same notional amount plus a fixed rate of return. Both put and call options are to be settled in Polymetal shares.

The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest, and thus the call and put options described above are not subject to the requirements of IFRS 9 *Financial Instruments*, as it relates to the accounting for derivative financial instruments.

Therefore in accordance with IFRS 10 *Consolidated financial statements* the Group accounted for the options over 40.6% interest as if they were already exercised, and recognised a cash inflow of \$35 million, an acquisition of non-controlling interest of \$20 million and a deferred consideration payable of \$71 million, of which US \$ 35 million represents a financial liability in respect of the additional funding provided by VTB for the ongoing exploration and development costs. The corresponding difference of \$16 million was recognised within retained earnings.

On the date of origination the fair value of the deferred consideration representing the discounted amount of the expected future cash flows was estimated at \$71 million. Subsequently the deferred consideration is measured at amortised cost. The liability recognised as of 31 December 2020 amounts to \$74 million.

Omolon

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in Omolon Gold Mining Company LLC (“Omolon”). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised as of 31 December 2020 is \$12 million, including the current portion of \$6 million.

28. Contingent and deferred consideration liabilities continued

Komar

In 2016, the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit (“Komar”) in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling (see below). At 31 December 2020, the fair value of the contingent consideration was estimated at \$50 million, including the current portion of \$35 million.

Prognoz

In 2018, the Group completed the acquisition of Prognoz silver property. The consideration transferred included two separate contingent consideration liabilities. The first contingent liability represents a net smelter return (“NSR”) royalty of between 2 and 4% pro-rated for the 45% holding, and dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production. The royalty agreement is subject to a cap that increases progressively with the silver price. The fair value of the contingent liability is determined using a valuation model based on expected silver production and forecasted long-term flat silver prices.

The second contingent liability represents the NSR royalty in the range of 0.5% to 2.5%, pro-rated for the 50% holding and capped at \$40 million. The royalty will be only payable if silver price is \$19/oz or higher, with the actual royalty rate within the range determined on a progressive scale dependent on silver price. The fair value of the royalty is similarly determined using a valuation model based on the expected production of silver at the silver prices as above and is calculated using Monte Carlo modelling, which simulates expected production silver and the silver prices to estimate Prognoz future revenues.

As of 31 December 2020, the fair value of the total contingent consideration for Prognoz was estimated at \$25 million.

Assumptions used in the valuation of the Omolon and Prognoz are consistent with those used in the calculation of net realisable value of metal inventories, such as long-term metal prices and discount rates. Estimated production volumes are based on life-of-mine plans and are approved by management as part of the long-term planning process.

Monte-Carlo assumptions

Monte-Carlo modelling contingent consideration was performed with the following inputs, where applicable:

- Gold price volatility: 14.63%
- Silver price volatility: 26.45%
- Average gold price for the last quarter prior to valuation date/ounce: \$1,875
- Average silver price for the last quarter prior to valuation date/ounce: \$24.39

The Directors consider that a reasonably possible change in a valuation assumption would not have a material impact on the financial statements for contingent considerations payable.

29. Commitments and contingencies

Commitments

Capital commitments

The Group’s contractual expenditure commitments as of 31 December 2020 amounted to \$250 million (2019: \$152 million).

Nezhda power line

In June 2020 the Group entered into preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by UVES, an independent grid management company with completion and the commencement date of the lease scheduled for the second quarter of 2022.

The construction will be funded with a Far East and Arctic Development Fund (FEDF) 10-year senior loan, guaranteed by the Group, and a Credit Bank of Moscow subordinated loan facility. The FEDF loan is guaranteed by a conditional loan assignment agreement and by a guarantee issued by Polymetal, both exercisable in certain events of default as per the loan agreement. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being complete by a certain date. Simultaneously, Polymetal was granted a call option to acquire a 100% interest in the project entity in case of its default.

The Group has determined that there are no indicators of control over the project entity, as it neither has the power to direct activities that significantly affect the entity’s return, nor does it have the exposure or rights to the variable returns of the project entity, as the Group does not bear risk of capital expenditure overruns.

The preliminary lease agreement is subject to IFRS 16 *Leases* accounting requirements, as the overhead power line is an identified asset with no substantive substitution rights, while how and for what purposes it will be used is predetermined by the nature of the asset and due to its location. The Group is likely to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use. The right-of-use assets and corresponding lease liability are to be recognised at commencement date, which scheduled for the second quarter of 2022.

The Group has determined that the guarantee and the conditional loan assignment agreement in substance represent mechanisms of conditional acceleration of Polymetal’s lease payments in cases of default and should be accounted for as a single contract with the lease agreement under IFRS 16, therefore not requiring separate valuation and accounting.

The call option does not represent potential voting rights as it is not currently exercisable and is accounted for under IFRS 9 *Financial Instruments*, and is valued at nil as of 31 December 2020.

The total expected amount of lease commitments is estimated at \$161 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of \$36 million, which will be expensed as incurred.

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2020 the Group paid \$5 million (2019: \$5 million) under this programme and the total social expense commitment as of 31 December 2020 amounts to \$12 million (2019: \$18 million), payable in equal instalments up to 2023.

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold and silver price, which are accounted for as executed as the Group expects to, and has historically, physically delivered into these contracts.

Contingencies

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the companies of the Group may be challenged by the relevant tax authorities and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management has identified a total exposure (covering taxes and related interest and penalties) of \$157 million in respect of contingent liabilities (2019: \$100 million), mainly related to income tax (2019: \$99 million) as described in Note 16.

30. Fair value accounting

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2020 and 31 December 2019, the Group held the following financial instruments:

	31 December 2020			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	–	46	–	46
Contingent consideration receivable (Note 23)	–	–	25	25
Shares held at FVTPL (Note 23)	2	–	–	2
Contingent consideration liability (Note 28)	–	–	(87)	(87)
Total	2	46	(62)	(14)

	31 December 2019			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	–	25	–	25
Shares held at FVTPL (Note 23)	7	–	–	7
Contingent consideration liability (Note 28)	–	–	(66)	(66)
Total	7	25	(66)	(34)

During the reporting periods, there were no transfers between Level 1 and Level 2.

During the year ended 31 December 2020 the Group recognised gain from change in fair value of contingent consideration assets (Note 23) of \$19 million (2019: nil) and the loss from change in fair value of contingent consideration liabilities (Note 28) of \$42 million (2019: \$23 million), resulting in loss of \$23 million (2019: \$23 million), recognised within profit and loss.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments. The estimated fair value of the Group’s debt, calculated using the market interest rate available to the Group as of 31 December 2020, is \$1,546 million (2019: \$1,482 million), and the carrying value as of 31 December 2020 is \$1,737 million (2019: \$1,732 million) (see Note 25).

Receivables from provisional copper, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

A summary of changes in the fair value of the Group’s Level 3 financial assets and liabilities for the year ended 31 December 2020 are detailed in Notes 23 and 28, respectively.

31. Risk management activities

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy is to provide value to stakeholders by maintaining an optimal short-term and long-term capital structure, reducing cost of capital, and to safeguard the ability to support the operating requirements on an ongoing basis, continuing the exploration and development activities.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 25 offset by cash and cash equivalents and bank balances as detailed in Note 24) and equity of the Group comprising the Stated Capital account, reserves and retained earnings.

The Group’s committed borrowings are subject to certain financial covenants. Compliance with covenants is reviewed on a semi-annual basis and the Group’s Board is satisfied with forecast compliance with covenants on those borrowings.

The Group’s Board reviews the capital structure of the Group on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Major categories of financial instruments

The Group’s principal financial liabilities comprise borrowings, derivatives, trade and other payables. The Group has various financial assets such as accounts receivable, loans advanced and cash and cash equivalents.

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Financial assets		
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	46	25
Contingent consideration receivable	28	–
Shares held at FVTPL	2	7
Loans and receivables, including cash and cash equivalents		
Cash and cash equivalents (Note 24)	386	253
Trade and other receivables (Note 23)	24	16
Non-current loans and receivables (Note 23)	4	10
Total financial assets	490	311
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 28)	87	66
Financial liabilities at amortised cost		
Borrowings (Note 25)	1,737	1,732
Deferred consideration (Note 28)	74	–
Trade and other payables (Note 27)	121	89
Total financial liabilities	2,019	1,887

Trade and other payables exclude employee benefits and social security.

The main risks arising from the Group’s financial instruments are foreign currency and commodity price risk, interest rate, credit and liquidity risks.

At the end of the reporting period, there are no significant concentrations of credit risk for receivables at FVTPL. The carrying amount reflected above represents the Group’s maximum exposure to credit risk for such receivables.

Presented below is a summary of the Group’s accounts receivable with embedded derivative recorded on the consolidated balance sheet at fair value.

As of 31 December 2020, accounts receivable with embedded derivatives recognised at fair value amounted to \$46 million (31 December 2019: \$25 million) and represented receivables from provisional metal concentrate sales. Gain recognised on revaluation of these instruments in the amount of \$1 million (2019: \$2 million) was recorded within revenue.

31. Risk management activities continued

Foreign currency and commodity price risk

In the normal course of business the Group enters into transactions for the sale of its commodities, denominated in US Dollars. In addition, the Group has assets and liabilities in a number of different currencies (primarily Russian Rouble and Kazakh Tenge). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

The Group does not currently use derivative instruments to hedge its exposure to foreign currency risk.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2020 and 31 December 2019 were as follows:

	Assets		Liabilities	
	31 December 2020 \$m	31 December 2019 \$m	31 December 2020 \$m	31 December 2019 \$m
US Dollar	435	253	575	697
Euro	–	–	13	10
Total	435	253	588	707

US Dollar denominated assets and liabilities disclosed above exclude balances outstanding held in Polymetal International plc and its intermediate holding companies, where the functional currency is US Dollar (\$) as described in Note 2.

Currency risk is monitored on a monthly basis by performing a sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The table below details the Group's sensitivity to changes in exchange rates by 10% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items denominated in respective currencies at the reporting dates.

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Profit or loss (RUB to US Dollar)	(4)	(26)
Profit or loss (KZT to US Dollar)	(11)	(19)

Provisionally priced sales

Under a long-established practice prevalent in the industry, copper, gold and silver concentrate sales are provisionally priced at the time of shipment. The provisional prices are finalised in a contractually specified future period (generally one to three months) primarily based on quoted LBMA or LME prices. Sales subject to final pricing are generally settled in a subsequent month.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group does not currently hedge its exposure to interest rate risk.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would have decreased/increased by \$4 million (2019: \$6 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents and loans and receivables.

Trade accounts receivable at 31 December 2020 and 31 December 2019 are represented by provisional copper, gold and silver concentrate sales transactions. A significant portion of the Group's trade accounts receivable is due from reputable export trading companies. With regard to other loans and receivables the procedures of accepting a new customer include checks by a security department and responsible on-site management for business reputation, licences and certification, creditworthiness and liquidity. Generally, the Group does not require any collateral to be pledged in connection with its investments in the above financial instruments. Credit limits for the Group as a whole are not set up.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The major financial assets at the balance sheet date other than trade accounts receivable presented in Note 24 are cash and cash equivalents at 31 December 2020 of \$386 million (2019: \$253 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due.

The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting, cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet its payment obligations.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Presented below is the maturity profile of the Group's financial liabilities as of 31 December 2020:

	31 December 2020				Total \$m
	Less than 3 months \$m	3–12 months \$m	1–5 years \$m	More than 5 years \$m	
Borrowings	154	237	896	692	1,979
Accounts payable and accrued expenses	119	2	–	–	121
Contingent consideration liabilities (Note 28)	9	32	122	43	206
Lease liabilities (Note 19)	2	5	23	19	49
Total	284	276	1,041	754	2,355

	31 December 2019				Total \$m
	Less than 3 months \$m	3–12 months \$m	1–5 years \$m	More than 5 years \$m	
Borrowings	68	216	1,106	639	2,029
Accounts payable and accrued expenses	89	1	–	–	90
Contingent consideration liabilities (Note 28)	4	3	45	28	80
Lease liabilities (Note 19)	1	4	22	20	47
Total	162	224	1,173	687	2,246

32. Stated capital account and retained earnings

As of 31 December 2020, the Company’s issued share capital consisted of 471,818,000 ordinary shares (2019: 470,188,201 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2019: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

The movements in the Stated Capital account in the year were as follows:

	Stated capital account	Stated capital account
	no. of shares	\$m
Balance at 31 December 2018	469,368,309	2,414
Issue of shares in accordance with DSA and LTIP plans	819,892	10
Balance at 31 December 2019	470,188,201	2,424
Issue of shares in accordance with DSA and LTIP plans	1,629,799	10
Balance at 31 December 2020	471,818,000	2,434

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately \$3.2 billion (2019: \$3.4 billion), which if remitted without restrictions would fund the Group’s anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group’s anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Year ended	
	31 December 2020	31 December 2019
Weighted average number of outstanding common shares	471,278,987	469,926,157
Dilutive effect of share appreciation plan	6,708,642	6,475,641
Weighted average number of outstanding common shares after dilution	477,987,629	476,401,798

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2020 (year ended 31 December 2019: nil).

At 31 December 2020 the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2019: the outstanding LTIP awards issued under 2016–2019 tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2020 and 31 December 2019 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

33. Share-based payments

For the year ended 31 December 2020, share-based compensation in the amount of \$15 million including \$2 million of management bonus deferral award (2019: \$12 million and \$2 million, respectively) was recognised in general, administrative and selling expenses in the consolidated income statement (Note 11). As of 31 December 2020 total accumulated share-based compensation reserve amounts to \$31 million (2019: \$26 million) with movements presented in statement of changes in equity.

As of the reporting date the unrecognised share-based compensation expense related to non-vested equity-settled stock appreciated rights is detailed as follows:

	31 December 2020			31 December 2019	
	Number of option granted shares	Expected amortisation period years	Unrecognised share-based compensation expense \$m	Expected amortisation period years	Unrecognised share-based compensation expense \$m
Tranche 2016	2,039,787	–	–	0.3	1
Tranche 2017	2,070,002	0.3	1	1.3	4
Tranche 2018	2,549,754	1.3	3	2.3	6
Tranche 2019	2,831,753	2.3	7	3.3	10
Tranche 2020	2,497,292	3.3	20	n/a	n/a
Total			31		21

During the year ended 31 December 2020 total amount of 1,629,799 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2019: 819,892 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

	Tranche 2017	Tranche 2018	Tranche 2019	Tranche 2020
Risk free rate	1.60%	2.49%	2.32%	0.35%
Expected volatility	41.65%	34.03%	33.87%	35.59%
Constant correlation	34.49%	33.70%	39.54%	44.31%
Expected life, years	4	4	4	4
Share price at the date of grant (USD)	13.3	10.2	11.0	20.6
Fair value of one award (USD)	6.9	4.0	4.3	9.4

Dividend yield is not incorporated into the calculation of the fair value of the awards, as Dividend equivalents will be received on vested shares, reflecting the value of dividends, which have been paid during the period from the grant date to the vesting date.

34. Related parties

Related parties are considered to include shareholders, affiliates, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel.

During the year ended 31 December 2020 the Group entered into a related party transaction with ICT Holding Ltd (ICT), a substantial shareholder of Polymetal International plc, by acquiring an interest in the associate ThreeArc, as described in Note 21.

Other transactions are represented by various purchases of \$0.1 million and services rendered of \$0.5 million (31 December 2019: various purchases of \$0.08 million and services rendered of \$0.2 million).

As of 31 December 2020 loans advanced to equity method investments (Note 21) amounted to \$1.5 million (2019: nil).

As of 31 December 2019 the share of non-controlling interest in Amikan GRK amounting to the \$7 million was held by a related party. During the year ended 2020 the Group consolidated non-controlling interest in Amikan, including the interest previously held by a related party, as described in Note 28.

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2020 \$m	31 December 2019 \$m
Share-based payments	2	3
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
Total	7	8

35. Notes to the consolidated statement of cash flows

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Profit before tax		1,405	618
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		207	243
Write-down of inventories to net realisable value	22	14	18
Share-based compensation	11, 33	15	12
Finance expenses, net	15	67	74
Change in fair value of contingent consideration assets and liabilities	28	23	23
Foreign exchange (gain)/loss		(23)	36
Reversal of previously recognised impairment		(8)	–
(Gain)/Loss on disposal of subsidiaries, net	4	(13)	16
Write-down of assets held for sale	4	–	28
Other non-cash expenses		7	18
		1,694	1,086
Movements in working capital			
Increase in inventories		(127)	(81)
Increase in VAT receivable		(26)	(45)
Increase in trade and other receivables		(26)	(54)
Increase in prepayments to suppliers		(43)	(12)
Increase/(Decrease) in trade and other payables		34	(16)
Increase in other taxes payable		28	–
Cash generated from operations		1,534	878
Interest paid		(71)	(81)
Interest received		4	6
Income tax paid		(275)	(107)
Net cash generated by operating activities		1,192	696

During the year ended 31 December 2020 the Group consolidated the non-controlling interest in its subsidiary Amikan through a non-cash transaction of \$36 million as described in Note 28. There were no other significant non-cash transactions except for share-based compensation of \$15 million (Note 15) (2019: share-based compensation of \$12 million).

Cash outflows related to exploration amounted to \$35 million for the year ended 31 December 2020 (2019: \$39 million). During the year ended 31 December 2020, the capital expenditure related to the new projects, increasing the operating capacity amounts to \$252 million (2019: \$246 million).

36. Subsequent events

There were no subsequent events.

Introduction

The financial performance reported by the Group contains certain Alternative Performance Measures (APMs), disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). APMs should be considered in addition to, and not as a substitute for, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide the readers with valuable information and an improved understanding of the underlying performance of the business.

APMs are not uniformly defined by all companies, including those within the Group's industry. Therefore, the APMs used by the Group may not be comparable to similar measures and disclosures made by other companies.

Purpose

APMs used by the Group represent financial KPIs for clarifying the financial performance of the Company and measuring it against strategic objectives, given the following background:

- Widely used by the investor and analyst community in the mining sector and, together with IFRS measures, provide a holistic view of the Company
- Applied by investors to assess earnings quality, facilitate period-to-period trend analysis and forecasting of future earnings, and understand performance through eyes of management
- Highlight key value drivers within the business that may not be obvious in the financial statements
- Ensure comparability of information between reporting periods and operating segments by adjusting for uncontrollable or one-off factors which impact upon IFRS measures
- Used internally by management to assess the financial performance of the Group and its operating segments
- Used in the Group's Dividend Policy
- Certain APMs are used in setting Directors' and management's remuneration

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	• Profit/(loss) for the financial period attributable to equity shareholders of the Company	• Write-down of metal inventory to net realisable value (post-tax) • Write-down of development and exploration assets (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax)	• Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance
Underlying earnings per share	• Earnings per share	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above)¹ • Average equity at the beginning and the end of reporting year, adjusted for translation reserve	• The most important metric for evaluating the Company's profitability • Measures the efficiency with which a company generates income using the funds that shareholders have invested
Return on assets	• No equivalent	• Underlying net earnings (as defined above)¹ before interest and tax • Average total assets at the beginning and the end of reporting year	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Write-down of development and exploration assets • Impairment/reversal of previously recognised impairment of operating assets • Share-based compensation • Bad debt allowance • Net foreign exchange gain/losses • Change in fair value of contingent consideration liability • Rehabilitation costs • Additional mining taxes, VAT, penalties and accrued interest • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures	• Excludes the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation
Net debt	• Net total of current and non-current borrowings² • Cash and cash equivalents	• Not applicable	• Measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength • Used by creditors in bank covenants
Net debt/ EBITDA ratio	• No equivalent	• Not applicable	• Used by creditors, credit rating agencies and other stakeholders
Free cash flow	• Cash flows from operating activity less cash flow from investing activities	• Excluding acquisition costs in business combinations and investments in associates and joint ventures • Excluding loans forming part of net investment in joint ventures • Excluding proceeds from disposal of subsidiaries	• Reflects cash generating from operations after meeting existing capital expenditure commitments • Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure
Free cash flow post M&A	• Cash flows from operating activity less cash flow from investing activities	• Not applicable	• Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures • Reflects cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets • Reclassification of treatment charges deductions to cost of sales	• Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard • Gives a picture of the Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities
All-in sustaining cash costs (AISC)	• Total cash operating costs • General, administrative & selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital) After tax, all- in cash costs include additional adjustments for net finance cost, capitalised interest and income tax expense All-in costs include additional adjustments on that for development capital	• Includes the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure • Provides investors with better visibility into the true cost of production

1 Annualised basis for half-year results.
2 Excluding lease liabilities.

Reserves and Resources

Ore Reserves as at 1 January 2021¹

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Proved													
Standalone mines	3,880						6.1	762	–	–	–	–	762
Kyzyl ²	2,530	5.3	–	–	–	–	5.3	432	–	–	–	–	432
Mayskoye	1,350	7.5	–	–	–	–	7.5	330	–	–	–	–	330
Albazino hub	5,340						3.6	624	–	–	–	–	624
Albazino	3,480	3.7	–	–	–	–	3.7	413	–	–	–	–	413
Kutyn ³	1,860	3.5	–	–	–	–	3.5	211	–	–	–	–	211
Dukat hub	5,710						3.7	103	47,276	–	12.0	9.3	684
Dukat	4,190	0.5	246	–	–	–	3.5	64	33,207	–	–	–	474
Lunnoye	990	1.2	289	–	–	–	4.7	38	9,273	–	–	–	150
Arylakh	10	0.9	206	–	–	–	3.5	–	85	–	–	–	1
Perevalnoye	520	–	285	–	2.33	1.80	3.6	–	4,711	–	12.0	9.3	59
Varvara hub	23,620						0.9	693	–	31.4	–	–	693
Varvara ⁵	19,310	0.8	–	0.41	–	–	0.8	489	–	31.4	–	–	489
Komar	4,310	1.5	–	–	–	–	1.5	203	–	–	–	–	203
Omolon hub	3,210						3.2	322	984	–	–	–	332
Birkachan	2,470	2.3	8	–	–	–	2.4	183	635	–	–	–	190
Olcha	360	7.2	22	–	–	–	7.4	83	249	–	–	–	85
Tsokol Kubaka	380	4.6	8	–	–	–	4.7	56	101	–	–	–	57
Voro hub	12,520						1.6	641	696	–	–	–	647
Voro	7,710	1.4	3	–	–	–	1.4	347	696	–	–	–	353
Maminskoye ⁶	4,810	1.9	–	–	–	–	1.9	295	–	–	–	–	295
Svetloye hub	2,010						2.0	132	–	–	–	–	132
Svetloye	2,010	2.0	–	–	–	–	2.0	132	–	–	–	–	132
Development and exploration projects	12,300						3.8	1,421	7,603	–	–	–	1,501
Nezhda ⁸	11,730	3.6	20	–	–	–	3.9	1,372	7,603	–	–	–	1,452
Veduga ⁹	570	2.7	–	–	–	–	2.7	49	–	–	–	–	49
Total Proved	68,590						2.4	4,697	56,560	31.4	12.0	9.3	5,375
Probable													
Standalone mines	60,940						5.7	11,171	–	–	–	–	11,171
Kyzyl ²	55,730	5.4	–	–	–	–	5.4	9,675	–	–	–	–	9,675
Mayskoye	5,210	8.9	–	–	–	–	8.9	1,496	–	–	–	–	1,496
Albazino hub	14,530						3.8	1,781	–	–	–	–	1,781
Albazino	7,990	4.6	–	–	–	–	4.6	1,181	–	–	–	–	1,181
Kutyn ³	6,540	2.9	–	–	–	–	2.9	601	–	–	–	–	601
Dukat hub	3,590						4.6	112	35,893	–	12.5	10.5	533
Dukat	2,230	0.5	238	–	–	–	3.4	36	17,133	–	–	–	248
Lunnoye	590	2.3	190	–	–	–	4.6	43	3,576	–	–	–	86
Arylakh	90	0.2	269	–	–	–	3.6	1	771	–	–	–	10
Perevalnoye	560	–	315	–	2.24	1.88	3.9	–	5,658	–	12.5	10.5	71
Primorskoye ⁴	120	8.3	2,227	–	–	–	30.2	33	8,754	–	–	–	119
Varvara hub	21,560						1.5	1,036	–	9.3	–	–	1,036
Varvara ⁵	4,550	1.1	–	0.55	–	–	1.1	164	–	9.3	–	–	164
Komar	17,010	1.6	–	–	–	–	1.6	872	–	–	–	–	872
Omolon hub	1,030						8.2	264	822	–	–	–	271
Birkachan	640	7.1	17	–	–	–	7.3	146	341	–	–	–	149
Tsokol Kubaka	10	3.7	4	–	–	–	3.7	1	1	–	–	–	1
Burgali	380	9.6	39	–	–	–	9.9	117	481	–	–	–	121

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Voro hub	12,110						2.7	1,040	51	–	–	–	1,040
Voro	150	4.6	10	–	–	–	4.7	23	51	–	–	–	23
Maminskoye ⁶	9,890	1.9	–	–	–	–	1.9	618	–	–	–	–	618
Pescherny ⁷	2,070	6.0	–	–	–	–	6.0	399	–	–	–	–	399
Svetloye hub	4,000						2.9	367	–	–	–	–	367
Svetloye	4,000	2.9	–	–	–	–	2.9	367	–	–	–	–	367
Development and exploration projects	44,680						4.4	4,402	152,957	5.8	–	128.6	6,292
Nezhda ⁸	26,290	3.4	13	–	–	–	3.5	2,844	10,981	–	–	–	2,960
Veduga ⁹	10,510	4.6	–	–	–	–	4.6	1,558	–	–	–	–	1,558
Prognoz ¹⁰	7,880	–	560	0.09	–	1.63	7.0	–	141,975	5.8	–	128.6	1,775
Total Probable	162,440						4.3	20,173	189,722	15.1	12.5	139.1	22,492
Proved + Probable													
Standalone mines	64,820						5.7	11,933	–	–	–	–	11,933
Kyzyl ²	58,260	5.4	–	–	–	–	5.4	10,107	–	–	–	–	10,107
Mayskoye	6,560	8.6	–	–	–	–	8.6	1,826	–	–	–	–	1,826
Albazino hub	19,870						3.8	2,405	–	–	–	–	2,405
Albazino	11,470	4.3	–	–	–	–	4.3	1,593	–	–	–	–	1,593
Kutyn ³	8,400	3.0	–	–	–	–	3.0	812	–	–	–	–	812
Dukat hub	9,300						4.1	215	83,169	–	24.5	19.8	1,218
Dukat	6,420	0.5	243	–	–	–	3.5	100	50,340	–	–	–	722
Lunnoye	1,580	1.6	253	–	–	–	4.6	81	12,849	–	–	–	236
Arylakh	100	0.3	261	–	–	–	3.6	1	856	–	–	–	12
Perevalnoye	1,080	–	301	–	2.28	1.84	3.8	–	10,369	–	24.5	19.8	130
Primorskoye ⁴	120	8.3	2,227	–	–	–	30.2	33	8,754	–	–	–	119
Varvara hub	45,180						1.2	1,729	–	40.6	–	–	1,729
Varvara ⁵	23,860	0.9	–	0.44	–	–	0.9	653	–	40.6	–	–	653
Komar	21,320	1.6	–	–	–	–	1.6	1,076	–	–	–	–	1,076
Omolon hub	4,240						4.4	585	1,806	–	–	–	603
Birkachan	3,110	3.3	10	–	–	–	3.4	329	975	–	–	–	339
Olcha	360	7.2	22	–	–	–	7.4	83	249	–	–	–	85
Tsokol Kubaka	390	4.6	8	–	–	–	4.6	57	102	–	–	–	58
Burgali	380	9.6	39	–	–	–	9.9	117	481	–	–	–	121
Voro hub	24,630						2.1	1,681	747	–	–	–	1,688
Voro	7,860	1.5	3	–	–	–	1.5	370	747	–	–	–	376
Maminskoye ⁶	14,700	1.9	–	–	–	–	1.9	913	–	–	–	–	913
Pescherny ⁷	2,070	6.0	–	–	–	–	6.0	399	–	–	–	–	399
Svetloye hub	6,010	2.6					2.6	499	–	–	–	–	499
Svetloye	6,010	2.6	–	–	–	–	2.6	499	–	–	–	–	499
Development and exploration projects	56,980						4.3	5,823	160,560	5.8	–	128.6	7,793
Nezhda ⁸	38,020	3.4	15	–	–	–	3.6	4,216	18,585	–	–	–	4,412
Veduga ⁹	11,080	4.5	–	–	–	–	4.5	1,607	–	–	–	–	1,607
Prognoz ¹⁰	7,880	–	560	0.09	–	1.63	7.0	–	141,975	5.8	–	128.6	1,775
Total Proved + Probable	231,030						3.8	24,870	246,282	46.5	24.5	148.4	27,867

1 Ore Reserves are reported in accordance with the JORC Code (2012). Gold equivalent (GE) is calculated based on gold and silver only. Any discrepancies in calculations are due to rounding.

2 Ore Reserves estimate prepared by Polymetal. Previous estimate for underground mining at Kyzyl Zone 1 was prepared as at 01.07.2019. The revised estimate was performed as of 01.04.2020 and considers increased open pit and depletion. Initial estimate for East Bakyrchik (Zone 2) was performed as at 01.04.2020.

3 Previous estimate prepared by Polymetal as at 01.10.2019. Price: Au = \$1,300/oz. Revised estimate was not performed due to lack of material changes.

4 Estimate prepared by Polymetal as at 01.01.2020. Price: Au = \$1,400/oz, Ag = \$16/oz. Revised estimate was not performed due to lack of material changes.

5 Copper grade is indicated only for High Grade Copper Ore Reserves. Reserves of high grade ore are 7.7 million tonnes of the Proved category and 1.7 million tonnes of the Probable category.

6 Estimate prepared by Polymetal as at 01.01.2014. Price: Au = \$1,300/oz. Revised estimate was not performed due to lack of material changes.

7 Initial estimate prepared by Polymetal as at 01.01.2020. Revised estimate was not performed due to lack of material changes.

8 Estimate prepared by CSA as at 01.04.2018. Price: Au = \$ 1,200/oz and Ag = \$16/oz. Revised estimate was not performed due to lack of material changes.

9 Previous estimate prepared by Polymetal as at 01.03.2019. Revised estimate was prepared by Polymetal as at 01.01.2021 (accounts only for depletion). Ore Reserves are presented in accordance with the Company's ownership equal to 59.45%.

10 Estimate prepared by CSA as at 01.03.2020. Revised estimate was not performed due to lack of material changes. Metals conversion into gold equivalent was performed by Polymetal based on price: Au = \$1,200/oz, Ag = \$15/oz.

Reserves and Resources continued

Mineral Resources as at 1 January 2021¹

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured													
Standalone mines	1,940						12.6	786	–	–	–	–	786
Kyzyl ²	130	2.6	–	–	–	–	2.6	11	–	–	–	–	11
Mayskoye	1,810	13.3	–	–	–	–	13.3	775	–	–	–	–	775
Albazino hub	4,200						3.2	428	–	–	–	–	428
Albazino	3,640	3.0	–	–	–	–	3.0	351	–	–	–	–	351
Kutyn ⁴	560	4.3	–	–	–	–	4.3	77	–	–	–	–	77
Dukat hub	1,650						6.5	62	23,075	–	1.7	1.3	346
Dukat	890	0.9	428	–	–	–	6.2	25	12,173	–	–	–	175
Lunnoye	550	1.8	433	–	–	–	7.1	32	7,575	–	–	–	123
Arylakh	160	1.1	528	–	–	–	7.8	6	2,728	–	–	–	40
Perevalnoye	50	–	369	–	3.40	2.61	4.6	–	599	–	1.7	1.3	7
Varvara hub	3,020						1.1	107	–	3.6	–	–	107
Varvara ⁶	2,780	1.0	–	0.47	–	–	1.0	93	–	3.6	–	–	93
Komar	240	1.8	–	–	–	–	1.8	14	–	–	–	–	14
Omolon hub	1,380						3.0	131	384	–	–	–	135
Birkachan	780	1.7	7	–	–	–	1.8	43	165	–	–	–	45
Olcha	450	3.7	12	–	–	–	3.9	54	178	–	–	–	56
Tsokol Kubaka	150	7.2	9	–	–	–	7.3	34	41	–	–	–	34
Voro hub	1,160						1.6	60	38	–	–	–	61
Voro	180	2.8	7	–	–	–	2.9	16	38	–	–	–	16
Maminskoye ¹⁰	980	1.4	–	–	–	–	1.4	44	–	–	–	–	44
Svetloye hub	930						1.0	29	–	–	–	–	29
Svetloye	930	1.0	–	–	–	–	1.0	29	–	–	–	–	29
Development and exploration projects	530						2.1	36	61	–	–	–	37
Nezhda ¹³	220	4.0	9	–	–	–	4.1	28	61	–	–	–	29
Veduga ¹⁴	310	0.7	–	–	–	–	0.7	7	–	–	–	–	7
Total Indicated	14,810						4.0	1,639	23,558	3.6	1.7	1.3	1,928

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Indicated													
Standalone mines	6,500						5.4	1,135	–	–	–	–	1,135
Kyzyl ²	4,980	3.3	–	–	–	–	3.3	527	–	–	–	–	527
Mayskoye	1,520	12.5	–	–	–	–	12.5	608	–	–	–	–	608
Albazino hub	10,320						4.6	1,524	–	–	–	–	1,524
Albazino	3,990	5.1	–	–	–	–	5.1	652	–	–	–	–	652
Talgiy ³	3,310	4.5	–	–	–	–	4.5	476	–	–	–	–	476
Kutyn ⁴	3,020	4.1	–	–	–	–	4.1	396	–	–	–	–	396
Dukat hub	690						6.5	25	9,804	–	1.2	1.0	144
Dukat	490	1.0	447	–	–	–	6.5	15	7,042	–	–	–	102
Lunnoye	80	2.2	325	–	–	–	6.1	6	863	–	–	–	16
Arylakh	60	1.0	527	–	–	–	7.7	2	1,052	–	–	–	15
Perevalnoye	40	–	290	–	2.88	2.41	3.6	–	401	–	1.2	1.0	5
Primorskoye ⁵	20	3.8	879	–	–	–	10.0	2	445	–	–	–	5
Varvara hub	15,450						1.7	837	–	8.3	–	–	837
Varvara ⁶	5,570	1.2	–	0.50	–	–	1.2	216	–	8.3	–	–	216
Komar	5,520	2.1	–	–	–	–	2.1	364	–	–	–	–	364
Elevator ⁷	4,360	1.8	–	–	–	–	1.8	257	–	–	–	–	257
Omolon hub	530						16.3	198	7,220	–	–	–	278
Birkachan	100	11.2	13	–	–	–	11.3	37	43	–	–	–	37
Olcha	40	9.4	33	–	–	–	9.7	13	47	–	–	–	14
Burgali	100	8.4	23	–	–	–	8.6	26	70	–	–	–	26
Nevenrekan ⁸	290	13.2	770	–	–	–	21.9	121	7,061	–	–	–	201
Voro hub	3,470						2.9	321	695	–	–	–	325
Voro	40	2.9	4	–	–	–	3.0	4	5	–	–	–	4
Tamunier ⁹	2,190	3.4	10	–	–	–	3.5	242	690	–	–	–	245
Maminskoye ¹⁰	1,150	1.5	–	–	–	–	1.5	55	–	–	–	–	55
Pescherny ¹¹	90	6.9	–	–	–	–	6.9	21	–	–	–	–	21
Svetloye hub	2,720						3.9	343	–	–	–	–	343
Svetloye	540	3.0	–	–	–	–	3.0	52	–	–	–	–	52
Levoberezhny ¹²	2,180	4.1	–	–	–	–	4.1	291	–	–	–	–	291
Development and exploration projects	8,020						5.5	839	45,589	2.7	–	39.1	1,406
Nezhda ¹³	2,770	3.7	16	–	–	–	3.9	331	1,423	–	–	–	346
Veduga ¹⁴	2,600	6.1	–	–	–	–	6.1	508	–	–	–	–	508
Prognoz ¹⁵	2,650	–	515	0.11	–	1.47	6.4	–	44,165	2.7	–	39.1	552
Total Indicated	47,700						3.9	5,222	63,307	11.1	1.2	40.1	5,992

Reserves and Resources continued

Mineral Resources as at 1 January 2021¹ continued

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured + Indicated													
Standalone mines	8,440						7.1	1,921	–	–	–	–	1,921
Kyzyl ²	5,110	4.1	–	–	–	–	4.1	538	–	–	–	–	538
Mayskoye	3,330	12.9	–	–	–	–	12.9	1,383	–	–	–	–	1,383
Albazino hub	14,520						4.2	1,952	–	–	–	–	1,952
Albazino	7,630	4.1	–	–	–	–	4.1	1,003	–	–	–	–	1,003
Talgiy ³	3,310	4.5	–	–	–	–	4.5	476	–	–	–	–	476
Kutyn ⁴	3,580	4.1	–	–	–	–	4.1	473	–	–	–	–	473
Dukat hub	2,340						6.5	87	32,879	–	3.0	2.4	490
Dukat	1,380	0.9	435	–	–	–	6.3	40	19,215	–	–	–	277
Lunnoye	630	1.8	410	–	–	–	6.8	38	8,438	–	–	–	139
Arylakh	220	1.1	528	–	–	–	7.8	8	3,780	–	–	–	56
Perevalnoye	90	–	332	–	3.16	2.52	4.2	–	1,000	–	3.0	2.4	13
Primorskoye ⁵	20	3.8	879	–	–	–	10.0	2	445	–	–	–	5
Varvara hub	18,470						1.6	944	–	11.9	–	–	944
Varvara ⁶	8,350	1.2	–	0.49	–	–	1.2	309	–	11.9	–	–	309
Komar	5,760	2.0	–	–	–	–	2.0	378	–	–	–	–	378
Elevator ⁷	4,360	1.8	–	–	–	–	1.8	257	–	–	–	–	257
Omolon hub	1,910						6.7	329	7,604	–	–	–	414
Birkachan	880	2.8	7	–	–	–	2.9	80	208	–	–	–	82
Olcha	490	4.3	14	–	–	–	4.4	68	225	–	–	–	70
Tsokol Kubaka	150	7.2	9	–	–	–	7.3	34	41	–	–	–	34
Burgali	100	8.4	23	–	–	–	8.6	26	70	–	–	–	26
Nevenrekan ⁸	290	13.2	770	–	–	–	21.9	121	7,061	–	–	–	201
Voro hub	4,630						2.6	382	733	–	–	–	385
Voro	220	2.9	6	–	–	–	2.9	20	43	–	–	–	20
Tamunier ⁹	2,190	3.4	10	–	–	–	3.5	242	690	–	–	–	245
Maminskoye ¹⁰	2,130	1.4	–	–	–	–	1.4	99	–	–	–	–	99
Pescherny ¹¹	90	6.9	–	–	–	–	6.9	21	–	–	–	–	21
Svetloye hub	3,650						3.2	372	–	–	–	–	372
Svetloye	1,470	1.7	–	–	–	–	1.7	81	–	–	–	–	81
Levoberezhny ¹²	2,180	4.1	–	–	–	–	4.1	291	–	–	–	–	291
Development and exploration projects	8,550						5.2	875	45,650	2.7	–	39.1	1,443
Nezhda ¹³	2,990	3.7	15	–	–	–	3.9	359	1,484	–	–	–	375
Veduga ¹⁴	2,910	5.5	–	–	–	–	5.5	516	–	–	–	–	516
Prognoz ¹⁵	2,650	–	515	0.11	–	1.47	6.4	–	44,165	2.7	–	39.1	552
Total Measured + Indicated	62,510						3.9	6,861	86,866	14.6	3.0	41.5	7,920

	Tonnage		Grade					Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Inferred													
Standalone mines	12,600						6.3	2,559	–	–	–	–	2,559
Kyzyl ²	8,730	4.1	–	–	–	–	4.1	1,157	–	–	–	–	1,157
Mayskoye	3,870	11.3	–	–	–	–	11.3	1,402	–	–	–	–	1,402
Albazino hub	7,920						4.9	1,251	–	–	–	–	1,251
Albazino	4,400	6.3	–	–	–	–	6.3	883	–	–	–	–	883
Talgiy ³	460	3.8	–	–	–	–	3.8	56	–	–	–	–	56
Kutyn ⁴	3,060	3.2	–	–	–	–	3.2	312	–	–	–	–	312
Dukat hub	2,320						6.5	70	34,342	–	5.9	5.5	488
Dukat	1,750	0.8	458	–	–	–	6.5	47	25,752	–	–	–	364
Lunnoye	270	1.5	425	–	–	–	6.7	13	3,575	–	–	–	56
Arylakh	120	0.3	444	–	–	–	5.9	1	1,762	–	–	–	24
Perevalnoye	140	–	227	–	4.15	3.92	2.8	–	1,033	–	5.9	5.5	13
Primorskoye ⁵	40	7.0	1,713	–	–	–	24.3	9	2,221	–	–	–	31
Varvara hub	6,320						1.7	337	–	4.3	–	–	337
Varvara ⁶	2,280	1.4	–	0.60	–	–	1.4	104	–	4.3	–	–	104
Komar	1,280	2.1	–	–	–	–	2.1	88	–	–	–	–	88
Elevator ⁷	2,760	1.6	–	–	–	–	1.6	145	–	–	–	–	145
Omolon hub	300						12.7	110	1,131	–	–	–	123
Olcha	40	9.9	47	–	–	–	10.4	12	55	–	–	–	12
Burgali	160	13.7	16	–	–	–	13.8	69	78	–	–	–	70
Nevenrekan ⁸	100	8.9	299	–	–	–	12.3	30	998	–	–	–	41
Voro hub	850						4.6	126	69	–	–	–	127
Tamunier ⁹	480	3.2	4	–	–	–	3.3	50	69	–	–	–	50
Pescherny ¹¹	370	6.4	–	–	–	–	6.4	77	–	–	–	–	77
Svetloye hub	400						4.6	59	–	–	–	–	59
Svetloye	360	4.9	–	–	–	–	4.9	56	–	–	–	–	56
Levoberezhny ¹²	40	2.3	–	–	–	–	2.3	3	–	–	–	–	3
Development and exploration projects	52,190						5.3	8,091	69,511	2.6	–	54.9	8,933
Nezhda ¹³	46,440	5.1	9	–	–	–	5.2	7,552	13,679	–	–	–	7,696
Veduga ¹⁴	2,790	6.0	–	–	–	–	6.0	539	–	–	–	–	539
Prognoz ¹⁵	2,960	–	585	0.09	–	1.85	7.3	–	55,832	2.6	–	54.9	698
Total Inferred	82,900						5.2	12,603	105,053	6.9	5.9	60.4	13,876

Reserves and Resources continued

Mineral Resources as at 1 January 2021¹ continued

	Tonnage	Grade						Content					
	Kt	Au g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured + Indicated + Inferred													
Standalone mines	21,040						6.6	4,479	–	–	–	–	4,479
Kyzyl ²	13,840	3.8	–	–	–	–	3.8	1,695	–	–	–	–	1,695
Mayskoye	7,200	12.0	–	–	–	–	12.0	2,784	–	–	–	–	2,784
Albazino hub	22,440						4.4	3,203	–	–	–	–	3,203
Albazino	12,030	4.9	–	–	–	–	4.9	1,886	–	–	–	–	1,886
Talgiy ³	3,770	4.4	–	–	–	–	4.4	532	–	–	–	–	532
Kutyn ⁴	6,640	3.7	–	–	–	–	3.7	785	–	–	–	–	785
Dukat hub	4,660						6.5	157	67,221	–	8.8	7.9	978
Dukat	3,130	0.9	448	–	–	–	6.4	87	44,967	–	–	–	642
Lunnoye	900	1.7	414	–	–	–	6.7	51	12,013	–	–	–	195
Arylakh	340	0.8	498	–	–	–	7.1	9	5,542	–	–	–	79
Perevalnoye	230	–	269	–	3.76	3.36	3.4	–	2,033	–	8.8	7.9	25
Primorskoye ⁵	60	6.1	1,478	–	–	–	20.3	11	2,666	–	–	–	37
Varvara hub	24,790						1.6	1,281	–	16.2	–	–	1,281
Varvara ⁶	10,630	1.2	–	0.52	–	–	1.2	413	–	16.2	–	–	413
Komar	7,040	2.1	–	–	–	–	2.1	466	–	–	–	–	466
Elevator ⁷	7,120	1.8	–	–	–	–	1.8	402	–	–	–	–	402
Omolon hub	2,210						7.5	439	8,735	–	–	–	536
Birkachan	880	2.8	7	–	–	–	2.9	80	208	–	–	–	82
Olcha	530	4.6	16	–	–	–	4.8	79	280	–	–	–	82
Tsokol Kubaka	150	7.2	9	–	–	–	7.3	34	41	–	–	–	34
Burgali	260	11.7	18	–	–	–	11.8	95	148	–	–	–	96
Nevenrekan ⁸	390	12.1	644	–	–	–	19.3	151	8,059	–	–	–	242
Voro hub	5,480						2.9	508	802	–	–	–	512
Voro	220	2.9	6	–	–	–	2.9	20	43	–	–	–	20
Tamunier ⁹	2,670	3.4	9	–	–	–	3.4	292	759	–	–	–	296
Maminskoye ¹⁰	2,130	1.4	–	–	–	–	1.4	99	–	–	–	–	99
Peshchery ¹¹	460	6.5	–	–	–	–	6.5	97	–	–	–	–	97
Svetloye hub	4,050						3.3	431	–	–	–	–	431
Svetloye	1,830	2.3	–	–	–	–	2.3	137	–	–	–	–	137
Levoberezhny ¹²	2,220	4.1	–	–	–	–	4.1	294	–	–	–	–	294
Development and exploration projects	60,740						5.3	8,966	115,161	5.3	–	94.0	10,375
Nezhda ¹³	49,430	5.0	10	–	–	–	5.1	7,911	15,164	–	–	–	8,071
Veduga ¹⁴	5,700	5.8	–	–	–	–	5.8	1,054	–	–	–	–	1,054
Prognoz ¹⁵	5,610	–	552	0.10	–	1.67	6.9	–	99,997	5.3	–	94.0	1,250
Total Measured + Indicated + Inferred	145,410						4.7	19,464	191,919	21.5	8.8	101.9	21,796

1 Mineral Resources are reported in accordance with the JORC Code (2012) and are additional to Ore Reserves. Gold equivalent (GE) is calculated based on gold and silver only. Any discrepancies in calculations are due to rounding.

2 Mineral Resources estimate prepared by Polymetal. Previous estimate for underground mining at Kyzyl Zone 1 was prepared as at 01.07.2019. Revised estimate was performed as of 01.04.2020 and considers increased open pit and depletion. Initial estimate for East Bakyrchik (Zone 2) was prepared as at 01.04.2020. Mineral Resources estimate for Bolshhevik prepared by Polymetal as of 01.01.2019 and revised estimate was not performed due to lack of material changes.

3 Initial estimate prepared by Polymetal as at 01.01.2021.

4 Estimate prepared by Polymetal as at 01.10.2019. Price: Au = \$1,300/oz. Revised estimate was not performed due to lack of material change.

5 Revised estimate prepared by Polymetal as at 01.01.2020. Price: Au= \$1,400/oz, Ag = \$16/oz

6 Cu grade estimate is presented for rock and powder ore with high Cu grade only (total Mineral Resources of rock and powder ore with high Cu grade are 2.7 and 0.5 Mt of ore respectively).

7 Initial estimate prepared by Polymetal as at 01.01.2020. Revised estimate was not performed due to lack of material change.

8 Estimate prepared by Polymetal as at 01.01.2020. Revised estimate was not performed due to lack of material change.

9 Estimate prepared by Polymetal as at 01.01.2018. Price: Au = \$1,200/oz, Ag = \$16/oz. Revised estimate was not performed due to lack of material changes.

10 Estimate prepared by Polymetal as at 01.01.2014. Price: Au = \$1,300/oz. Revised estimate was not performed due to lack of material changes.

11 Estimate prepared by Polymetal as at 01.07.2020. Revised estimate was not performed due to lack of material change.

12 Estimate prepared by Polymetal as at 01.01.2019. Revised estimate was not performed due to lack of material change.

13 Estimate prepared by CSA as at 01.04.2018. Price: Au = \$1,200/oz, Ag = \$16/oz. Revised estimate was not performed due to lack of material changes.

14 Previous estimate prepared by Polymetal as at 01.03.2019. Revised estimate prepared by Polymetal as at 01.01.2021 (accounts only for depletion and increase in Mineral Resources at the deep horizons for underground mining). Mineral Resources are presented in accordance with the Company's ownership equal to 59.45%.

15 Estimate prepared by CSA as at 01.03.2020. Revised estimate was not performed due to lack of material changes. Metals conversion into gold equivalent was performed by Polymetal based on price: Au = \$1,200/oz, Ag = \$15/oz.

PGM Mineral Resources as at 1 January 2021 (Viksha project)¹

	Tonnage	Grade				Content			
	Mt	Pd g/t	Pt g/t	Au g/t	Cu %	Pd Moz	Pt Moz	Au Moz	Cu Kt
Measured	6.8	0.7	0.3	0.2	0.11	0.2	0.1	0.03	7.2
Indicated	140.6	0.7	0.3	0.1	0.10	3.1	1.1	0.6	142.2
Total Measured + Indicated	147.3	0.7	0.3	0.1	0.10	3.3	1.2	0.7	149.5
Inferred	9.2	0.7	0.2	0.1	0.09	0.2	0.1	0.03	8.2
Total Measured + Indicated + Inferred	156.5	0.7	0.3	0.1	0.10	3.5	1.3	0.7	157.7

1 Mineral Resources are reported in accordance with the JORC Code (2012). Discrepancies in calculations are due to rounding. Estimate prepared by Polymetal as at 01.01.2021. Price for Pd = \$1,500/oz, Pt = \$800/oz, Au = \$1,200/oz and Cu = \$6,000/t.

Rare Earth Metals Mineral Resources as at 1 January 2021 (Tomtor project)¹

	Tonnage	Grade				Content		
	Mt	REO			Nb ₂ O ₅	REO ³		
		Nb ₂ O ₅ ² , %	Didymium, %	Others, %		Didymium ⁴ , %	Others ⁵ , %	
Indicated	1.1	6.0	2.8	12.2	64.2	29.5	131.0	
Inferred	0.1	4.7	2.8	12.5	6.2	3.7	16.3	
Total Indicated + Inferred	1.2	5.9	2.8	12.3	70.4	33.1	147.3	

1 Mineral Resources are reported in accordance with the JORC Code (2012). Estimate prepared by SRK as at 31.12.2019 using the following prices: \$23.9/kg of Nb₂O₅, \$53.5/kg of Pr₆O₁₁, \$ 48.5/kg of Nd₂O₃, and at 7.8% Nb₂O₅ Eq cut-off grade. Mineral Resources are presented in accordance with the Company's ownership equal to 9.1%. Discrepancies in calculations are due to rounding.

2 Nb₂O₅ – Niobium oxide.

3 REO – Rare earth oxides.

4 Didymium – Pr₆O₁₁ (t) + Nd₂O₃ (t)

5 The metal of the remaining rare earth oxides is calculated by the formula: Others = La₂O₃ (t) + Ce₂O₃ (t) + Sm₂O₃ (t) + Eu₂O₃ (t) + Gd₂O₃ (t) + Tb₂O₃ (t) + Dy₂O₃ (t) + Ho₂O₃ (t) + Er₂O₃ (t) + Tm₂O₃ (t) + Yb₂O₃ (t) + Lu₂O₃ (t) + Y₂O₃ (t).

This estimate was prepared by employees of JSC Polymetal Management Company and JSC Polymetal Engineering, led by Mr Valery Tsyplakov, who assumes overall responsibility for the Mineral Resources and Ore Reserves Report.

Mr Tsyplakov is employed full-time as the Managing Director of JSC Polymetal Engineering and has more than 20 years' experience in gold, silver and polymetallic mining. He is a Fellow of the Institute of Materials, Minerals & Mining (FIMMM), London, and a Competent Person under the JORC Code.

Listed below are other Competent Persons employed by the Company that are responsible for relevant research on which the Mineral Resources and Ore Reserves estimate is based:

- Geology and Mineral Resources – Roman Govorukha, Head of Geologic Modelling and Monitoring Department, JSC Polymetal Management Company, MIMMM, with 20 years' relevant experience;
- Mining and Ore Reserves – Igor Epshteyn, Head of Mining Process Department, JSC Polymetal Engineering, FIMMM, with 39 years' relevant experience;
- Concentration and Metals – Igor Agapov, Deputy Director of Science and Technology, JSC Polymetal Engineering, MIMMM, with 23 years' relevant experience.

All the above mentioned Competent Persons have sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

All Competent Persons have given their consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Reserves and Resources continued

Rare Earth Metals Mineral Resources as at 1 January 2021 (Tomtor project)¹ continued

Metals prices used in estimating Mineral Resources and Ore Reserves are listed below (unless otherwise indicated in the footnotes of the above tables):

Au = \$1,200/oz
Ag = \$15.0/oz
Cu = \$5,500/t
Zn = \$2,200/t
Pb = \$2,000/t.

All metals presented in the tables of Mineral Resources and Ore Reserves were used in Mineral Resources and Ore Reserves estimates. Data on conversion ratios into gold equivalent are given in the Appendix Gold equivalent conversion ratios. The gold equivalent as of 01.01.2021 includes only gold and silver.

Gold equivalent conversion ratios

Silver to gold equivalent conversion ratio

GE=Me/k

Where Me is the evaluated metal content (silver g/t)

Where k is the metal to gold equivalent conversion rate that is calculated considering the difference in metals value issuing the following formula:

For silver: $k = ((Au\ price/31.1035 - (Au\ price/31.1035 - Treatment\ charge\ Au) * (Royalty\ Au)/100 - (Treatment\ charge\ Au) * (Recovery\ Au)) / ((Ag\ price/31.1035 - (Ag\ price/31.1035 - Treatment\ charge\ Ag) * (Royalty\ Ag)/100 - (Treatment\ charge\ Ag) * (Recovery\ Ag)))$,

where Royalty is the mineral extraction tax at applicable rate, recovery – the life-of-mine expected recovery of the respective metal in the processing technology applied.

Silver to gold equivalent conversion ratios:

		k
Deposit	Ore processing technology	Ag
Dukat	Conventional flotation	81
Lunnoye	Cyanidation + Merrill Crowe process	83
Arylakh	Cyanidation + Merrill Crowe process	79
Perevalnoye	Conventional flotation	80
Primorskoye	Concentrate sales	91
	Cyanidation + Merrill Crowe process (run-of-mine ore)	141
Birkachan	Cyanidation carbon-in-pulp	102
	Heap leaching + Carbon-in-column	84
Olcha	Cyanidation + Merrill Crowe process	100
Tsokol Kubaka	Cyanidation carbon-in-pulp	100
Burgali	Cyanidation + Merrill Crowe process	123
Nevenrekan	Cyanidation + Merrill Crowe process	89
Voro	Cyanidation carbon-in-pulp	117
Voro West (oxide ore)	Cyanidation carbon-in-pulp	117
	Heap leaching + Merrill Crowe process	347
Tamunier	Conventional flotation	199
Prognoz	Conventional flotation (underground)	80
Nezhda	Gravity concentration + flotation	95

Group production statistics

Consolidated highlights

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Waste mined, Kt	82,133	114,008	126,696	158,560	166,805
Underground development, m	92,161	115,352	130,000	105,819	90,011
Ore mined, Kt	13,380	12,589	13,979	17,224	15,761
Open-pit	9,506	8,241	9,319	13,022	11,595
Underground	3,874	4,347	4,660	4,202	4,166
Ore processed, Kt	11,417	13,037	15,162	15,024	15,447
Gold grade processed (incl. by-product copper and zinc), g/t	2.9	3.0	3.2	3.4	3.5
Silver grade processed, g/t	92	74	60	52	46
GE grade processed, g/t	4.0	3.9	3.9	3.8	3.9
TOTAL PRODUCTION					
Gold, Koz	890	1,075	1,216	1,316	1,402
Silver, Moz	29.2	26.8	25.3	21.6	18.8
Copper, t	1,454	2,715	3,875	2,452	1,544
Zinc, t	2,888	4,794	5,381	1,042	2,274
Gold equivalent, Koz based on 80:1 Ag/Au ratio	1,269	1,433	1,562	1,614	1,660
Gold equivalent, Koz based on 120:1 Ag/Au ratio, excluding base metals	1,134	1,299	1,427	1,496	1,559
Gold equivalent production by mine, GE Koz					
Kyzyl	–	–	96	343	382
Dukat	263	228	220	206	199
Albazino-Amursk	244	269	308	241	261
Mayskoye	116	124	117	129	139
Omolon	161	193	185	196	210
Voro	128	119	107	106	89
Varvara	81	123	130	137	159
Svetloye	23	106	136	134	120
Okhotsk	103	104	97	–	–
Kapan	16	32	31	3	–
Total	1,134	1,299	1,427	1,496	1,559

Financial highlights

	FY 2016	FY 2017	FY 2018	FY 2019 ¹	FY 2020
Revenue, US\$m	1,583	1,815	1,882	2,241	2,865
Adjusted EBITDA, US\$m ²	759	745	780	1,075	1,686
Adjusted EBITDA margin, %	48%	41%	41%	48%	59%
Average realised gold price, US\$/oz ³	1,216	1,247	1,253	1,411	1,797
Average LBMA closing gold price, US\$/oz	1,250	1,258	1,269	1,393	1,771
Average realised silver price, US\$/oz ³	16.3	16.1	14.8	16.5	20.9
Average LBMA closing silver price, US\$/oz	17.1	17.0	15.7	16.2	20.5
Total cash cost, US\$/GE oz ²	570	658	649	655	638
All-in sustaining costs, US\$/GE oz ²	776	893	861	866	874
Net earnings/(loss), US\$m	395	354	355	483	1,086
Underlying net earnings, US\$m ²	382	376	447	586	1,072
Underlying EPS, US\$/share ²	0.90	0.88	1.00	1.25	2.30
Dividends declared during the period, US\$/share ⁴	0.37	0.32	0.47	0.51	1.02
Dividend proposed for the period, US\$/share ⁵	0.42	0.44	0.48	0.82	1.29
Operating cash flow, US\$m	530	533	513	696	1,192
Capital expenditures, US\$m	271	383	344	436	583
Free cash flow (pre M&A), US\$m ²	257	143	176	256	610
Free cash flow (post M&A), US\$m ²	129	56	134	299	603

1 Excluding Kapan in 2019 (disposed in January 2019).
2 Refer to "Alternative Performance Measures" section for definition and details.
3 In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding effect of treatment charges deductions from revenue.
4 Based on declaration date.
5 Dividend proposed for the FY include interim, final and special dividend paid for the financial year.

Source: Consolidated audited IFRS financial statements for the years ended 31 December 2020, 2019, 2018, 2017, 2016.

Abbreviations and units of measurement

AGM	Annual General Meeting
CIS	Commonwealth of Independent States
E&E	Exploration and evaluation assets
EITI	Extractive Industries Transparency Initiative
GE	gold equivalent
ILO	International Labour Organisation
ISO	International Organisation for Standardisation
IMN	Indigenous Minorities of the North
JORC	Australasian Joint Ore Reserves Committee
JSC	joint stock company
LBMA	London Bullion Market Association
LGIM	Legal and General Investment Management Ltd
LTIP	Long-Term Incentive Programme
N/A	not applicable
NM	not meaningful
OHSAS	Occupational Health And Safety Assessment Series
PdE	palladium equivalent
PGM	platinum group metal
PIRC	Pensions & Investment Research Consultants Ltd
POX	pressure oxidation
PPE	personal protective equipment
SE	silver equivalent
TUC	Trades Union Congress
UDHR	Universal Declaration of Human Rights
g/t	gram per tonne
GJ	gigajoules
km	kilometres
Koz	thousand ounces
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
m	metres
Moz	million ounces
Mt	million tonnes
Mtpa	million tonnes per annum
MWh	megawatt hour
Oz or oz	troy ounce (31.1035 g)
pp	percentage points
t	tonne (1,000 kg)
TJ	terajoule
tpd	tonnes per day

Technical terms

Assay
A chemical test performed on a sample of any material to determine the amount of valuable metals contained in the sample

Ag
Silver

Au
Gold

Base Erosion and Profit Shifting (BEPS)
OECD/G20 project to set up an international framework to combat tax avoidance by multinational enterprises using base erosion and profit shifting tools

Carbon-in-leach or CIL
A technological operation in which slurry containing gold and silver is leached by cyanide in the presence of activated carbon. Gold is adsorbed onto activated carbon in parallel with leaching

Carbon-in-pulp or CIP
A technological operation in which slurry containing gold and silver is leached by cyanide initially without and subsequently in the presence of activated carbon. Gold adsorption onto carbon starts only after preliminary leaching

Compound annual growth rate (CAGR)
The rate of return required for an investment to grow from its opening balance to its ending balance, assuming the reinvestment of profits at the end of each year during this period

Concentrate
A semi-finished product of mineral processing (flotation or gravity separation) containing significantly more value per unit of weight than ore and subject to further processing for the production of metals or other substances in final useful form

Cu
Copper

Cut-off grade
The minimum grade at which mineralised material can be economically mined and processed (used in the calculation of ore reserves) leaching with cyanide as the leaching agent

Debottlenecking
The process of identifying specific areas and/or equipment at our mining facilities that limit production flow and optimising them to increase the overall capacity

Diamond drilling
Recovers mineral samples from depth or from within areas that are harder to drill by cutting a long cylindrical core 2cm or more in diameter

Dilution
The share (percentage) of material below the cut-off grade that is extracted together and irretrievably mixed with ore during mining. All other things being equal, higher dilution leads to lower grade in ore mined

Doré
One of the traditional end-products of a gold/silver mine; an alloy containing 90% in sum of gold and silver as well as 10% of impurities

Dry tailings
A method of tailings storage in the form of a filtered wet (saturated) and dry (unsaturated) cake that can no longer be transported by pipeline due to its low-moisture content. Significantly reduces the possibility of dam failure, lowers the potential damage from such accident and eliminates tailings run-off

Exploration
Activity ultimately aimed at discovery of ore reserves for exploitation. Consists of sample collection and analysis, including reconnaissance, geophysical and geochemical surveys, trenching, drilling, etc.

Five-whys method
Iterative interrogative technique used to explore the cause-and-effect relationships underlying a particular problem

Flotation
A technological operation in which ore-bearing minerals are separated from gangue minerals in the slurry based on variance in the interaction of different minerals with water. Particles of valuable concentrate are carried upwards with froth and collected for further processing

Grade
The relative amount of metal in ore, expressed as grams per tonne for precious metals and as a percentage for most other metals

Head grade
The grade of ore coming into a processing plant

Heap leach
A technological operation in which crushed material is laid on a sloping, impervious pad where it is leached by a cyanide solution to dissolve gold and/or silver. Metals are subsequently recovered from pregnant leach solution by CIC or the Merrill-Crowe process

Indicated resource
That part of a resource for which tonnage, grade and content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed

Inferred resource
That part of a resource for which tonnage, grade and content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, which may be limited or of uncertain quality and reliability

In-fill drilling
A conventional method of detailed exploration on an already defined resource or reserve, consisting of drilling on a denser grid to allow more precise estimation of ore body parameters and location

Internal rate of return (IRR)
The interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero and is used to evaluate the attractiveness of a project or investment

JORC-compliant
Exploration results, mineral resources and ore reserves are all reported according to the mining industry’s JORC Code, managed by the Australasian Joint Ore Reserves Committee

Leaching
The process of dissolving mineral values from solid into the liquid phase of slurry

Life-of-mine (LOM)
The length of time during which it is anticipated ore reserves will be extracted

Measured resource
That part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity

Merrill-Crowe process

A technological operation for extraction of gold and/or silver after cyanide leaching. In the first step, slurry containing gold and/or silver is separated into liquid and solid phases by washing the solids off in counter current decantation thickeners. In the second step, pregnant leach solution (liquid phase of slurry) is filtered to remove impurities and de-aerated. Finally, gold and silver are deposited onto the solid bed of claylike material where they replace the zinc particles that pass into a solution. Merrill-Crowe is preferentially used for silver-rich ores

Mill

A mineral processing plant

Mineralisation

A rock containing valuable components, not necessarily in the quantities sufficient for economically justifiable extraction. Consists of ore minerals and gangue

Offtake agreement

A contract between Polymetal and a purchaser to buy a specified amount of future production

Open-pittable

Amenable for economically feasible mining by open-pit methods

Open-pit mine

A mine that is entirely on the surface. Also referred to as open-cut or open-cast mine

Ore

The part of mineralisation that can be mined and processed profitably

Ore body

A spatially compact and geometrically connected location of ore

Ore mined

Ore extracted from the ground for further processing

Ore processed

Ore subjected to treatment in a mineral processing plant

Ore stacked

The ore stacked for heap leach operations

Overburden

This is the material that sits above an ore body, such as the rock and soil, during exploration

Oxidised ore

Ore in which both ore minerals and gangue are fully or partially oxidised thus impacting its physical and chemical properties and influencing the choice of a processing technology

Pd

Palladium

POX or pressure oxidation

A technological operation in which slurry is subjected to high pressure and high temperature in an autoclave with the goal of destroying the sulphide particles enveloping gold particles and making slurry amenable to cyanide leaching

Precipitate

The semi-finished product of mineral processing by the Merrill-Crowe process, normally containing very high concentrations of silver and/or gold

Preg-robbing

A characteristic of gold-bearing ore denoting the presence of organic carbon matter, which may lead to lower recovery in conventional cyanide leaching. Lower recovery is due to losses of gold absorbed into the above-mentioned organic carbon instead of absorbing into man-made carbon introduced to the slurry in CIP or CIL

Primary ore

Unoxidised ore

Probable reserves

The economically mineable part of an indicated (and in some cases measured) resource, which has a lower level of confidence than proved reserves but is of sufficient quality to serve as the basis for a decision on the development of the deposit

Production

The amount of pure precious metals produced following processing, measured in thousands of ounces for gold, millions of ounces for silver and tonnes for copper

Proved reserves

The economically mineable part of a measured resource, which represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that proved reserves are not achievable in some deposits

Pt

Platinum

Reclamation

The restoration of a site after mining or exploration activity has been completed

Recovery or recovery rate

The percentage of valuable metal in the ore that is recovered by metallurgical treatment in the final or semi-finished product

Refractory

A characteristic of gold-bearing ore denoting the impossibility of recovering gold from it by conventional cyanide leaching

Reserves

The economically mineable part of a measured and/or indicated mineral resource. It takes into account mining dilution and losses. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate, at the time of reporting, that extraction could reasonably be justified. Reserves are subdivided in order of increasing confidence into probable reserves and proved reserves

Resources

A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of resources are known, estimated or interpreted from specific geological evidence and knowledge. Resources are sub-divided in order of increasing geological confidence, into inferred, indicated and measured categories

SAG mill

A semi-autogenous grinding mill, generally used as a primary or first stage grinding solution

Step-out exploration drilling

Holes drilled to intersect a mineralisation horizon or structure along strike or down dip

Stope

A large underground excavation entirely within an ore body, a unit of ore extraction

Stripping

The mining of waste in an open-pit mine

Tailings

Part of the original feed of a mineral processing plant that is considered devoid of value after processing

Underground development

Excavation which is carried out to access ore and prepare it for extraction (mining)

Waste

Barren rock that must be mined and removed to access ore in a mine

Shareholder information

As at 2 March 2021, the Company’s issued share capital consisted of 471,818,000 ordinary shares of no par value. The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

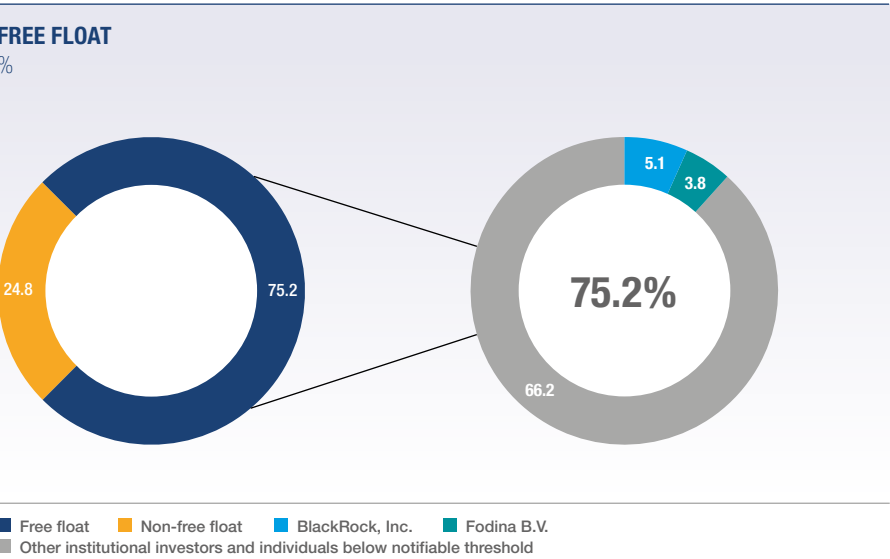
Substantial shareholdings as at 2 March 2021

In accordance with the FCA’s Disclosure and Transparency Rules (DTR 5), as at 2 March 2021 the Company received notification of the following material interests in voting rights over the Company’s issued ordinary share capital (including qualifying financial instruments):

Full name of shareholder	Details of person subject to the notification obligation	Total number of voting rights	% of voting rights
ICT Holding Ltd, Powerboom Investments Limited and Boompower Holding Limited	Alexander Nesis	113,174,748	23.99%
BlackRock, Inc.	BlackRock, Inc.	23,883,176	5.06%
Fodina B.V.	Petr Kellner	18,041,836	3.82%

Free Float

Based on Free Float Restrictions adopted by FTSE Russell¹, the Company does not include ICT Holding Ltd, Powerboom Investments Limited and Boompower Holding Limited’s shares as well as shares owned by management and directors into free float. Hence, the free float as at 2 March 2021 equals 75.2% and includes the following shareholdings:



1 https://research.ftserussell.com/products/downloads/Free_Float_Restrictions.pdf?_ga=2.22689659.1315808839.1614166515-716764096.1614166515.

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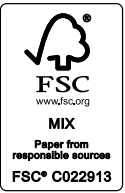
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