POLYMETAL INTERNATIONAL PLC

Focusing on positive impact

Integrated Annual Report 2021

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 sustainable and responsibility-driven companies in the sector.

For more information, visit our website:
polymetalinternational.com

"Listing on the London Stock Exchange was a major step on our journey to becoming a leading player in the global gold and silver mining industry."

Vitaly Nesis
Group CEO

Celebrating 10 years since our premium listing on the London Stock Exchange

We are proud to be an ESG leader

Through sustainability, we transform neighbourhoods, create job opportunities and empower communities.

AA
MSCI ESG Rating

1st
gold mining company in Russia and Kazakhstan committed to SBTi

>5,000
New jobs created
since 2011

Delivering high production values

While continuing to grow our gold production, we are also securing our position in the silver market and exploring opportunities with other precious metals.

x2.4
Production growth
since 2011 to 1,677 GE Koz

25
New operations launched
since 2011

x2.1
Ore Reserves
since 2011

Focused on financial returns

We have increased our revenue and free cash flow to deliver significant returns to our shareholders.

x2.2
Revenue increase
over 10 years to $2.9bn in 2021

x2.4
Adjusted EBITDA increase
over 10 years to $1.5bn in 2021

x4.8
Dividend per share
growth since 2011

About this report

Integrated approach

In 2021, we integrated our sustainability reporting into the Integrated Annual Report to reflect our holistic approach to creating and preserving value for all our stakeholders.

This report is prepared in accordance with the UK Code, the FCA's Disclosure Guidance and Transparency Rules sourcebook and the FCA's Listing Rules (as applicable), as well as with the Global Reporting Initiative (GRI) Standards: Core option, the Metals & Mining Sustainability Accounting Standard published by the Sustainability Accounting Standards Board (SASB); and the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We have started informing our reporting process by using the International Integrated Reporting <IR> Framework and are committed to continuously improving its adoption and moving forward towards integrating thinking and reporting.

Reporting scope and boundaries

This report covers Polymetal International plc's policies, strategic decisions and performance across its operations in Russia and Kazakhstan. It presents information for the reporting period 1 January 2021 to 31 December 2021 and provides comparative data for previous years. To read more about our significant subsidiaries refer to page 202. Sustainability-related information is limited for assets that are not yet operating due to the early stage of data collection procedures integration or the immateriality of such data (see the Reportable Segments table at page 217).

External assurance

We remain committed to transparent and verifiable information disclosure. This is why have obtained external assurance over our financial and selected climate-related disclosures included in our Integrated Annual Report from Deloitte LLP and Deloitte CIS respectively.

Deloitte LLP audited the financial statements prepared in compliance with the applicable laws and International Financial Reporting Standards (IFRS) as adopted by the United Kingdom and as issued by the IASB. Deloitte CIS has also provided limited assurance over the climate-related information disclosed in accordance with the TCFD.

Our reporting suite

This year, instead of issuing standalone Sustainability and Annual Reports, we are publishing our first Integrated Annual Report containing all the relevant disclosures. When disclosing information, we aim to address various stakeholder information needs. Our annual reporting suite includes:

- Integrated Annual Report which provides an overview of our strategy and performance in the context of a volatile macroeconomic environment and the growing importance of environmental, social and governance (ESG) factors, and shares our plans to position the business for the future
- Modern Slavery Act Statement prepared in accordance with the requirements of the UK Modern Slavery Act 2015
- Report on Payments to Governments as required under the UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015)
- Tailings Storage Facilities Management Report
- Production, Financial and ESG Datapacks
- Climate Change Report additionally released in 2021, developed in alignment with the TCFD recommendations

Integrated thinking

Purpose and values	Strategic pillars	Material issues	Risks and opportunities	Governance	Performance

See more about our integrated thinking on the opposite page

Frameworks	Validation and assurance
<IR>, IFRS, TCFD, SASB, GRI	Internal and external assurance of financial and climate-related information from Deloitte LLP and Deloitte CIS respectively Read more on pages 188, 261

Reporting boundaries

Align with our financial statements and include:

Subsidiaries	Associates	Joint ventures

Stakeholders

Employees	Suppliers, contractors and customers	Government and local authorities	Capital providers	Communities

Our strategic framework

Creating a positive future

Our purpose

Deliver long-term value to all stakeholders through responsible and efficient mining

Our values

- **Delivering** on our promises
- Excelling through **teamwork and trust**
- Putting **safety** at the heart of our business
- Leading through **sustainability and innovation**

Our strategic pillars

Meaningful organic growth	Global leadership in refractory ore processing	High standards of ESG through impact assessment	Capital discipline & sustainable dividends through the cycle
Read more on pages 4, 11, 12, 30–31, 32–51, 135	Read more on pages 13, 25, 26–27, 42, 135	Read more on pages 1, 4, 14, 17, 18, 52–99, 135	Read more on pages 28–29, 100–101, 135

How we create a sustainable, positive future

Identifying issues that are material for us and stakeholders	Managing risks and seizing opportunities	Leveraging our competitive advantages through deep insights, expertise and innovation	Measuring the success of our strategy	Maintaining high standards of governance	Assessing our impact – how our actions affect our stakeholders and broader society
Read more on pages 19–23, 54–55	Read more on pages 68–73, 114–128, 156	Read more on pages 12–13, 32–53	Read more on pages 17, 26–27, 30–31	Read more on pages 129–185	Read more on pages 11, 14–15, 28–29, 52–99

How we contribute to SDGs

3 Good health and well-being · 5 Gender equality · 6 Clean water and sanitation · 8 Decent work and economic growth · 9 Industry, innovation and infrastructure · 12 Responsible consumption and production · 15 Life on land · 16 Peace, justice and strong institutions · 17 Partnerships for the goals

Read more on page 53

Success based on sustainability and innovation

Polymetal is a pre-eminent precious metals group with a portfolio of ten gold and silver mines across Russia and Kazakhstan. Its focus on sustainability and innovation has also enabled it to develop a strong growth pipeline while providing long-term benefits for all its stakeholders.

Polymetal today

Top 10
world gold producer

2
development projects

LSE, MOEX, AIX
listing

10 operations
across 2 countries

Leader
in refractory ore processing

FTSE 100
constituent[1]

1 As at 1 March 2022.

Growing asset base

Ore Reserves

29.9 Moz of GE
average grade 3.5 g/t

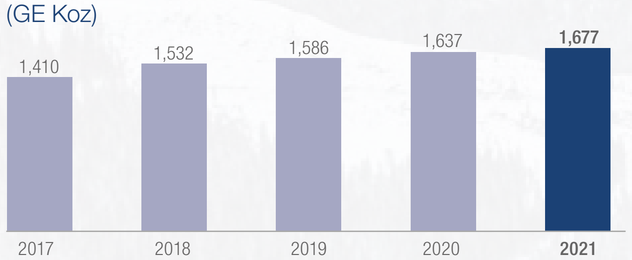
+2.0 Moz
+ 7% year-on-year

Additional resources

24.6 Moz of GE
average grade 4.1 g/t

+2.8 Moz
+13% year-on-year

Production[1]
(GE Koz)



1 Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for prior years restated accordingly (120:1 Au/Ag conversion ratio was used previously).

Sustainability

0
Fatalities (Employees)
(2020: 0)

21%
female employees
(no change)

90%
Water recycled and reused
(+1%)

-30%
reduction in GHG intensity by 2030
(baseline 2019)

677
GHG intensity, kg of CO_2e per GE oz
(-9% compared to 2019 (Scope 1+2))

CDP climate change score: **B**

Member of **DJSI World and Russia** indices

ESG rating: **AA**
Member of ESG Leaders Index

FTSE4Good
Overall Score: 4.3/5.0

ESG Risk Rating: **15.9 (Low)**

Key financial figures

$2,890m
Revenue
(+1%)

$730/GE oz
Total cash cost[1]
(+15%)

$1,030/GE oz
All-in sustaining cash cost[1]
(+18%)

$1,464m
Adjusted EBITDA[1]
(-13%)

$904m
Net profit[2]
(-15%)

$635m
Dividends paid
(+32%)

Our investment case

Six reasons to invest in Polymetal

1	**Focus on high-grade assets** Read more on pages 6–7, 34–51	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 13, 25, 26–27, 42	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. 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 28–29, 100–101, 135	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 1, 4, 14, 17, 18, 52–99	Maintaining high standards of ESG is one of our strategic pillars. We ensure this though impact assessment and responsible capital allocation, which means investing in green and more efficient technologies, delivering tangible socio-economic value to communities and creating safe and inclusive workplaces.
5	**Investing in exploration** Read more on pages 11, 29, 34–51	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 1, 10, 11, 12–13, 32–51	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 tenth consecutive year.

1 Defined in the Alternative performance measures section on pages 248–249. Reconciliation to IFRS measures on pages 108–109.
2 Profit for the year.

Where we operate

Growing a high-quality asset base

We currently have ten operations across Russia and Kazakhstan, having successfully opened a new mine at Nezhda during 2021. Our investment in high-quality assets continues with two major development projects, Amursk POX-2 and Veduga, and the expansion of our exploration programme feeding into our strong growth pipeline.

2 countries

10 operations

11 time zones

156 licensed properties

13,392 employees

Varvara
2.3 Reserves (GE Moz)
2036 Life of mine
220 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 45

Kyzyl
9.8 Reserves (GE Moz)
2050 Life of mine
206 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 39

Voro
1.6 Reserves (GE Moz)
2037 Life of mine
38 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 48

Nezhda
5.1 Reserves (GE Moz)
2045 Life of mine
66 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 49

Mayskoye
1.9 Reserves (GE Moz)
2037 Life of mine
121 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 47

Omolon
0.8 Reserves (GE Moz)
2028 Life of mine
89 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 41

Dukat
76 Reserves (SE Moz)
2028 Life of mine
96 GHG emissions[2] (Scope 1+2), kt CO_2e
Full asset review on page 40

Svetloye
0.5 Reserves (GE Moz)
2026 Life of mine
47 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 46

Albazino
2.7 Reserves (GE Moz)
2044 Life of mine
130 GHG emissions (Scope 1+2), kt CO_2e
Full asset review on page 44

POX-1
Processing: POX + cyanidation
225 Concentrate capacity (Ktpa)
99 GHG emissions (Scope 1+2), kt Co_2e
Full asset review on page 42

POX-2
Processing: high-temperature POX, intensive cyanidation
250–300 Concentrate capacity (Ktpa)
2023 Launch
Full asset review on page 43

Key:
- Operating mine
- Development projects
- Further growth opportunities
- Competence centre
- City/town
- Sea port
- Grid under construction
- Projected grid access
- Grid access
- Projected renewable energy sources
- Renewable energy source

Further growth opportunities

Viksha
156.5 Mt Mineral Resources
2046 Life of mine
2027 Launch

Pacific POX
250–300 Concentrate capacity (Ktpa)
2027–2028 Launch
Full asset review on page 43

Development projects

Veduga
4.0 Ore reserves (GE Moz)[1]
2041 Life of mine
2025 Launch
Full asset review on page 50

Prognoz
125 Ore reserves (SE Moz)
2042 Life of mine
2024 Launch
Full asset review on page 51

Find out more:
- Dry stacking projects, read more on pages 75, 85–87, 122
- GHG emissions reduction, read more on pages 14, 30, 66–81
- Green energy implementation, read more on pages 52, 78, 81
- Biodiversity, read more on pages 88–91
- Charity, read more on pages 65, 94–95

1 Ore Reserves in accordance with the Company's ownership equal to 59.45% comprise 2.4 Moz.
2 Including Primorskoye.

Proud of another decade of progress

Notwithstanding the challenges that have emerged after the year end, I am still reporting our solid progress in 2021."

Ian Cockerill
Board Chair

Post year end events

At the time of writing this annual review on 1 March 2022, the devastating conflict in Ukraine has created a wide range of uncertainty and our thoughts go out to everyone that has been impacted. Understandably, management is deeply concerned about the potential consequences of current and possible future sanctions on our business, either directly or indirectly. Polymetal has reviewed all of its activities in detail against the backdrop of current sanctions to assess their possible impact on our business. This analysis, together with rigorous stress testing, has identified actual or potential areas of impact, including gold bullion sales, currency controls and liquidity. It is management's belief that we will be able to continue operations, although the volatile nature of the current situation means management will need to remain vigilant and address any new issues as they emerge. It is our intention to continue with operations as normal wherever possible but we will rapidly adapt to any new circumstances that may develop.

Notwithstanding the challenges that have emerged after the year end, I am pleased to report the Company made solid progress in 2021.

Proud of another decade of progress

2021 was another challenging year for business. As waves of Covid continued worldwide, the situation was exacerbated by accelerating inflation and various supply and logistics constraints. Quite naturally, Polymetal was not immune from these pressures but we continued to protect the health and well-being of our workforce and local communities around our mines, and sustained shareholder value with a solid set of safety, operational and financial results, resulting in a substantial dividend payout, confirming our commitment to providing investors with quality, sustainable earnings.

There have been significant share price falls in the days prior to this announcement reflecting market reaction to the conflict in Ukraine. The underlying strengths of the business remain and the Board remains confident in the long term value of the business and is proud of the progress of the past ten years.

A spectacular ten-year journey

In 2021, we celebrated the tenth anniversary of our listing on the London Stock Exchange, where we are now firmly positioned as a premium-listed company. This is a clear manifestation of the progress we have made, from a junior Russian miner, created from scratch in 1998, into a globally significant top-10 gold and silver producer today.

Since 2011, we have built 25 new mines, achieved a 142% production growth to over 1.6 GE Moz per annum, more than doubled our reserve base to 29.9 Moz GE, doubled our annual revenue to $2.9 billion and paid out a total of $2.6 billion in dividends. This level of financial payout, exercised at the same time as reinvesting in the future of the business, clearly differentiates Polymetal from its peer group, of which we are immensely proud of.

In this past year, we continued the story of securing our future having brought the Nezhda mine into production, progressed with the construction of our second POX facility (POX-2) at Amursk and commenced development of the high grade Veduga mine. POX-2 will further cement our global leadership in the treatment of refractory ores, in-house, negate the need for costly transport of concentrates to cross-border facilities and create capacity for the treatment of third-party refractory material.

Sustainable shareholder returns

We do have a unique equity proposition, namely a regular and sustainable dividend being the primary focus of the Group. This can only be achieved through a combination of rational capital allocation into top-quality, long-life assets, and exemplary governance. As mentioned previously, this focus on free cash flow enables us not only to pay substantial dividends but importantly allows us to reinvest into securing our future operations.

In 2021, we paid out a record $635 million in dividends or the equivalent of approximately $388 per ounce of production. This year, the Board proposes a final dividend of $0.52 per share, making the total dividend proposed for 2021 equal to $0.97 per share, a yield of 4.7%, definitely well in excess of our peer group and the FTSE Gold Mines Index.

In this past year, we continued the story of securing our future having brought the Nezhda mine into production, progressed with the construction of our second POX facility (POX-2) at Amursk and commenced development of the high grade Veduga mine."

Business as a force for good

It is important that across all our mining activities we act responsibly, minimise our environmental footprint and support those people who live in and around our operations, our employees, the communities and local authorities. It should be our goal that, when we finally leave an area, we don't just leave a hole in the ground but have successfully upgraded and enriched the community, providing them with skills and opportunities to develop further independently, without the underpin of a mining operation.

We are proud to be recognised as an ESG leader in our sector, even on a global basis. In 2021, Polymetal was reaffirmed in the Dow Jones Sustainability and FTSE4Good Indices, at 96th and 97th percentiles, respectively. The Company also received a Bronze Class Sustainability Award from S&P Global. We announced our ambitious 10-year GHG reduction targets: by 2030, we will have invested approximately $1.1 billion in green projects to reduce our GHG intensity by 30%, compared with 2019. Detailed studies will continue in the year ahead enabling us to also publish our Scope 3 emissions targets by the year end. We also became the fourth company in the global mining sector to commit to the international Science Based Targets initiative.

Vote of thanks

Finally, none of what has been achieved this past year would have been possible without the unwavering support of management, ably led by Vitaly, our employees, shareholders and my Board colleagues. I would like to thank all of them for their collective hard work and dedication under very trying circumstances and congratulate them on a job well done.

Ian Cockerill
Board Chair

Creating value through sustainable growth

"Our roles as a responsible miner and good corporate citizen are fundamental to how we run our business and retain the trust of all our stakeholders."

Vitaly Nesis
Group CEO

1,677
Production, GE Koz
(+2%)

$635m
Dividends paid
(+32%)

Putting safety first

In 2021, crucially – for the second year in a row – we had no fatalities among Group employees. Regrettably, one contractor died following an accident at the Voro hub, highlighting the need for further improvement in how we manage broader safety risks. Our LTIFR at 0.12 was broadly stable year-on-year, demonstrating Polymetal's commitment to achieving our strategic goal of zero harm.

Robust production

2021 was a successful year for Polymetal despite global and national macroeconomic factors. Our GE production increased to 1,677 Koz (2020: 1,637 Koz), approximately 5% above our original production guidance. This is an excellent result and evidence of the robustness and transparency of our production plans.

Revenue for 2021 was relatively stable at $2.9 billion. Total cash costs increased 15% from last year's $638/GE oz to $730/GE oz for 2021 on the back of relentless inflationary pressures. Still, this level is competitive, placing Polymetal in the second quintile of the global cash-cost curve and within the original cost guidance of $700–750/GE oz.

Disruptions in global supply chains and epidemiological restrictions in Russia put intense pressures on prices for capital goods and services in particular. As a result, capital expenditure for the full year increased by 36% to $759 million (2020: $558 million), which is 5% above the upper end of the previous guidance range ($675–725 million). As a consequence, AISC also increased by 18% from $875/GE oz in 2020 to $1,030/GE oz, 6% above the guidance range of $925–975/GE oz.

Nevertheless, Polymetal generated a strong free cash flow of $418 million. The Net debt/Adjusted EBITDA ratio at the year end remained at a comfortable level of 1.13x, just above 1x. On the back of significant capital investments, net debt increased year-on-year to $1.65 billion (2020: $1.35 billion). Polymetal paid $635 million in dividends in 2021 maintaining our strong track record as a stable and responsible dividend payer.

Securing further growth

In October, we successfully launched our newest mine on time in the face of tremendous challenges to the project schedule posed by Covid-19. Nezhda smoothly ramped up to full design throughput and recovery before the end of the year; a demonstration of the extent of Polymetal's technical competence within its in-house engineering, project management and construction teams. JORC-compliant ore reserves at Nezhda are estimated at 5.1 GE Moz at a grade of 3.4 g/t with a 23-year life of mine. The operation will create more than 1,000 permanent jobs and, alongside this, we are investing in a number of social projects in the region.

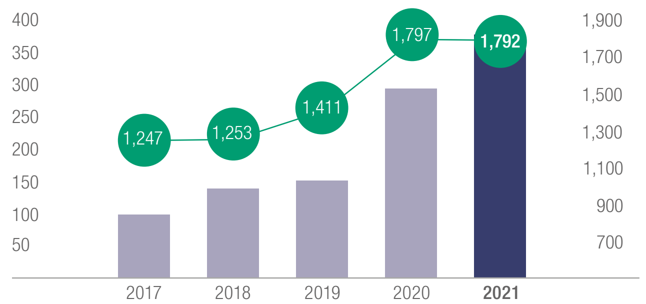
We also continued to pursue a range of other investment projects that should ensure that the Company remains on track with its long-term ambitions of generating consistent growth and cash returns for its shareholders. At POX-2, the largest of these projects, overall construction is 65% complete and on schedule to launch and produce its first gold in the second half of 2023. We believe that, in addition to creating greater value for the business, this project has the potential to provide local career opportunities for technical staff and leverage young talent.

In Q4 2021, the Board approved Polymetal's investment plans for another new mine. First production at Veduga – a large high-grade 4.0 Moz asset – is expected in Q2 2025. This will enable us to maintain the momentum of our growth pipeline for the medium-term, while at the same time supporting our practice of having no more than two major investment projects (currently Veduga and POX-2) simultaneously in active execution phase.

We have made good progress in advancing our long-term growth pipeline through our investment in junior exploration projects. Polymetal announced an initial JORC-compliant mineral resource estimate for the Novopet polymetallic deposit of 2.4 GE Moz at an average grade of 8.0 g/t GE. Novopet is the first convincing validation of Polymetal's strategy of teaming up with junior exploration companies as it more than doubles the Company's exposure to copper.

This year, despite the depletion of mature mines, we not only replaced but also grew our ore reserve base by 2.0 GE Moz or 7% to 29.9 GE Moz as at 1 January 2022. This is the result of increased financial and organisational investment in both brownfield and greenfield exploration, fully in line with Polymetal's strategy of organically driven growth.

Dividend per ounce produced[1]

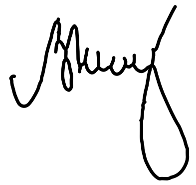


1 GE production is based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for prior years restated accordingly (120:1 Au/Ag conversion ratio was used previously).

Major commitments to the future

We believe we can contribute to making the world more robust and more resilient by shifting towards greener sources of energy and reducing energy intensity. In 2021, we made major commitments to reduce our carbon emissions, by joining the global Science Based Targets initiative (SBTi) and announcing a formal target of cutting our GHG emission intensity by 30% by 2030. Our GHG intensity decreased by 9% across the business in 2021. In November 2022, we plan to announce a detailed, science-based plan to achieve carbon neutrality and set GHG Scope 3 targets for indirect emissions within the Company's supply chain.

As described above by the Chairman, we live in a time of exceptional economic and geopolitical challenges, however we continue to do our best to contribute to the long-term sustainable growth of the business. Our roles as a responsible miner and good corporate citizen are fundamental to how we run our business and retain the trust of all our stakeholders, even against the backdrop of the recent conflict in Ukraine.



Vitaly Nesis
Group CEO

Nezhda launched ahead of schedule and ramped up successfully

Polymetal's commitment and ability to deliver complex projects under difficult circumstances was once again demonstrated when Nezhda started production two weeks ahead of schedule.

First concentrate produced

Following the final construction decision, the Nezhda 2 Mtpa open-pit mine and combined gravity/flotation concentrator were completed in just 38 months. Nezhda successfully produced its first concentrate in October 2021 and smoothly ramped up to full design throughput and recovery within three months, a testament to high quality of in-house engineering and construction.

5.1 Moz
Nezhda reserves of GE
at 3.4 g/t

1,000+
Permanent jobs to be created
at Nezhda

First half 2024
Start of production

125 Moz
Prognoz reserves of SE
at 481 g/t

Prognoz

In August 2021, the Board approved an accelerated development of the open-pit mine at Prognoz, combined with ore processing at the Nezhda concentrator. This ensures optimal allocation of human and financial resources, and significantly reduces capital expenditure and project risk, while bringing cash flows forward and minimising the environmental impact. The annual mine capacity will amount to 250 Kt of ore with an average grade of approximately 600 g/t of silver.

Read more on pages 51, 135

Global leadership in refractory ore processing

600 Koz
Expected annual gold production

65%
of project completed

POX-2

Construction continues on schedule and POX-2 is on track for launch in the second half of 2023. After the launch, 100% of the refractory concentrate will be processed in-house allowing us to gain a unique competitive advantage in environmentally friendly refractory ore processing. The project is 65% complete. At the POX circuit, all preparation work for the key equipment installation has been completed and heating installed. Foundation works for thickener, downstream circuit equipment, boiler-house and chemicals storage construction have also been completed.

Read more on pages 11, 27, 43

Pacific POX

The Board approved the $70 million feasibility study for Pacific POX, expected in the second half of 2023. Constructing Pacific POX, with a planned capacity of 250–300 Ktpa, would allow Polymetal to meet the growing needs of internal and third parties for refractory concentrates treatment and avoid the extra cost of selling concentrate to offtakers. The flowsheet is identical to POX-2 with minor changes based on the results of detailed engineering. The investment decision is expected in the second half of 2023, after POX-2 ramp-up.

Read more on pages 27, 43

250–300 Ktpa
Planned capacity

Second half 2023
Investment decision

Climate change initiatives

Climate change calls for global action. We support the initiatives of countries that have joined the Paris Climate Agreement to reduce GHG emissions and build a roadmap to carbon neutrality.

Limiting climate change

In 2021, we set new climate targets to reduce our Scope 1 and Scope 2 emissions and presented a climate action plan to guide our efforts until 2030. We value global initiatives to tackle climate change and in 2021 we joined the Science Based Targets initiative (SBTi)[1]. This reaffirms our commitment to work with more than 2,200 world-leading companies to achieve the goals of the Paris Agreement.

30%
reduction of GHG emissions intensity[2] by 2030

35%
reduction of absolute GHG emissions by 2030

1 Specific near-term targets.
2 CO_2e per oz of GE, Scope 1 and Scope 2 emissions.

7%
of total electricity generation from renewable sources by 2025

Raising our resilience

Acknowledging the significant impact of climate change, especially on permafrost assets, and to mitigate climate risks, we have developed both a Climate Strategy and a Climate Action Plan, which include developing our own renewables, switching to low-carbon electricity supplies and technologies, electrification of our mobile fleet and working to improve our overall energy efficiency. In 2021, we launched our second solar power plant at Omolon, with further green projects planned in 2022.

Read more on pages 66–81

Our commitment to our people and communities

We continually monitor our impact on the people around us, whether our employees, contractor workers or neighbouring communities. Building trusted stakeholder relationships helps us ensure our long-term licence to operate.

Employees and contractors

Our talented people are what make us a successful business. Enabling them to develop, upholding their rights and protecting their well-being are fundamental. Safety and risk management systems are underpinned by a safety-positive culture and we apply the same standards when working with contractors. Employee development programmes, Talent Pool, Young Leaders and the Scientific and Industrial Conference help create diversified teams, improve motivation and encourage creativity.

The Covid-19 pandemic highlighted the importance of employee engagement. In 2021, we carried out a wide-scale employee survey of some 8,000 respondents, and implemented an action plan across all employees' areas of concern.

Read more on pages 56–65, 98–99

Communities

We aim to maintain open dialogue with and give transparent feedback to our neighbouring and indigenous communities. In 2021, we received and responded to 613 local enquiries. The outcomes of such engagement inform our social investment programmes. In 2021, we directed $20 million to healthcare, educational, infrastructural and cultural projects. Measuring the actual outcomes for stakeholders is crucial for an efficient social investment programme: we assessed 31 projects to ensure that our social investments are making a significant contribution to the welfare of local communities.

Read more on pages 92–95

69%
employee engagement index

$20m
community investments in 2021

$389m
taxes paid in 2021

Business model

Key differentiators for continued growth

Our sustainable and responsibility-driven approach ensures long-term growth and benefits our stakeholders.

Our purpose

Deliver long-term value to all stakeholders through responsible and efficient mining.

Our capitals

Financial
Strong balance sheet and a large portfolio of available undrawn credit facilities; access to international equity markets and use of shares as acquisition currency.

Read more on pages 28–29, 100–113

Human
13,392 employees; attracting and retaining high-potential employees across Russia and Kazakhstan; nurturing young leaders to manage further growth.

Read more on pages 19, 62–63, 154–155

Natural
Portfolio of high-grade reserves; water, energy and fuel to run our operations.

Read more on pages 34–37, 82–91

Business
Robust performance of our operating mines by driving continued operating improvement; a strong growth pipeline; continuous extension of life-of-mine by investing in near-mine exploration.

Read more on pages 18, 21, 56–61, 98–99

Intellectual
Investment in skills and expertise; use of leading technologies in refractory gold processing (POX); selective mining; development of know-how.

Read more on pages 13, 19, 40, 43, 60–65, 130–133

Social and relationship
Constructive relationships with local government and communities; transparent and productive dialogue with stakeholders.

Read more on pages 20, 22, 92–95, 97, 124

Factors determining long-term growth

Market trends and opportunities
Read more on pages 24–25

Risk management and sustainability
Read more on pages 76–77, 114–128, 52–53

Governance
Read more on pages 129–185

What makes us different

Read more on page 5

- Focus on high-grade assets
- ESG leadership
- Strong capital discipline
- Operational excellence
- Investing in exploration
- Leading competence in treatment of refractory ores

Our outputs

Our products Read more on pages 32–33, 39–51	1,442 Koz Gold production	20.4 Moz Silver production	205.9 Mt mining waste (stripping)
Our footprint Read more on pages 80–87	1,136 Kt CO_2 e emissions	3,480 th. m^3 Fresh water withdrawal	13.2 Mt Tailings waste

Our outcomes

Financial
- **$635m** of dividends paid
- **2.9%** cost of debt
- **30%** share of green loans in debt portfolio

Human
- **$500m** of wages and benefits
- **$1.1m** investments in employee training
- **8.2%** turnover rate
- **0.12** LTIFR

Natural
- **29.9** GE Moz of Ore Reserves
- **42%** decrease in fresh water withdrawal intensity for ore processing, 2019 baseline
- **9%** decrease in GHG intensity (Scopes 1 and 2), 2019 baseline
- **11%** of tailings dry-stacked

Manufactured
- **$759m** of capex
- **10** operating assets and a pipeline of ambitious exploration projects
- **45** new licensed properties
- **Nezhda** launched successfully ahead of schedule

Intellectual
- **Global** leadership in pressure oxidation technology
- **Data-driven** geological surveying
- **In-house** design and engineering expertise

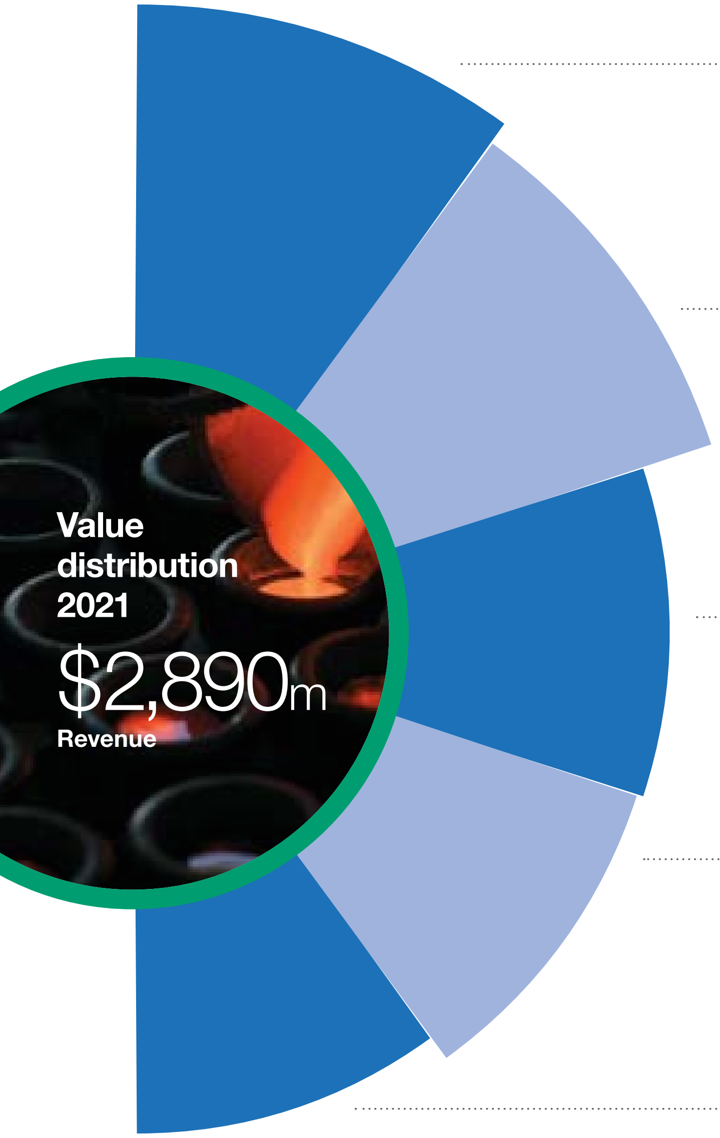
Social and relationship
- **Leader** ESG leader in the industry
- **$389m** of taxes paid
- **$20m** of social investments
- **44%** of purchases sourced locally

Value distribution

Sustaining the economy

Polymetal enhances the lives of its stakeholders through its economic contributions as an employer and a taxpayer, developing local infrastructure, supporting national and regional supply chains, and generating returns for shareholders. The Company's commitment to the long-term sustainability of the business helps to empower diverse and thriving communities wherever it operates through jobs and training opportunities while engaging with greener technologies to minimise its environmental impact.

Read more on pages 19–23, 54–55



Capex

$759m

Read more on pages 110–111

Capital providers

$689m

$635m Equity providers $54m Debt providers

Read more on pages 10, 28–29, 113

Suppliers and contractors[1]

$555m

Read more on pages 21, 98–99, 104, 112

Employees

$500m

Read more on pages 19, 62–63, 154–155

Taxes

$389m

Read more on pages 22, 92, 96–97

1 Other than capital expenditures.

Stakeholder engagement

Understanding stakeholders' needs

We engage closely with all our stakeholders to understand and better respond to their needs. This ensures our licence to operate and continued high performance. Feedback and concerns received from stakeholders via different channels inform our decisions, as well as our disclosures and risk management.

Factors set out in section 172 of the Companies Act 2006 are considered at the Board level and also form part of the Group culture. 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 Board stakeholder engagement on pages 142–143 and on culture, purpose and values on pages 3, 59.

Employees

13,392
Employees

$1.1m
investments in training

Key topics in 2021

- Health and safety
- Human rights
- Compliance with relevant ESG standards and best practices
- Salaries, benefits and social packages
- Equal career and professional development opportunities
- Support and engagement during Covid-19
- Working and living conditions
- Internal communication
- Training and professional development

How we engage at Board level

- Each Board meeting starts with reviews of HSE information
- At Safety and Sustainability Committee meetings, the members review overall HSE statistics to spot any emerging trends and discuss preventive actions; review any severe accidents and near misses
- Nomination Committee reviews an HR report twice yearly, including employee survey results, and monitors talent management programmes
- Remuneration Committee benchmarks overall salary trends and sets remuneration for the executive team, taking into account remuneration practices in the Group
- Board Direct Line takes place every year when any employee can ask Directors a question
- Board engagement with targeted groups of employees (Young Leaders, Female Chief Engineer)
- Annual review of Group policies

How we engage across the Group

- 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

How we respond

- Ensuring safe working conditions
- Salaries comparable with or above industry levels
- Effective system of personnel development, improving professional and managerial skills
- Providing favourable social and living conditions for employees
- Encouraging environmentally responsible behaviour
- Ensuring open dialogue and feedback mechanisms

Read more on pages 19, 62–63, 154–155

Communities

$20m
of social investments

766
projects to improve the quality of life in communities

Key topics in 2021
- Support of local healthcare institutions
- Infrastructure development
- Financial contributions and in-kind donations
- Human rights
- Grievance mechanisms
- Skills development and local employment
- Environmental and health impacts
- Local culture, lifestyle, language and traditions
- Procurement from local businesses

How we engage at Board level
- Annual review of social engagement with indigenous communities
- Review of corporate responsibility, community activities and volunteering programmes
- Social investments included in all strategic presentations
- Review of general approach to social investments

How we engage across the Group
- Grievance mechanisms (telephone, email, etc.)
- Opinion polls and questionnaires
- Public hearings
- In person and online meetings with Company representatives, including annual results meetings and site visits
- Press conferences and Q&As
- Working groups
- Corporate disclosure: website, sustainability reports, media

How we respond
- Ongoing dialogue with local communities
- Social investments in the development of territories
- Ensuring the rights of indigenous communities and supporting them to flourish
- Engaging local suppliers in procurement procedures and training

Read more on pages 20, 92–95

Suppliers, contractors and customers

$1,314m
Payments to suppliers and contractors[1]

44%
of purchases sourced locally

Key topics in 2021
- Compliance with Polymetal's standards and policies, with a focus on safety, environmental stewardship and labour practices
- Supply chain transparency
- Financial performance
- Pandemic-related supply chain risks

How we engage at Board level
- Supply chain strategy overview
- Regular monitoring of robustness and costs
- Ensuring that suppliers apply the same health, safety and environmental protocols as Polymetal's employees
- Implementation of governance tools in the supply chain
- Supervising the drafting and implementation of procurement policies, the Supplier Code of Conduct and other Group policies
- Monitoring the development of ESG evaluation criteria for suppliers to be included in Polymetal's supplier ranking system
- Modern Slavery Statement review (including transparency in the supply chain)

How we engage across the Group
- Direct correspondence
- Contractual relationships
- Meetings and training
- Industry conferences

How we respond
- Full compliance with business ethics standards
- Focusing on long-term co-operation
- Setting the same safety requirements for contractors as for our employees
- Developing questionnaires to assess suppliers against ESG criteria

Read more on pages 18–19, 21, 56–65, 98–99

1 Operating and capital expenditures.

Government/ local authorities

37
partnership agreements with local authorities on socio-economic development

$389m
of taxes paid

Key topics in 2021
- Regulatory compliance
- Taxes
- Labour issues
- Health and safety
- Environmental responsibility
- Infrastructure and community development
- Local employment

How we engage at Board level
- Review of applicable tax regulations in areas of operation
- Implementation of relevant policies
- Monitoring the implementation of environmental practices
- Review of social investment programmes

How we engage across the Group
- Working groups and meetings
- Direct correspondence
- Industry conferences

How we respond
- Social partnership agreements
- Ensuring best practice in labour relations, environmental management and safety, and communicating them to the authorities
- Transparent tax payments and disclosure

Read more on pages 20, 97, 124

Capital providers

$459m
Dividends proposed for 2021

2.9%
Average cost of debt

Key topics in 2021
- Financial and operational performance
- Sustainability performance, climate change targets and alignment of GHG reduction trajectories with the Paris Agreement
- 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
- Resource base diversification beyond gold and silver

How we engage at Board level
- Investor meetings
- Capital Markets Days
- Annual General Meeting
- Shareholder engagement
- Shareholder meetings with Board and Committee chairs
- Quarterly update from the Head of IR

How we engage across the Group
- Constructive dialogue at the General Meetings
- Integrated Annual Report
- Timely information disclosures via corporate website and accredited news agency websites
- Conferences and Investor days
- ESG meetings
- Presentations and conference calls for institutional and individual investors
- Site visits
- Direct communication

How we respond
- 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
- Joining the Science Based Targets initiative (SBTi)[1] to confirm our climate-related commitments

Read more on pages 10, 28–29, 113

1 Specific near-term targets.

World markets in 2021

Despite initial signs of recovery, the uncertainty experienced in 2020 continued to cast its shadow across global markets during 2021, creating volatility in most industry sectors.

Global trends

Covid-related restrictions

In 2021, the global economy partially recovered after the decline caused by the pandemic in 2020. However, high levels of infection and contagious new strains of the virus brought further travel constraints and lockdowns. In Russia and Kazakhstan, the approach to Covid-related restrictions within the regions has varied in both scope and severity. Enforcement has also been very inconsistent.

Implications for Polymetal and responses

The epidemiological situation is under control:
Precautionary measures are in place with extensive testing and vaccination actively encouraged. Federal exemptions for fly-in fly-out employees enable Polymetal to bring in contractors and key equipment. Operations and development projects have continued undisrupted.

Read more on pages 56–57, 118, 119, 123

Taxation and sanction risks

The rapid deterioration of the conflict in Ukraine has led to additional and more severe sanctions on Russia imposed by the global community, as well as to the possibility of further sanctions in the future. The sanctions announced to date will not materially affect Polymetal. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as mining companies.

Implications for Polymetal and responses

Polymetal believes that targeted sanctions on the company remain unlikely, but cannot be completely disregarded. Contingency planning has been initiated proactively to maintain business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing sales channels.

Read more on pages 8, 124, 182–183

Reducing environmental impacts

There is an increasing call for companies, particularly those deemed 'dirtier' (like mining), to take action to reduce negative environmental impacts. Carbon footprint, water discharge, biodiversity, reforestation, tailings safety and cyanide management are key focus areas. Stakeholders expect best practice and standards for these as well as ambitious emission and net-zero targets.

Implications for Polymetal and responses

Leveraging our strategy to reduce our environmental footprint:
Adhering to all necessary environmental and disclosure standards helps us to deliver improvements in key environmental indicators. We are recognised by ESG rating agencies as a leader in the industry. We have set ambitious long-term targets to further reduce our emissions intensity.

Read more on pages 66–81

Commodity price volatility and related inflation

Throughout 2021, market volatility was largely due to four prevailing global factors: economic recovery causing supply chain congestions, inflationary pressures, new waves of Covid-19 and concerns about rising interest rates. This has caused significant increases in both prices and volatility of key commodities such as oil, coal, steel, and copper, as well as in the cost of sea freight.

Gold and silver

These factors were also reflected in the fluctuations in the gold price during 2021. While the annual average price of $1,799/oz exceeded the previous year by 2% (2020: $1,770/oz) and remained relatively stable thereafter, the year-end gold price was down by 4% to $1,806/oz (2020: $1,889/oz). ETF holdings decreased amid more negative sentiments for gold than in 2020. The total gold demand, however, increased by 10% year-on-year, driven by exceptional recovery of demand for jewellery and significant purchases of bars and coins.

Silver started 2021 with a sharp price increase and reached a five-year high of $29.1/oz in February due to retail investors' activism, also known as a 'silver squeeze'. But, the price peak did not hold for long, gradually returning to its long-term correlation with gold. The silver price at the year end stood at $23.3/oz, a 14% decline year-on-year. The average annual silver price rose to $25.1/oz, a 22% increase year-on-year.

Economy

As the global economy moved into recovery during 2021, demand rose for both consumer and industrial goods spurring widespread inflation (Russia – 8.4%, Kazakhstan – 8.4%, US – 7.0%). Steel and oil prices increased dramatically: average Brent crude oil was up 55% year-on-year to $77 per barrel, while average steel (FOB Black Sea) jumped by 83% to $860/t.

Foreign exchange rates had a volatile year. The Rouble reached as high as 78 RUB/US$ in April and strengthened to 70 RUB/US$ in October. Overall, the average annual exchange rate in 2021 weakened to 74 RUB/$ (2020: 72 RUB/$). In 2021, the Tenge depreciated by 3% to 435 KZT/$ with an annual average of 427 KZT/$ (2020: 413 KZT/$).

Implications for Polymetal and responses

Revenue was up 1% year-on-year to $2,890 million. Inflation and wage increases led to higher total cash costs of $730/GE oz, up 15% year-on-year, while our 2022 guidance implies another rise to $850–900/GE oz in 2022. Capital expenditure was up 36% on 2020 at $759 million.

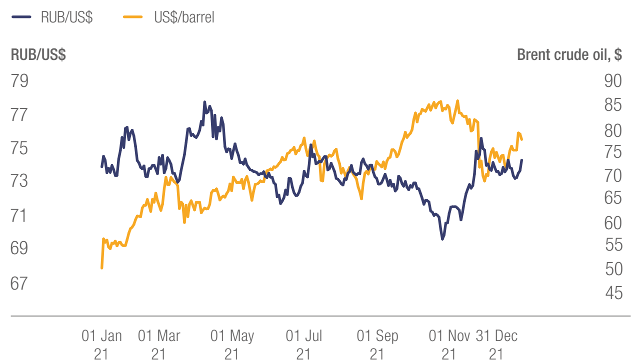
In response, we are focusing on medium-term logistics and contracting, and transitioning to grid power and renewable energy sources, electric fleet and haulage systems.

Read more on pages 102–103, 111

Gold and silver price
($/oz)

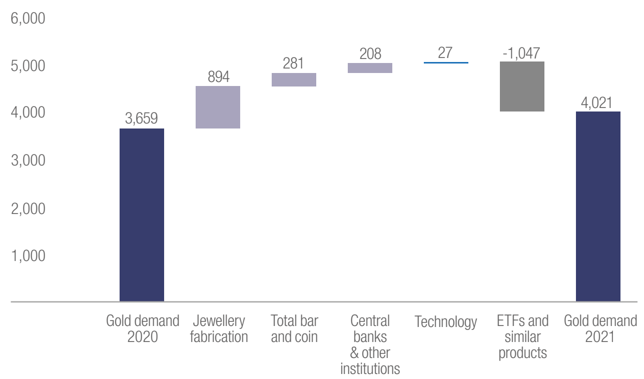
Source: Thomson Reuters, World Gold Council.

Currency and oil price



Source: Thomson Reuters, Central Bank of Russia.

Gold demand
(tonnes)



4,021 tonnes
Global gold demand 2021
(+10%)

Mining industry trends

The social licence to operate

Mining often occurs in remote areas with little infrastructure or alternative economic activity. Many mines are close to population centres, indigenous settlements and natural areas. To merit operating licences and maintain sustainable businesses, companies need to invest in local communities and jobs, pay taxes and take responsibility for their environment.

Implications for Polymetal and responses

We remain open and transparent with our stakeholders:
The level of public interest in our operations is increasing. Ongoing, rigorous engagement, plus regular feedback, helps us maintain our social licence to operate and reduce risk.

Read more on pages 11, 14–15, 28–29, 52–99

Global refractory processing demand

Over 30% of the world's gold resources are considered refractory and require specialist processing, predominantly used by Chinese offtakers. China, however, has tightened its environmental regulations and, in 2021, began restricting refractory concentrate imports, which will increase the demand for refractory processing elsewhere.

Implications for Polymetal and responses

Polymetal prioritises refractory gold in its strategy:
Refractory ores make up 71% of Polymetal's ore reserves and are likely to increase. Our Amursk POX plant, Russia's largest (by production), processes refractory concentrates using low-impact environmental technology, and our larger POX-2 investment will more than double processing capacity and allow processing of double refractory materials, eliminating dependence on and higher costs of Chinese offtake. We have initiated a feasibility study for a third plant, Pacific POX, to meet third-party demands and own reserve base extension.

Read more on pages 13, 25, 26–27, 42

Global reserves depletion

The world's major gold miners have seen their economically minable gold reserves decline over the past ten years, as exploration budgets continue to shrink. Acquisitions to replenish reserves or bolster production have become the preference of many.

Implications for Polymetal and responses

Polymetal relies on strategic exploration rather than acquisition:
The Company carries out brownfield and grassroots exploration including joint ventures with junior explorers and successfully replaces depleted reserves through new discoveries and reserves additions at the existing mines. We have a pipeline of ambitious exploration projects, which we expect to contribute further to our reserves base and increase life-of-mine.

Read more on pages 4, 34–37

Commitment to growth and positive impact

We are focused on growth and making a positive impact across all our operations.

Capital allocation
Our strategy is built upon strong capital discipline.
Read more on pages 28–29

Remuneration
The link between performance and remuneration is key.
Read more on pages 158, 171

Our strategic priorities

Meaningful organic growth

Build and advance long-term growth pipeline

We want to secure high-quality sources of long-term growth through advancing development projects, investing in our own greenfield exploration programme and extending life-of-mine by investing in near-mine exploration. We are actively looking at targets within the Former Soviet Union where we can create value with our core competencies. This will allow us to generate free cash flow and translate it into significant dividends.

Risks
- Production risk
- Construction and development risks
- Supply chain risk
- Exploration risk

Performance in 2021

1.68 Moz
produced in 2021, up 2% year-on-year and 5% above original guidance

Nezhda
launch ahead of schedule

7%
increase in ore reserves

Veduga
The Board approved $471 million investment in the 4.0 Moz Veduga project

Our focus in 2022
- Despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances
- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2022
- The scope of operational activities and capital project advancement is not expected to change materially

Global leadership in refractory ore processing

Unlocking the value of refractory reserves

Excelling in environmentally friendly refractory ore processing, we aim to process 100% of the Company's refractory ore in-house.

Risks
- Production risk
- Construction and development risks
- Supply chain risk
- Market risk

Performance in 2021

POX-2 project is 65% complete
We advanced construction of POX-2, which will fully de-risk our business model by bringing all concentrate processing in-house and eliminating our dependence on concentrate offtake from 2H 2023.

Pacific POX
We also started the Pacific POX project, which addresses both the internal need for extra downstream capacity and provides us with strategic opportunities on the external market.

Our focus in 2022
- Keeping POX-2 construction on track for launch in 2H 2023
- Land plot securing and external infrastructure conditions approval for Pacific POX

High standards of ESG through impact assessment

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.

Risks
- Health and safety risk
- Environmental risk
- Human capital risk
- Legal and compliance risk
- Political risk
- Taxation risk

Performance in 2021

9%
reduction in our GHG intensity (Scope 1 and Scope 2, compared with 2019)

33%
female directors

Received further external recognition of ESG efforts with improved ratings and scores from MSCI ESG Ratings, Sustainalytics, Vigeo Eiris, ISS ESG Corporate Rating

S&P Global Bronze Class Sustainability Award

Our focus in 2022
- Ultimate goal of zero fatalities and LTIFR ≤ 0.2 at all operations
- Improve equality and diversity, with at least 33% of women in the Talent Pool
- Set Scope 3 target and develop net-zero approach
- Achieve a 10% reduction in GHG intensity (Scope 1 and Scope 2) compared with 2019 baseline
- Achieve a 42% reduction in freshwater intensity[1] compared with 2019 baseline
- 12% of all our tailings to be stored in the form of dry stacking
- Continued compliance with global and local best practice

Capital discipline & sustainable dividends through the cycle

Significant dividend and robust balance sheet

Our world-class assets, combined with our very strong balance sheet, support our ability to provide superior cash returns to shareholders and accelerate dividend pay-out as leverage decreases.

Risks
- Market risk
- Currency risk
- Liquidity risk

Performance in 2021

$635m
dividend paid ($1.34 per share)

$1bn
Our commitment to invest in decarbonisation until 2030

1.13x
Net debt/Adjusted EBITDA, below target of 1.5x

$400m
New sustainability-linked financing with interest rates linked to GHG emission intensity reduction targets

Our focus in 2022
- Maintaining a strong balance sheet and comfortable leverage position of Net debt/Adjusted EBITDA
- Delivering significant positive free cash flow

1 Excluding water for non-technological purposes.

Capital allocation

Committed to superior, sustainable dividends

We have a value-focused approach to capital allocation, which supports our ability to provide superior cash returns to shareholders.

Our capital allocation priorities

Significant sustainable dividend

Regular dividends are a shareholder's right, which comes before growth spending

Disciplined, strategic growth investments

Capital discipline on all investment decisions across the business and high standards of ESG through impact assessment

Strong balance sheet and liquidity

Maintaining a strong and efficient balance sheet with a target leverage ratio of no more than 1.5x

Significant sustainable dividend

We are aiming to maintain an above sector-average dividend yield. Our Dividend Policy is for a minimum 50% pay-out of underlying net earnings, paid each half year (subject to absolute Net debt/previous 12-months' Adjusted EBITDA ceiling of 2.5x). In addition, the Board has discretion to increase the final dividend for the second half year to a maximum annual pay-out of 100% of free cash flow.

Despite the volatile macroeconomic environment caused by Covid-19, the resilience of our business and healthy balance sheet gave the Board the confidence in 2021 to approve the payment of an interim dividend and recommend a final dividend payment of $0.89 per share. This brought the total dividend in respect of the 2020 financial year to 100% of free cash flow, increasing the pay-out rate to 63% of underlying earnings.

In 2021, Polymetal generated significant free cash flow of $418 million (2020: $610 million) driven by strong commodity prices and an excellent operational performance, and paid out $635 million of dividends. In view of the strong balance sheet and underlying business performance in 2021, the Board has proposed a final dividend of $0.52 per share (approximately $246 million), representing 50% of underlying net earnings for the second half of 2021, in accordance with Polymetal's Dividend Policy. This will bring the total dividend in respect of the 2021 financial year to $459 million or $0.97 per share.

From free cash flow from 2012 to 2021 totalling $2.7 billion, Polymetal has paid out $2.6 billion in annual dividends to shareholders since the IPO, while still being able to efficiently utilise its strong balance sheet and maintain a low leverage position.

Read more on pages 100–113

4.7%
sector-leading dividend yield

$191/oz
returned to shareholders since IPO

Our dividend policy

50%
Regular dividend of underlying net income

- Board discretion to increase the final dividend to a maximum annual payout of 100% of FCF

Disciplined, strategic growth investments

We ensure that we create long-term strategic value for our shareholders, employees and communities. By prioritising high-return investments that provide development optionality, we have created a successful and resilient business that generates significant capital return across cycles and acts as a platform for sustainable growth.

Our strategy is to operate a portfolio of high-quality and long-life assets that support low-carbon and climate change-resilient growth, from which we will deliver sustainable shareholder returns. We evaluate investment opportunities and aim to optimise the portfolio based on our assessment of returns, risks and future optionality:

- Our strong preference is for high-grade, low-cost and low capital intensity projects that can provide development optionality. We preserve our focus by streamlining high-cost and short-lived assets.
- Our investment decisions are carried out with incredible rigour. We apply high IRR hurdle rates (starting from 12% real unlevered at a $1,200/oz gold price for a base case project) and ensure that climate risks are incorporated into our project assessment.
- We invest strategically in assets and technologies that strengthen our competitive advantage, which is key to producing sustainable returns.
- We minimise our capital costs by employing a smart hub-based system that handles ore from different high-grade sources.
- We minimise our exploration risks by applying a staged approach to funding of exploration campaigns through joint ventures with junior explorers in order to access promising mineral properties for a reasonable price.

In 2021, we were focused on:

- Advancing our organic growth projects
- Expanding and strengthening our market positions in a strategic downstream POX processing of refractory gold concentrates. 2021 was a peak year in terms of investments in POX-2 and was marked by start of the feasibility study for Pacific POX
- Retaining leadership in sustainability and meeting our commitments to decrease our carbon and environmental footprint
- Unlocking the exploration value by pursuing greenfield exploration through JVs with junior explorers
- Creating social value for our employees and communities through social investments (see page 92)

In 2021, we increased our capital expenditure by 36% to $759 million to accelerate spending during a high commodity price cycle. This comprised $418 million of development capital, $140 million of stripping and underground development capital, $188 million of sustaining capital and $12 million invested in exploration. Much of the year's increase relates to advancing our development projects, which will start contributing to free cash flow in 2022–2023.

In 2021, $23.6 million was spent on water and waste management. We also announced a commitment to invest at least $1.1 billion in decarbonisation until 2030 to meet our GHG reduction targets in line with the Paris Agreement scenario (see page 68). Focus on low-carbon and climate change-resilient growth projects provides an insurance to our stakeholders that our business will remain sustainable in the long term. This not only mitigates environmental risk but often provides co-benefits, such as lower costs, improved water quality or support for local communities.

Read more on pages 80–81

Strong balance sheet and liquidity

Our strong balance sheet provides resilience to our value creation strategy. We aim to maintain the liquidity and financing structure that will allow us to pay superior dividends in line with the Dividend Policy and to grow our business while supporting a comfortable leverage position below 1.5x Net debt/Adjusted EBITDA. We maintain a large amount of undrawn credit lines which provides refinancing optionality and a strong cash position which secures dividend pay-out. We stress test our liquidity through modelling and forecasting different scenarios.

As part of its strategy, the Company maintains borrowings and excess cash predominantly in US Dollars. In 2021, Polymetal maintained a leverage of 1.1x Net debt/Adjusted EBITDA (2020: 0.81x), significantly and favourably below the target ratio. We satisfy our funding and working capital requirements from the cash generated from our operations, but retain a capacity to increase debt to accelerate growth or transition to a lower-carbon economy. Net debt increased by $296 million to $1,647 million during the year, mainly driven by dividend payments and accelerated capital expenditures.

Cash positions increased by 8% to $417 million during the year, positioning the business to navigate the challenging macro environment. The Group had $2.2 billion of additional undrawn facilities from a diversified portfolio of lenders of which $1.35 billion are considered committed[1]. The total debt will mature as follows: 22% in 2022; 9% in 2023; 18% in 2024 and 52% in 2025 and beyond. The portion of debt maturing in 2022 is expected to be repaid from a combination of cash balances, cash generated from operations and the issuance of new debt.

Polymetal ensures that ESG factors are captured throughout the capital allocation process. We use sustainable financial instruments (30% of our debt) to ensure responsible financing that aligns capital with the Company's strategy and strong ESG performance. Our Green Financing Framework establishes the principles of proceeds allocation and the eligibility criteria for green projects.

Read more on pages 17, 81, 113

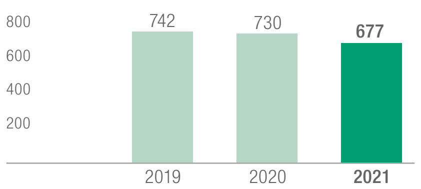
1 As at 1 March 2022, $0.8 billion of committed facilities are available to be drawn down because $0.5 billion was from banks who are now on the SDN list.

Key performance indicators

Measuring our strategic success

Sustainability

GHG intensity (kg/GE oz) -7%

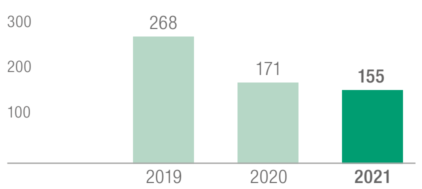


To achieve sustainable deceleration of global warming and rising temperatures, we continue to reduce our GHG emissions and are committed to developing long-term goals for 2050 and successfully achieving carbon neutrality. In 2021, we reduced our GHG intensity (Scope 1 and Scope 2) by 7% compared with 2020 and by 9% compared with 2019 (target base year).

Relevance to strategy
High standards of ESG through impact assessment

KPI linked to executive remuneration

Fresh water withdrawal intensity[1] (m³/Kt of processed ore) -9%

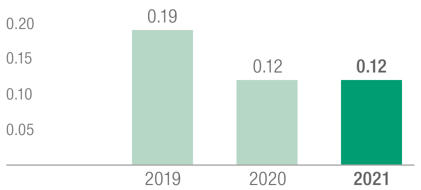


We aim to minimise fresh water withdrawal by recycling water at our plants, as well as capturing mine water and storm run-off. Alongside monitoring water use, we take full responsibility for the efficient treatment of water that we discharge to local water bodies. In 2021, our freshwater intensity decreased by 9% compared with 2020 to 155 m³/Kt of processed ore.

Relevance to strategy
High standards of ESG through impact assessment

KPI linked to executive remuneration

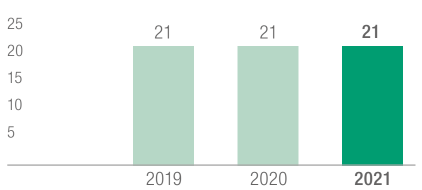
Lost time injury frequency rate (LTIFR) 0%



An improvement in the health and safety record at our operations, with a goal of zero fatalities, is a key priority. No fatal accidents occurred among the Group employees in 2021 (2020: zero fatalities). Sadly, a contract driller lost his life in July at Saum, part of the Voro hub (2020: zero fatalities). Lost time injury frequency rate (LTIFR) among the Group's employees was stable at 0.12.

Relevance to strategy
High standards of ESG through impact assessment

Share of female employees (%) 0%

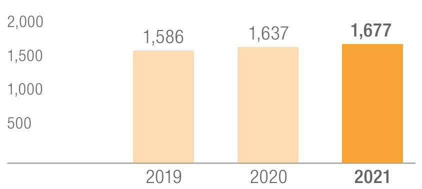


We value a diversity of views and backgrounds among our employees, aiming to attract more women to careers in the mining industry. Our diversity action plan sets gender diversity targets for our existing development programmes (such as Talent Pool and Young Leaders) and introduces new initiatives to inspire women into leadership roles. In 2021, the proportion of women in our workforce remained at 21% (2020: 21%).

Relevance to strategy
High standards of ESG through impact assessment

Operating

Gold equivalent production[2] (Koz) +2%

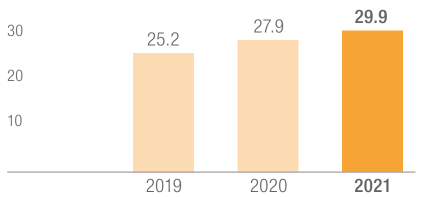


Annual target for gold equivalent (GE) production is an indicator to the market of our confidence in delivering stable and reliable growth. In 2021, GE output amounted to 1,677 Koz, a 2% increase year-on-year and 5% above the original production guidance of 1.6 Moz.

Relevance to strategy
Meaningful organic growth

KPI linked to executive remuneration

Ore reserves (Moz) +7%

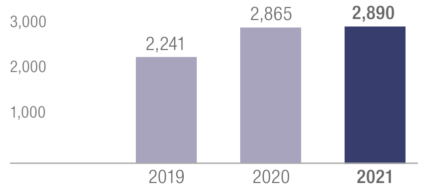


Extending life-of-mine, both through near-mine exploration and new discoveries from greenfield exploration, contributes to the Company's long-term growth prospects. In 2021, the Company increased its ore reserves by 7% to 29.9 Moz of GE on the back of successful near-mine exploration at Nezhda, Veduga and Kutyn (Albazino hub), as well as initial reserve estimates at Elevator (Varvara hub), Saum (Voro hub), and Nevenrekan (Omolon hub).

Relevance to strategy
Meaningful organic growth

Financial

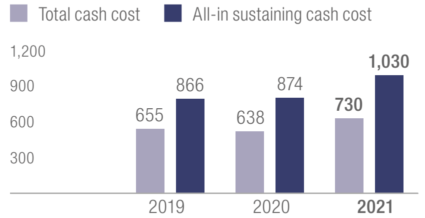
Revenue ($m) +1%



This top-line indicator is heavily dependent on commodity prices but also driven by the delivery of production volumes. In 2021, revenue increased by 1% year-on-year to $2,890 million driven by the growth of gold and silver average realised prices. Gold and silver sales were broadly in line with production volume trends.

Relevance to strategy
Meaningful organic growth

Total cash cost[3] +15% / All-in sustaining cash cost[3] +18% ($/GE oz)

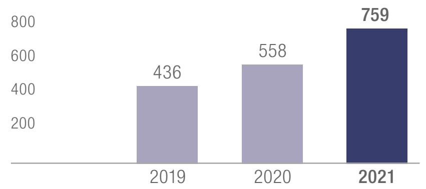


High-grade, full-capacity utilisation and continued operational improvement, as well as foreign exchange rates and oil prices are the key drivers behind total cash cost (TCC) per ounce. TCC was $730/GE oz, up 15% year-on-year, owing to above-CPI inflation in the mining industry and planned decline in grades processed at Kyzyl, Svetloye and Mayskoye. AISC increased by 18% to $1,030/GE oz, reflecting higher inflationary pressures on capital expenditure.

Relevance to strategy
Meaningful organic growth

KPI linked to executive remuneration

Capital expenditure ($m) +36%

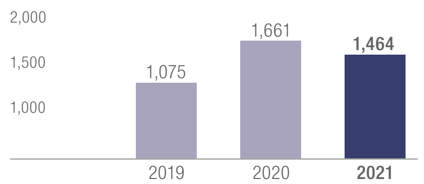


Our rigorous approach to all investment decisions ensures tight controls on capital expenditure, boosting the return on capital invested for shareholders and the sustainable development of the business. Capital expenditure was $759 million, up 36% year-on-year, due to the continuing macroeconomic pressures, significant materials and wage inflation, and reflecting the peak capital spending on development projects.

Relevance to strategy
Global leadership in refractory ore processing

KPI linked to executive remuneration

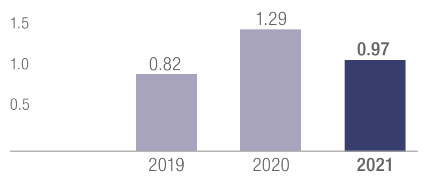
Adjusted EBITDA[3] ($m) -12%



Adjusted EBITDA provides an indicator of our ability to generate operating cash flows from the current business. In 2021, Adjusted EBITDA was $1,464 million, 12% lower than in 2020, mainly driven by higher costs against the backdrop of relatively stable sales volumes and revenue.

Relevance to strategy
Meaningful organic growth

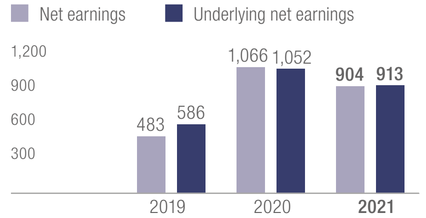
Dividends proposed for the year ($/share) -25%



Our aim is to deliver significant dividends to our shareholders at all stages of both the commodity cycle and our investment cycle. In 2021, dividends of $459 million were proposed, representing $0.97 per share compared with $1.29 per share in 2020.

Relevance to strategy
Capital discipline & sustainable dividends through the cycle

Net earnings[4] -15% / Underlying net earnings[3] -13% ($m)



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 decreased by 13% to $913 million, reflecting the decrease in operating profit.

Relevance to strategy
Capital discipline & sustainable dividends through the cycle

1 Excluding water for non-technological purposes.
2 Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2020 restated accordingly (120:1 Au/Ag conversion ratio was used previously).
3 Defined in the Alternative performance measures section.
4 Profit for the year.

A strong performance is bolstered by latest launch

> We exceeded production guidance, maintained a solid safety track record – and successfully launched and ramped up Nezhda."

Vitaly Savchenko
Chief Operating Officer

1,422 Koz
Gold production
(+1%)

20.4 Moz
Silver production
(+8%)

In 2021, Polymetal continued to deliver on its promises despite persistent challenges. Gold equivalent output grew by 2% year-on-year to 1,677 Koz.

Resilience and growth

In 2021, despite several small Covid-19 outbreaks at our remote sites, operations and projects continued undisrupted. The Group's GE production for the year amounted to 1,677 Koz, an increase of 2% over 2020 and 5% above the original production guidance of 1.6 Moz. Strong performances at Varvara and Dukat offset planned grade declines at Kyzyl, Albazino and Svetloye. In Q4 2021, Nezhda was successfully launched and ramped up smoothly to full design throughput and recovery within three months of its first concentrate production, contributing 21 GE Koz[1] to the Group's total production.

Gold production for the full year was up 1%, while silver output increased by 8%. Gold sales of 1,386 Koz were stable year-on-year, while silver sales were down 10% at 17.5 Moz. The lag between silver production and sales originating from very strong production at Dukat in December will be closed in the first half of 2022.

No fatal accidents among the Group's employees occurred in 2021 nor any in 2020. Sadly a contract driller lost his life in July 2021 at Saum, part of the Voro hub (there were no fatalities among contractors in 2020). The lost time injury frequency rate (LTIFR) among the Group's employees was stable at 0.12. Days lost due to work-related injuries (DIS) decreased by 10% year-on-year to 1,516.

Analysis of production results

Mining

Stripping volumes in 2021 grew by 23% to 205.9 Mt of rock moved, driven mostly by stripping at Kyzyl, as well as accelerated stripping activities at Nezhda. Open-pit mining has commenced at Pescherny (Voro) and Burgali (Omolon). At Albazino, waste was higher throughout the year driven by Farida and Kutyn open-pit development.

Underground development increased by 6% to 96 km (2020: 90 km), mainly due to ramping-up the Ekaterina and Anfisa underground mines at Albazino, as well as underground development at Primorskoye (Dukat hub) and Veduga.

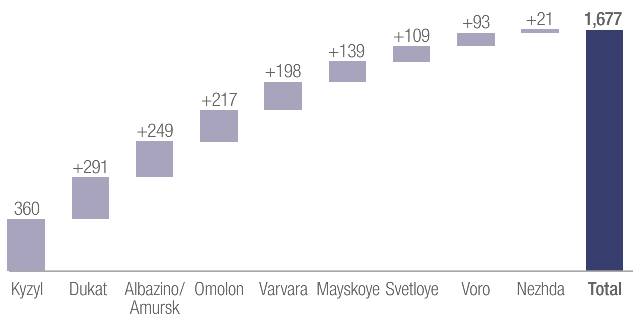
Total ore mined increased by 2% year-on-year to 15.6 Mt (2020: 15.4 Mt), mainly due to the increase at Nezhda and Varvara.

Processing

The Group's volume of ore processed increased 2% compared with the previous year to 15.8 Mt (2020: 15.4 Mt), driven mostly by the newly launched Nezhda mine, as well as throughput increases at Kyzyl and Varvara, which was partly offset by lower heap-leach output at Birkachan (Omolon hub). Other mines operated at a stable pace.

The average gold equivalent grade in ore processed decreased by 8% year-on-year to 3.8 GE g/t (2020: 4.1 GE g/t), mostly attributable to the planned grade decline towards a reserve average at Kyzyl (gold grade decreased from 7.9 g/t to 6.2 g/t, but recoveries and concentrate quality remained stable despite of this).

Gold equivalent production by mine in 2021
(GE Koz)



1 Includes concentrate produced and stockpiled for future sale, and excludes low-grade material. Expected 90% gold payable ratio is applied.
2 Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2020 restated accordingly (120:1 Au/Ag conversion ratio was used previously).
3 Based on actual realised prices.
4 LTIFR – lost time injury frequency rate per 200,000 hours worked.
5 DIS – days lost due to work-related injuries.

Production and sales

In 2021, Polymetal continued to deliver a solid set of operating results. Production grew by 2% year-on-year to 1,677 Koz GE, 5% above the original production guidance of 1.6 Moz.

Kyzyl was the largest individual contributor to the Group's overall output: full-year gold production was 360 Koz, a 6% decrease year-on-year, due to the planned grade decline towards a reserve average, which was partially offset by an increase in throughput to 2.2 Mtpa. At Albazino/Amursk, total gold output was down 5% year-on-year to 248 Koz due to a planned grade decline but was partially compensated by improved recoveries. At Omolon, GE production was up 2% year-on-year to 217 Koz, as the Merrill-Crowe circuit of the Kubaka mill processed higher grade silver. GE production at Dukat totalled 291 Koz, up 6% year-on-year on the back of the first batches of high-grade direct-shipment ore from Primorskoye. Varvara GE output grew by 24% to reach 197 Koz driven by higher processing volumes, higher grades in the Komar ore and better recoveries after flowsheet improvements. Gold production at Mayskoye remained unchanged at 139 Koz, positively impacted by the production at POX compensating for the lower gold in concentrate stemming from low-grade and highly carbonaceous open-pit ore. Gold production at Svetloye decreased by 9% to 109 Koz, mostly due to the planned decline in grade. Voro GE production increased by 5% to 93 Koz due to processing significant volumes of very high grades from third-party and Pescherny feedstocks. In Q4, the Nezhda concentrator was ramped up fully, significantly faster than planned, contributing 21 GE Koz.

Key operating highlights

	2021	2020	Change, %
Waste mined, Mt	**205.9**	166.8	+23%
Underground development, km	**95.5**	90.0	+6%
Ore mined, Mt	**15.6**	15.4	+2%
Open-pit	**11.7**	11.2	+4%
Underground	**4.0**	4.2	-5%
Ore processed, Mt	**15.8**	15.4	+2%
Average grade in ore processed (gold equivalent, g/t)	**3.8**	4.1	-8%
Production			
Gold, Koz	**1,422**	1,402	+1%
Silver, Moz	**20.4**	18.8	+8%
Gold equivalent, Koz[2]	**1,677**	1,637	+2%
Sales			
Gold, Koz	**1,386**	1,392	–
Silver, Moz	**17.5**	19.3	-10%
Gold equivalent, Koz[3]	**1,640**	1,622	+1%
Average headcount	**13,392**	12,065	+11%
Safety			
LTIFR (Employees)[4]	**0.12**	0.12	–
DIS (Employees)[5]	**1,516**	1,679	-10%
Fatalities			
Employees	**–**	–	NM
Contractors	**1**	–	NM

Operating review continued

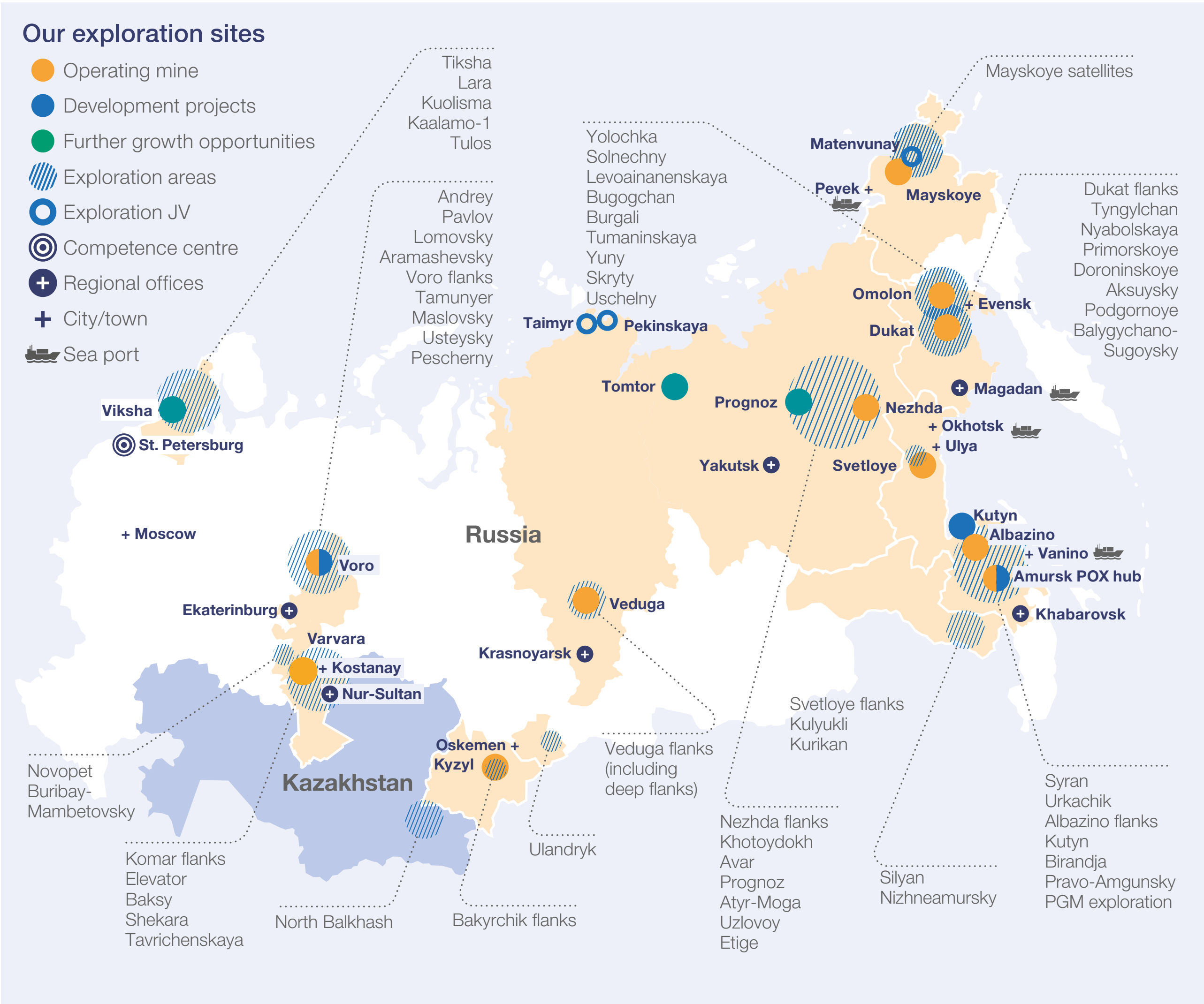
Metal sales in 2021 at a GE of 1,640 Koz, remained stable compared with 2020. The lag between silver production and sales originating from very strong production in December at Dukat is forecast to be closed in the first half of 2022. While most of the sales comprised refined metals, we continue to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold), Kyzyl (double refractory gold) and Nezhda (gold) to third-party offtakers. Offtake is one of our core competencies: it allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries.

Exploration

Greenfield and brownfield exploration is a core element of our strategy for driving long-term growth and has proved to be one of the most efficient growth sources for Polymetal historically. Extending life-of-mine through near-mine brownfield exploration at existing operations and new discoveries from greenfield exploration both contribute to the Group'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 2021 were:

- Prepare an initial ore reserve estimate at Elevator (Varvara hub)
- Complete an initial ore reserve estimate at Tomtor rare-earth minerals (REM) project
- Significantly step up activity levels in greenfield exploration, including commencing of drilling campaigns at several joint ventures with juniors.

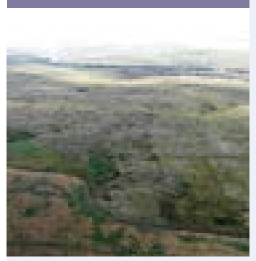


Junior joint ventures

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[1] with junior explorers in order to access promising, untested mineral properties for a reasonable price. Typical joint venture structure:

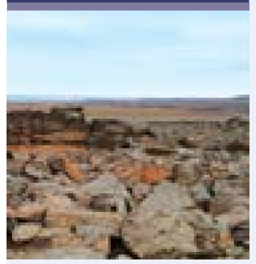
- Staged approach (3–5 years) to funding of exploration campaigns via earn-in equity or debt financing
- Polymetal is granted a call option to acquire the remaining stake
- Exit based on JORC-compliant resources or reserves at pre-agreed market valuation
- Operatorship left to juniors to enhance the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

Novopet



Location	Republic of Bashkortostan
Partner	Russia Rosgeology JSC (Rosgeo)
Joint venture structure	75% + call option for remaining 25% stake
Progress in 2021 and targets	Polymetal announced an initial JORC-compliant Mineral Resource estimate for the Novopet polymetallic deposit of 2.4 Moz of GE at an average grade of 8.0 g/t GE. This is the first convincing proof for Polymetal's strategy of teaming up with exploration juniors. It has high grade, low environmental footprint, and huge growth potential. It also more than doubles Polymetal's exposure to copper. Novopet is a VMS type deposit with primary gold-copper-zinc ores suitable for processing by conventional flotation and gravity concentration. In-house metallurgical testing will take place in 2H 2022, initial Ore Reserves estimate is scheduled for 2H 2023.

Taimyr

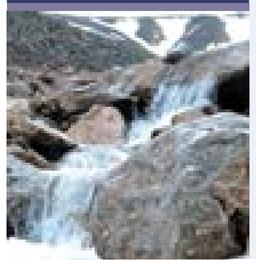


Location	Krasnoyarsk Region, Taimyr Peninsula, Russia
Partner	Independent junior company
Joint venture structure	70% + call option for remaining 30% stake
Progress in 2021 and targets	During 2021, soil geochemical sampling over the licence area at this joint venture was completed, identifying several prospective copper occurrences. The 2021 survey programme also included detailed geological mapping, channel and grab sampling as well as drilling (13 drill holes in total) resulting in the detection of porphyry copper-molybdenum granitoid stocks. In 2022, there are plans to conduct a follow-up verification of newly identified geochemical copper, molybdenum and gold anomalies by drilling and further investigating the detected copper occurrences.

Pekinskaya

Location	Krasnoyarsk Region, Taimyr Peninsula, Russia
Partner	Independent junior company
Joint venture structure	63% + call option for remaining 37% stake
Progress in 2021 and targets	In 2021, an exploration drilling totalling 4.7 km was completed, identifying several closely spaced, disseminated and veinlet-type sulphide, molybdenum and molybdenum-copper mineralisations. The exploration programme included prospecting and geological mapping. The 2022 fieldwork season will comprise geophysical surveys and exploration drilling of 6 km, including drilling for geological mapping.

Matenvunay



Location	Chukotka, Russia
Partner	Mineral Exploration Network (Finland) Ltd
Joint venture structure	80% + call option for remaining 20% stake
Progress in 2021 and targets	In 2021, drill-testing was carried out at the south contact zone of the Matenvunay massif of this joint venture and exploratory trenching completed. The drilling programme revealed gold (2.36–8.68 g/t) and high-grade silver intercepts (207 g/t) over 0.3–1 m. In 2022, there are plans to continue exploration drilling to intersect and study ore bodies within the target mineralised zones.

1 Consolidated as subsidiaries in financial statements.

Key 2021 achievements
In 2021, Polymetal succeeded in extending the life-of-mines at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 97 licensed properties. 45 new licences were obtained for geological studies, exploration and the production of gold, silver, platinum group metals (PGMs) and copper. In total, 325 km of drilling was completed, a 72% increase over 2020. The total expenditure on exploration was $84 million, of which $12 million was capitalised (2020: total $61 million, of which $9 million was capitalised).

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

- An initial JORC-compliant mineral resource estimate for the Novopet[1] polymetallic deposit of 2.4 Moz of gold equivalent at an average grade of 8.0 g/t GE. It comprises 9.2 Mt of mineralised material. The resource estimate is based on data from 87 drill holes with a total length of 50.5 km.
- An initial JORC-compliant mineral resource estimate for the Pavlov property (Voro hub) comprised 9.7 Mt of mineralised material with an average grade of 2.3 g/t containing 0.7 Moz of gold. The deposit is represented by free-milling ore which can be processed at Polymetal's Voro and Varvara mills, delivering a six-year life-of-mine extension for Voro.
- The updated ore reserve estimate at Veduga comprised 31.9 Mt of ore with an average gold grade of 3.9 g/t containing 4.0 Moz of gold. This is a 50% or 1.3 Moz increase compared with the previous estimate. Mineral resources additional to ore reserves stand at 8.7 Mt of ore with an average grade of 4.5 g/t containing 1.3 Moz of gold, representing an opportunity for significant conversion into reserves.
- An increase in ore reserves at Nezhda by 0.7 Moz to 5.1 Moz of gold with an average grade of 3.4 g/t. Mineral resources additional to ore reserves increased by 0.5 Moz of gold to 8.6 Moz with an average grade of 4.8 g/t.
- Initial ore reserves estimate at Elevator (Varvara hub) of 421 Koz of gold with an average grade of 1.2 g/t. Mineral resources additional to ore reserves comprised 240 Koz of gold with an average grade of 1.6 g/t.
- An increase in ore reserves at Kutyn by 325 Koz to 1.1 Moz of gold with an average grade of 2.9 g/t. Mineral resources additional to ore reserves comprised 414 Koz of gold with an average grade of 5.1 g/t.
- An increase in ore reserves at Mayskoye by 103 Koz to 1.9 Moz of gold with an average grade of 7.4 g/t. Mineral resources additional to ore reserves increased by 382 Koz of gold with an average grade of 9.3 g/t.
- At Omolon hub, an increase of ore reserves at Burgali by 110 GE Koz and initial ore reserves estimate at Nevenrekan of 170 GE Koz with an average grade of 10.2 g/t.
- An increase of additional mineral resources at Albazino by 342 Koz to 2.2 Moz of gold with an average grade of 4.2 g/t and Talgiy (Albazino hub) by 576 Koz to 1.1 Moz of gold with an average grade of 3.0 g/t.

In 2021, Polymetal's associate ThreeArc[2] completed an initial JORC-compliant ore reserves estimate for the Buranny area of the Tomtor niobium and REM project. The initial ore reserves comprise 11.4 Mt of ore available for open-pit mining. Tomtor confirmed its scale and grade as one of the premier niobium and REM deposits globally. The project team will now focus on completion of a bankable feasibility study, paving the way for an investment decision.

2022 targets
In 2022, Polymetal will continue to invest in both near-mine (brownfield) and greenfield exploration projects.

The key objectives are:

- Complete an updated Ore Reserve estimate at Veduga
- Prepare an initial Ore Reserve estimate at Talgiy (Albazino)
- Prepare an initial Mineral Resource estimate at Doroninskaya area (Dukat).

1 Joint venture with a 75% ownership.
2 Polymetal owns 9.1%.

Exploration areas and volumes (mine site exploration excluded)

	Drilling, km	
	2021	2020
Brownfield		
Kyzyl	**3.5**	2.4
Albazino hub	**59.0**	51.7
Omolon hub	**29.8**	8.0
Varvara hub	**34.7**	13.7
Dukat hub	**45.0**	3.3
Svetloye	**27.8**	3.6
Voro hub	**34.0**	12.6
Mayskoye	**3.6**	–
Subtotal	**237.4**	**95.2**
Greenfield		
Yakutia	**27.2**	12.7
Nezhda	**9.5**	4.9
Prognoz	**17.7**	7.8
Kutyn	**28.6**	25.5
Veduga	**10.6**	27.0
Bashkiria	**6.5**	–
Urals	**–**	5.1
Karelia	**14.5**	–
Viksha	**–**	22.2
Other	**–**	0.7
Subtotal	**87.3**	**93.3**
Total	**324.7**	**188.5**
Junior joint ventures	**71.3**	**–**
Total including joint ventures	**396.0**	**188.5**

Reserves and resources
In 2021, Group Ore Reserves increased by 7% or 2 Moz year-on-year to 29.9 Moz of gold equivalent (GE) on the back of successful near-mine exploration at Nezhda, Veduga and Kutyn (Albazino hub), as well as initial reserve estimates at Elevator (Varvara hub), Saum (Voro hub), and Nevenrekan (Omolon hub). As a result, GE Ore Reserves per share grew by 7%.

The reserve replacement ratio amounted to 208%[3]. Average mine life increased by 11% year-on-year to reach 16 years.

The average grade in Ore Reserves was down 7% year-on-year and stood at 3.5 g/t of GE primarily due to high-grade reserve depletion at Kyzyl, Omolon and Mayskoye. At the same time, Polymetal GE grades continue to be one of the highest within the sector globally.

Share of Ore Reserves for open-pit mining stood at 53%, almost the same as a year ago. Share of refractory reserves amounted to 71%, stable year-on-year.

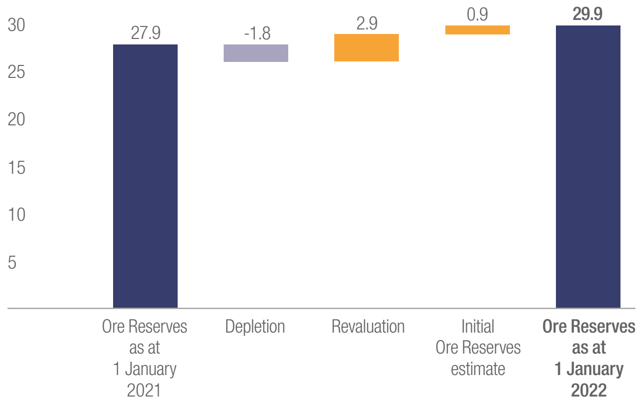
Share of silver in Ore Reserves decreased by 2 p.p. to 9%. Mineral Resources (additional to Ore Reserves) grew by 13% or 2.8 Moz year-on-year to 24.6 Moz of GE due to initial resource estimates at Novopet (joint venture with Rosgeo), and the Voro hub (Pavlov), as well as resource increases at Albazino, Mayskoye and Nezhda.

At the end of 2021, the Board of Directors made the decision to align price assumptions used for Ore Reserve and Mineral Resource estimates with short-term price assumptions used for current mine planning. Starting from this report, Polymetal uses $1,500/oz for gold and $20/oz for silver in both cases.

Ore Reserves and Mineral Resources summary[4,5]

	1 January 2022	1 January 2021	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	**29.9**	**27.9**	**+7%**
Gold, Moz	27.1	24.9	+9%
Silver, Moz	240.2	246.3	-2%
Average reserve grade, g/t GE	**3.5**	**3.8**	**-7%**
Ore Reserves per share, GE oz/per share	0.063	0.059	+7%
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	**24.6**	**21.8**	**+13%**
Gold, Moz	22.3	19.5	+15%
Silver, Moz	195.7	191.9	+2%
Average resource grade, g/t GE	**4.1**	**4.7**	**-11%**

Ore Reserves reconciliation
(GE Moz)



3 Reserves additions from revaluation and initial estimates/reserve depletion.
4 Ore Reserves and Mineral Resources from continuing operations. Base metals are not included.
5 Mineral Resources are additional to Ore Reserves. Total Ore Reserves and Mineral Resources numbers include base metals (copper, zinc and lead). PGM Mineral Resources are presented separately and are not included in the calculation of the gold equivalent. Any discrepancies in calculations are due to rounding.

Outlook for 2022

The current devastating conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain Company performance. However, despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances.

Safety remains a top priority for Polymetal. We will continue to focus on further improvements in health and safety metrics and achieving zero fatalities across our own operations and among off-site contractors conducting business on behalf of the Group.

In 2022, we expect a stable operating performance will ensure steady financial results, while the launch of Kutyn heap leach and Voro flotation plant will enable production growth. The Company reiterates its current production guidance of 1.7 Moz of GE in 2022. Production will be weighted towards the second half of the year due to seasonality.

We expect a strong contribution from Nezhda, as well as slight increases in production at Dukat and Mayskoye. At Dukat, high-grade direct-shipment ore from Primorskoye is expected to more than compensate for the planned grade decline. We also expect the planned grade decline towards a reserve average at Kyzyl and sustained contributions from Omolon, Albazino, Voro and Varvara. Production at Svetloye will continue to decline gradually due to the planned depletion of sources of high-grade ore.

At the same time, we will focus on advancing our long-term project pipeline. At POX-2, we plan the full mechanical completion, installation of the main equipment in all processing flows, completion of construction and installation of the water and energy supply complex and storage facilities. POX-2 is on track to launch in the second half of 2023. At Veduga, construction is scheduled to start in Q3 2022 with the first production and full ramp-up expected in Q2 and Q3 2025 respectively. In 2022, the Group will focus on detailed engineering, contracting major equipment and continued pre-stripping activities. Accelerated construction works at Kutyn and Voro flotation projects will bring forward commissioning and first production in 2H 2022. At Prognoz, conventional open-pit mining is forecast to commence with pre-stripping in Q3 2022 and the first ore mined in Q1 2023.

We plan to complete several investment projects at existing operations in 2022, which will help drive cost levels down in 2023. At Mayskoye, we will continue construction of the infrastructure needed to commission the ore transportation conveyor; the project is on track for launch in Q3 2022. Optimisation projects also include implementation of measures aimed at increasing plant capacity at Kyzyl (water pumps upgrade, automated dispatching system), and Hot Cure circuit launch at Amursk POX, as well as increasing the throughput of the Albazino concentrator. We anticipate a further decarbonisation of the on-site power supply by reducing our reliance on diesel power and investing in renewable energy projects at remote sites.

Operating assets

Kyzyl

Our flagship operating asset

360 Koz
Payable production (-6%)

$452m
Adjusted EBITDA (-11%)

$477/GE oz
Total cash cost (+19%)

Share in Group's production

Feed sources
1 Bakyrchik

Processing
Kyzyl (flotation)

Sales/Downstream
Concentrate to POX
Concentrate to third parties

Key exploration projects in 2021
2 Bakyrchik flanks

Town --- Railway

Location: East Kazakhstan Region, Kazakhstan
Managing director: Kenbeyil Isaev
Employees: 1,418
Mining: Open-pit (until 2036) followed by underground
Processing: 2.2 Mtpa flotation + Amursk POX/concentrate offtake
Production start date: 2018
Life of mine: 2050

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.08**	0.16	-50%
Mining			
Waste mined, Mt	**83.0**	77.7	+7%
Ore mined, Kt	**2,177**	2,041	+7%
Gold grade, g/t	**6.2**	7.2	-14%
Processing			
Ore processed, Kt	**2,200**	2,004	+10%
Gold grade, g/t	**6.2**	7.9	-22%
Gold recovery	**88.6%**	88.0%	+1%
Production			
Gold, Koz	**360**	382	-6%

Operating results 2021

In 2021, throughput increased to 2.2 Mtpa from 2.0 Mtpa with the concentrator currently running at the upper limit of the tailings disposal licence.

Production at Kyzyl was impacted by the planned grade decline towards the reserve average, but partially offset by an increase in throughput. As a result, gold production stood at 360 Koz, a decrease of 6% year-on-year. Concentrate quality and gold recoveries remained stable despite grade decline. In 2021, Kyzyl again contributed one-third of the Group's EBITDA.

Innovation and efficiency

- Debottlenecking project at the concentrator's thickening and drying sections and increased throughput
- Development of 'Hot Seat' optimisation programme (fast refuelling, mobile repair teams, replacement crews).

Exploration and resources

- In 2021, exploration drilling was carried out at East Bakyrchik. The contours of ore bodies and the boundaries of mineralisation were refined
- In 2022, further exploration at Eastern Bakyrchik sites is planned to convert open-pit mineral resources into the Indicated category. Additionally, Polymetal is planning exploration drilling to prospect the eastern flank of the Kyzyl shear zone, including the Sarbas and Karmen deposits.

ESG highlights

- Evaluating options for solar and hydropower plant construction
- Restoring Auezov Central Park
- Providing internet access for online schooling in 19 localities in East Kazakhstan.

Priorities for 2022

- Further increase in throughput to 2.4 Mtpa
- Renovation and expansion of tailings storage facility
- All-round visibility system for streamlined workflow
- Automated dispatching system.

Operating assets

Dukat

Sustaining performance at Russia's largest primary silver mine

291 Koz
Payable production (+6%)

$253m
Adjusted EBITDA (+10%)

$10.6/SE oz
Total cash cost (+8%)

Share in Group's production

Feed sources
- 1 Lunnoye
- 3 Arylakh
- 2 Dukat
- 4 Perevalnoye
- 5 Terem

Processing
- Lunnoye (cyanide leaching and Merrill-Crowe)
- Omsukchan (flotation/gravity)

Sales/Downstream
- Precipitate to Omsukchan
- Concentrate to third parties

Key exploration projects in 2021
- 6 Dukat flanks
- 7 Doroninskoye
- 8 Primorskoye

Town — Road — Sea port

Location: Magadan Region, Russia

Managing director: Dmitry Galtchuk

Employees: 1,737

Mining: Open-pit, underground

Processing: 2.0 Mtpa flotation (Omsukchan) + 465 Ktpa Merrill-Crowe (Lunnoye)

Production start date: 2000

Life of mine: 2028

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.00**	0.14	-100%
Mining			
Waste mined, Mt	**2.8**	–	N/A
Underground development, km	**44.7**	43.6	+2%
Ore mined, Kt	**2,615**	2,228	+17%
Silver grade, g/t	**266**	242	+10%
Processing			
Omsukchan concentrator			
Ore processed, Kt	**2,055**	2,001	+3%
Silver grade, g/t	**266**	266	+0%
Silver recovery	**86.0%**	86.4%	-0%
Lunnoye plant			
Ore processed, Kt	**477**	466	+2%
Silver grade, g/t	**239**	273	-12%
Silver recovery	**93.1%**	92.6%	+1%
Production			
Gold, Koz	**56**	48	+16%
Silver, Moz	**18.8**	18.2	+3%

Operating results 2021

Despite the planned grade decline, silver and gold production at the Dukat hub increased in 2021 due to mining high-grade narrow veins (underground), better grade control and highly selective mining (open-pit). Primorskoye satellite underground mine delivered the first batches of high-grade direct-shipment ore (DSO) to international customers.

Innovation and efficiency

- Smaller mining equipment
- Open-pit mining at Dukat, targeting the extraction of the crown pillar
- Reconstruction of the fourth stage of tailings dam #3.

Exploration and reserves

- Exploration activities were focused on the Doroninskaya area: 14.5 km of drilling and 20,800 m³ of trenches
- In 2022, planned completion of delineation and detailing of the ore bodies in zone 1, conducting technological studies and preparing GKZ-compliant ore reserve estimate.

ESG highlights

- Upgrade of mine water treatment systems
- Evaluating options for power-line construction to connect Lunnoye mine to the grid.

Priorities for 2022

- Increased use of smaller equipment at Dukat
- Engineering and procurement for the Omsukchan concentrator transitioning to dry-stack tailings
- Further DSO shipments from Primorskoye.

Omolon

Stable results supported by feedstock flexibility

217 GE Koz
Payable production (+2%)

$196m
Adjusted EBITDA (-22%)

$798/GE oz
Total cash cost (+43%)

Share in Group's production

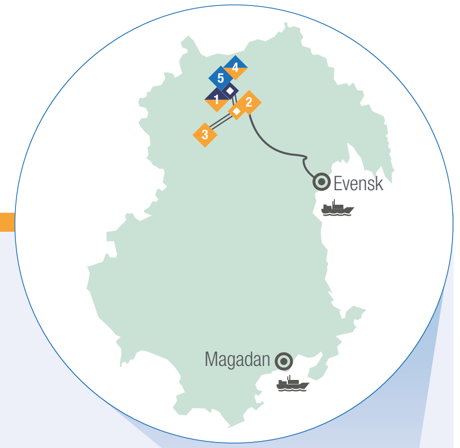
Feed sources
- 1 Birkachan
- 1 Birkachan
- 2 Kubaka
- 3 Olcha
- 4 Burgali

Processing
- Birkachan (heap leach)
- Kubaka (CIL, Merrill-Crowe)

Sales/Downstream
- Precipitate to Kubaka
- Doré bars

Key exploration projects in 2021
- 4 Burgali
- 5 Tumaninskaya

Town — Road — Winter road



Location: Magadan Region, Russia

Managing director: Samat Kozhakaev

Employees: 1,075

Mining: Open-pit, underground

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

Production start date: 2010

Life of mine: 2028

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.10**	0.29	-66%
Mining			
Waste mined, Mt	**4.9**	3.4	+46%
Underground development, km	**11.8**	13.1	-10%
Ore mined, Kt	**740**	2,525	-71%
Gold grade, g/t	**6.6**	3.4	+96%
Processing			
Kubaka Mill			
Ore processed, Kt	**862**	863	-0%
Gold grade, g/t	**6.7**	7.1	-5%
Gold recovery	**94.8%**	94.5%	+0%
Birkachan Heap Leach			
Ore stacked, Kt	**851**	1,318	-35%
Gold grade, g/t	**1.7**	2.0	-13%
Production			
Gold, Koz	**201**	206	-2%
Silver, Moz	**1.3**	0.5	+145%

Operating results 2021

Grades in ore mined were higher year-on-year due to the absence of low-grade Birkachan heap leach ore, higher grade at Birkachan underground and mining starting at the high-grade Burgali open-pit.

GE production was up 2% to 217 Koz, as the Merrill-Crowe circuit of the Kubaka mill processed higher silver grade material. Gold production at the heap leach was lower due to re-handling of the stockpiles.

Innovation and efficiency

- New Metso crushing plant has reduced the size and increased the recovery from heap leach ore stacks.

Exploration and reserves

- At Burgali, the initial ore reserve estimate amounted to 231 GE Koz, average grade 9.8 g/t. In 2022, we plan to continue exploration at all ore zones at the deposit
- Initial ore reserves estimate for Nevenrekan was 170 GE Koz, average grade 10.2 g/t. In 2022, drilling is planned at the Tumannoye ore occurrence.

ESG highlights

- Successful commissioning of dry tailings storage facility
- Launch of 2.5 MW solar power plant at Kubaka
- Supporting indigenous cultural events and reindeer herders in the Far East.

Priorities for 2022

- Start of underground mining at Burgali
- Installation of a recycled water purification system to reduce fresh water consumption.

Operating assets

Amursk POX

Technological expertise in environmentally friendly refractory ore processing

466 Koz
Total gold production through POX (-4%)

214 Kt
Concentrate processed (0%)

94.3%
POX recovery

Feed sources
1 Albazino
2 Mayskoye
3 Kyzyl
Third parties

Processing
Amursk POX (POX + cyanidation)

Sales/Downstream
Doré bars

Town — Road - - - Railway
Sea port ···· Water route

Location: Khabarovsk Region, Russia
Managing director: Vadim Kipot
Employees: 624
Feed: Albazino, Mayskoye, Kyzyl, 3rd party concentrate
Processing: Concentrate POX + cyanidation
Production start date: 2012

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.43**	0.00	n/a
Processing			
Concentrate processed, Kt	**214**	215	-0%
Gold grade, g/t	**72.0**	74.6	-3%
Gold recovery	**94.3%**	94.3%	–
Production			
Gold, Koz	**466**	487	-4%

2021 performance

The volume of concentrate processed was stable year-on-year at 214 Kt, while total gold production amounted to 466 Koz, down 4%, due to processing more metallurgically challenging material from Kyzyl.

The volume of Albazino concentrate processed was down 3% at 142 Kt. The average grade in concentrate was 49.2 g/t, down 1% year-on-year. Recoveries from Albazino concentrate exceeded the design level at 96.5%.

55 Kt of high-grade low-carbon Kyzyl concentrate was introduced to the feed during 2021 (2020: 53 Kt), with a recovery level of 92.2% (2020: 91.5%).

The annual output from Veduga and Mayskoye concentrate amounted to 11 Koz and 14 Koz respectively.

Innovation and efficiency

- ISO 14001 and 45001 requirements for environmental and safety management met.

ESG highlights

- 500m² of dry cake slopes planted with perennial grasses to alleviate dust build-up
- Renovating the Youth Sports Centre and landscaping the Botanical Garden in Amursk.

Priorities for 2022

- Launch 'Hot Cure' circuit to increase POX recovery by 1%
- Processing concentrate from Kyzyl, Albazino and Veduga with designed recoveries.

Amursk POX-2

Unlocking the value of refractory reserves to ensure strategic security

600 Koz
Expected annual gold production

250–300 Kt
Annual concentrate processing capacity

$600m
Start-up capital expenditure (updated estimate) fully funded from operating cash flow

Feed sources
1 Mayskoye
2 Kyzyl
3 Albazino
4 Nezhda
Third parties

Processing
Amursk POX-2 (POX + cyanidation)

Sales/Downstream
Doré bars

Town — Road - - - Railway
Sea port ···· Water route

Location: Khabarovsk Region, Russia
Feed: Kyzyl, Nezhda, Mayskoye, Voro, 3rd party concentrate
Processing: High-temperature POX, intensive cyanidation
Production start date: 2H 2023
Full ramp-up: End of Q4 2023

2021 highlights

In 2021, we advanced the POX-2 project that will fully de-risk our business model, bringing all concentrate processing in-house and eliminating dependence on concentrate offtake. Construction is on schedule, 65% complete and due to launch in the second half of 2023.

At the POX circuit, preparation work for the installation of all key equipment has been completed and heating installed. Works completed during the year include: foundations for thickener, downstream circuit equipment and boiler-house; chemicals storage construction and pressure letdown and cooling tanks installed in the plant's high-bay section as well as detailed engineering in POX high pressure areas.

Pacific POX

In 2021, the Board approved a $70 million investment in the Pacific POX feasibility study with the results expected in the first half of 2023. Pacific POX, with a planned capacity of 250–300 Ktpa would enable Polymetal to meet the growing internal and third-party demand for the treatment of refractory concentrates, avoiding the cost of selling concentrate to offtakers. The flowsheet is identical to POX-2 with minor changes based on the results of detailed engineering. Investment decision is expected in 2H 2023, after POX-2 ramp-up.

ESG highlights

- The Company's environmental footprint will decrease significantly because of the substantial reduction in air pollution, water usage and solid toxic waste
- POX-2 will create 400+ new jobs, providing local career opportunities for engineers and technical staff, and encouraging young talent
- In 2021, Polymetal invested $3.4 million in more than 90 social projects in Amursk, focused on healthcare, education, culture, sport and city infrastructure.

Priorities for 2022

- Full mechanical completion
- Launch of intensive cyanidation system for gravitational concentrates
- Secure land plot and external infrastructure conditions approval for Pacific POX.

Operating assets

Albazino

Accelerated development of Kutyn project

249 GE Koz
Payable production (-5%)

$202m
Adjusted EBITDA (-21%)

$804/GE oz
Total cash cost (+12%)

15%
Share in Group's production

Feed sources
- Albazino
- Kutyn

Processing
- Albazino (flotation)

Sales/Downstream
- Concentrate to POX

Key exploration projects in 2021
- Kutyn
- Urkachik

Town — Road — Sea port — Water route

Location: Khabarovsk Region, Russia
Managing director: Oleg Voronin
Employees: 1,836
Mining: Open-pit, underground
Processing: 1.6 Mtpa flotation + POX and CIL processing at Amursk
Production start date: 2009
Life of mine: 2044

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.30**	0.22	+36%
Mining			
Waste mined, Mt	**23.0**	19.9	+16%
Underground development, km	**16.9**	12.1	+39%
Ore mined, Kt	**2,259**	1,993	+13%
Gold grade, g/t	**3.8**	4.2	-10%
Processing			
Ore processed, Kt	**1,777**	1,771	+0%
Gold grade, g/t	**4.4**	4.6	-4%
Gold recovery	**89.1%**	87.2%	+2%
Production			
Gold, Koz	**248**	261	-5%

Operating results 2021

In 2021, waste and ore mined were higher, driven by Farida and Kutyn open-pit developments. Underground development advanced due to the ramping-up of the Ekaterina and Anfisa underground mines.

Ore processed remained largely unchanged at 1,777 Kt, above nameplate capacity. Grade dynamics were negative on the back of depleting the high-grade Anfisa pit and challenging geotechnical conditions in the underground mine. Annual output decreased by 5% to 248 Koz.

The Kutyn project proceeded ahead of schedule, with first ore mined. The construction of the Merrill-Crowe and ore crusher buildings is progressing; key equipment has been installed.

Innovation and efficiency

- Construction of a grid power line to the Albazino production site
- Reconstruction of tailings storage facility #1.

Exploration and reserves

- At Albazino, additional mineral resources increased by 342 Koz to 2.2 Moz with an average grade of 4.2 g/t
- Exploration was completed at the Talgiy section of the Urkachik area. The mineral resource estimate is 1.1 Moz of gold
- At Kutyn, 28.5 km of exploration drilling was completed. Ore reserves increased by 40% (or 325 Koz).

ESG highlights

- At Kutyn, a focus on providing local career opportunities with 300+ new jobs and 400+ contract workers
- Grid power line to site will replace 11 diesel power plants
- 2.5 KW solar power plant installed.

Priorities for 2022

- Preparations for the start-up of Kutyn heap leach processing complex in 2023
- Increased volumes of underground ore mined
- Increase in throughput of Albazino concentrator to 1.8 Mtpa
- Decarbonisation of heat supply.

Varvara

Excellent results driven by flowsheet improvements

198 GE Koz
Payable production (+24%)

$178m
Adjusted EBITDA (+39%)

$920/GE oz
Total cash cost (-2%)

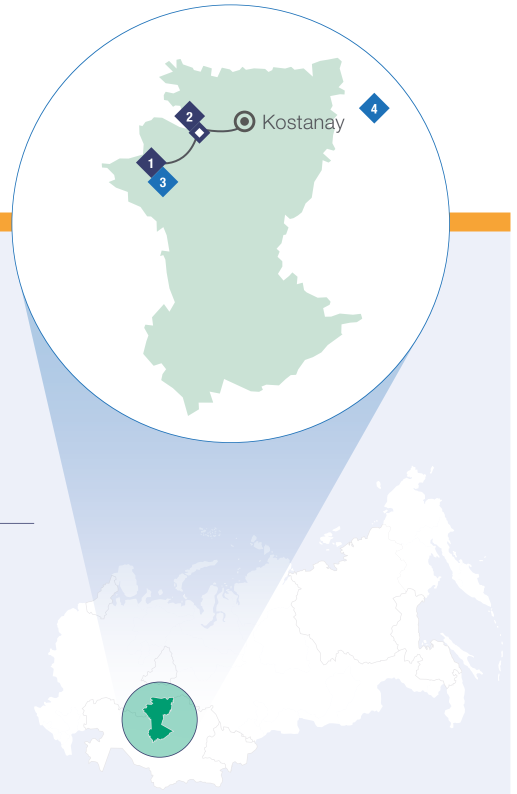
12%
Share in Group's production

Feed sources
- Komar
- Varvara

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

Sales/Downstream
Doré bars

Key exploration projects in 2021
- Elevator
- Baksy



Town — Road

Location: Kostanay Region, Kazakhstan
Managing director: Igor Nikolishin
Employees: 1,381
Mining: Open-pit
Processing: 3.0 Mtpa leaching for gold ore, 1.0 Mtpa flotation for copper ore
Production start date: 2007 (operated by Polymetal since 2009)
Life of mine: 2036

Operational highlights

	2021	2020	change
Safety			
LTIFR	**0.00**	0.00	n/a
Mining			
Waste mined, Mt	**42.0**	40.6	+4%
Ore mined, Kt	**3,624**	2,812	+29%
Gold grade, g/t	**1.5**	1.4	+7%
Processing			
Leaching			
Ore processed, Kt	**3,183**	3,056	+4%
Gold grade, g/t	**1.6**	1.4	+10%
Gold recovery	**88.9%**	87.9%	+1%
Flotation			
Ore processed, Kt	**696**	660	+5%
Gold grade, g/t	**2.6**	2.9	-8%
Gold recovery	**85.5%**	86.6%	-1%
Production			
Gold, Koz	**197**	159	+24%

Operating results 2021

Gold production at the leaching circuit increased due to larger processing volumes, a higher grade in the Komar ore and better recoveries after flowsheet improvements.

At the flotation circuit, production was up year-on-year on the back of higher throughput and work-in-progress release. Grade decline in ore processed is attributable to lower volumes of higher grade third-party material.

Innovation and efficiency

- 'Hot Seat' implementation at Komar
- Equipment modernisation at the leaching circuit
- Increased residence time and cyanide consumption rate.

Exploration and reserves

- At Elevator, the initial ore reserves estimate comprises 421 Koz of gold, average grade of 1.2 g/t. Additional mineral resources amounted to 240 Koz of gold, average grade of 1.6 g/t
- At Komar, ore reserves increased by 173 Koz to 1.2 GE Moz due to open-pit boundaries extension
- In 2022, we plan to perform mud drilling to complete the study of the geochemical anomalies in the South-Elevator area.

ESG highlights

- 12 solar-powered light towers installed at the site's storage facilities
- Mist generator installed at the rail road unloading point to reduce dust build-up
- Independent audit for compliance with the Cyanide Code at the production site
- Independent audit of tailing site carried out by SRK Consulting.

Priorities for 2022

- Installation of Railveyor bulk material handling equipment system
- Construction of the first stage of tailings dam #2.

Operating assets

Svetloye

Sustained cash-flow generation at low cost

109 GE Koz
Payable production (-9%)

$137m
Adjusted EBITDA (-18%)

$481/GE oz
Total cash cost (+28%)

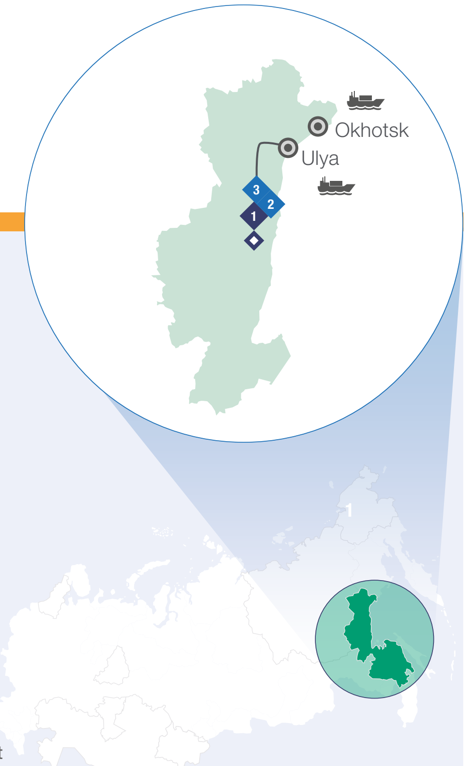
7%
Share in Group's production

Feed sources
1 Svetloye

Processing
Svetloye (heap leach)

Sales/Downstream
Precipitate to third parties

Key exploration projects in 2021
2 Kulyukli
3 Svetloye flanks



Location: Khabarovsk Region, Russia
Managing director: Vasilina Tarabarova
Employees: 658
Mining: Open-pit
Processing: 1.3 Mtpa heap leaching circuit
Production start date: 2016
Life of mine: 2026

Operational highlights

	2021	2020	change
Safety			
LTIFR	**0.16**	0.00	n/a
Mining			
Waste mined, Mt	**4.6**	3.1	+54%
Ore mined, Kt	**1,800**	1,888	-5%
Gold grade, g/t	**2.1**	2.7	-20%
Processing			
Ore stacked, Kt	**1,404**	1,303	+8%
Gold grade, g/t	**3.0**	3.9	-25%
Gold recovery	**81.2%**	80.8%	+1%
Production			
Gold, Koz	**109**	119	-9%

Operating results 2021

Stacking volumes were higher throughout the year due to favourable weather conditions and ore properties as well as technological improvements.

Waste mined increase is attributable to the start of mining at the new Lyudmila pit (launched earlier in 2021), new pushback (Stage 3) at the Emmy pit and an increase in the mining fleet.

Annual gold production at Svetloye decreased 9% year-on-year to 109 Koz on the back of the planned decline in grade.

Innovation and efficiency

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

Exploration and reserves

- In 2021, exploration activities were carried out on the flanks of the Lyudmila and Emmy ore zones. The resulting increase in ore reserves (57 Koz of gold) partially compensated for production in 2021. Additional mineral resources increased by 45 Koz to 182 Koz
- In 2022, we plan to continue exploration activities on the flanks of the deposit to identify new promising mineralisation zones. Areal geochemical exploration will further study the flanks of the deposit with undelineated gold anomalies.

ESG highlights

- 7.4% of electricity consumption sourced from solar and wind power plants
- Supporting the Evens Cultural Heritage Centre located in Arka Settlement.

Priorities for 2022

- Replacement of pump equipment, aimed at increasing stacking volumes
- New heap leach pads construction
- Construction of a second solar power plant.

Mayskoye

Electrification project on schedule

139 GE Koz
Payable production (+0%)

$109m
Adjusted EBITDA (-23%)

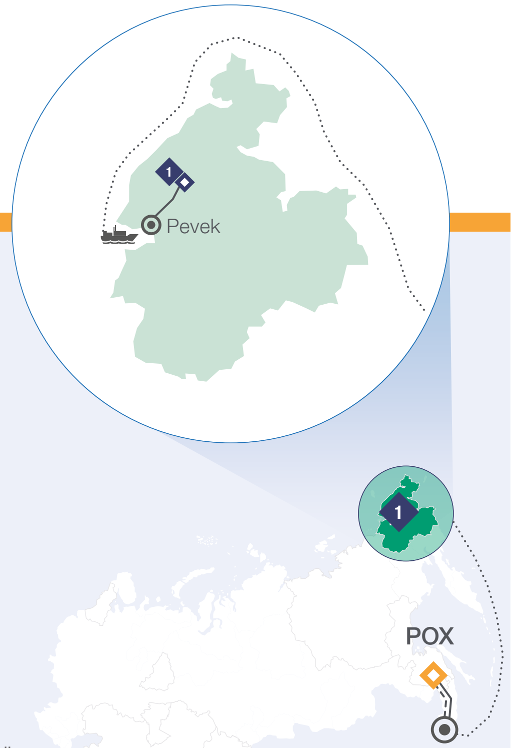
$969/GE oz
Total cash cost (+18%)

8%
Share in Group's production

Feed sources
1 Mayskoye

Processing
Mayskoye (flotation)

Sales/Downstream
Concentrate to POX



Town — Road --- Railway
Sea port ···· Water route

Location: Chukotka, Russia
Managing director: Tagir Ibragimov
Employees: 996
Mining: Open-pit/ underground
Processing: 910 Ktpa flotation, Amursk POX, third-party offtake
Production start date: 2013
Life of mine: 2037

Operational highlights

	2021	2020	change
Safety			
LTIFR	**0.34**	0.11	+209%
Mining			
Waste mined, Mt	**3.7**	2.9	+29%
Underground development, km	**19.5**	21.1	-8%
Ore mined, Kt	**781**	1,039	-25%
Gold grade, g/t	**5.7**	6.6	-14%
Processing			
Ore processed, Kt	**901**	912	-1%
Gold grade, g/t	**5.7**	6.6	-13%
Gold recovery	**86.9%**	83.6%	+4%
Production			
Gold, Koz	**139**	139	–

Operating results 2021

2021 output was stable year-on-year at 139 Koz as production at POX compensated for the decrease in gold in concentrate, stemming from low-grade and highly carbonaceous open-pit ore.

The underground mine electrification project is on schedule. Mayskoye has already partially switched to electric machines in underground mining.

The installation of an underground material handling system, comprising crushers, conveyors and transfer points, commenced with all equipment and materials arriving on site despite significant logistical challenges.

Innovation and efficiency

- Infrastructure construction for commissioning the ore transportation conveyor
- Improvements to the carbon-in-leach flowsheet to ensure oxidised ore quality
- Commissioning of the fourth stage of the tailings dam.

Exploration and reserves

- Reserves and resources were revaluated assuming changes in cut-off grade and better recovery rate. Ore reserves increased by 103 Koz to 1.9 Moz, average grade of 7.4 g/t; additional mineral resources added 382 Koz to reach 3.2 Moz, average grade of 9.3 g/t
- No exploration is expected in 2022.

ESG highlights

- The plant completely switched to recycled water supply
- Four diesel-powered underground mining tools to be replaced with electric versions in 2022.

Priorities for 2022

- Completion of open-pit mining
- Commissioning the first stage of a 4 km-long ore transportation conveyor in Q3 2022
- Preparatory works for backfill construction with start-up expected in Q1 2023.

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Operating assets

Voro

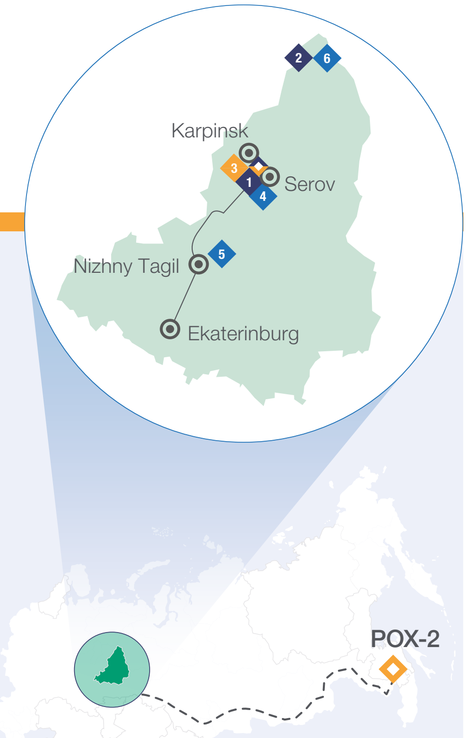
Life-of-mine extension through flotation circuit

Feed sources
- Voro
- Saum
- Peschenry + 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 2021
- Serebryansky
- Pavlov
- Tamunyer



93 GE Koz
Payable production (+5%)

$86m
Adjusted EBITDA (-13%)

$747/GE oz
Total cash cost (+53%)

6%
Share in Group's production

Location: Sverdlovsk Region, Russia
Managing director: Boris Balykov
Employees: 898
Mining: Open-pit
Processing: 1.05 Mtpa CIP circuit, 1 Mtpa heap leach circuit
Production start date: 2000 (HL), 2005 (CIP)
Life of mine: 2037

Operational highlights

	2021	2020	change
Safety			
LTIFR	**0.00**	0.00	n/a
Mining			
Waste mined, Mt	**9.1**	–	NA
Ore mined, Kt	**456**	–	NA
Gold grade, g/t	**3.8**	–	NA
Processing			
CIP			
Ore processed, Kt	**1,049**	1,043	+1%
Gold grade, g/t	**2.2**	2.2	-1%
Gold recovery	**85.0%**	82.7%	+3%
HL			
Ore stacked, Kt	**–**	22	-100%
Gold grade, g/t	**–**	0.9	-100%
Production			
Gold, Koz	**93**	89	+5%

Operating results 2021

In 2021, open-pit mining started at Saum and Peschernoye. Production was stable at 93 Koz, up 5% year-on-year, on the back of a processing mix of low-grade historical stockpiles (the key source of feedstock for the carbon-in-pulp plant) and very high-grade third-party and Peschernoye feedstocks.

Voro flotation plant construction proceeded ahead of schedule. Start-up is expected in Q4 2022.

Innovation and efficiency

- At the flotation plant, major processing equipment has been installed and the concentrator building has been fully winterised.

Exploration and resources

- At Pavlov, the initial mineral resource estimate was completed and amounted to 727 Koz of gold at an average grade of 2.3 g/t
- At the Andrey deposit, exploration was focused on gold mineralised areas (5.8 km of core drilling). The initial mineral resource estimate amounted to 174 Koz of gold with an average grade of 2.3 g/t.

ESG highlights

- Additional filtration units for better wastewater treatment
- Contract with grid supplier concluded for 100% of electricity sourced from hydropower stations
- Renovating five-yard territories in Nizhneturinsky District.

Priorities for 2022

- Processing of Saum and Peschernoye oxidised and transitional ore
- Modernisation of heap leach circuit for secondary processing of oxidised ore
- Flotation plant start-up in Q4 2022.

Nezhda

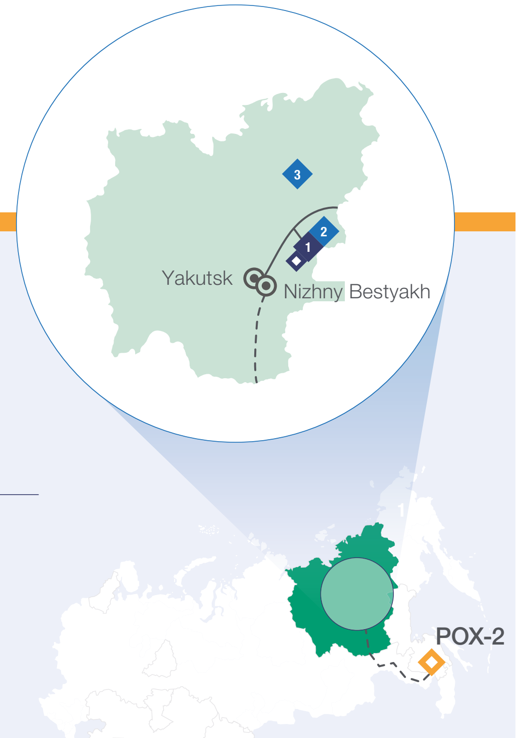
Successful launch despite global challenges

Feed sources
- Nezhda

Processing
- Nezhda (flotation/gravity)

Sales/Downstream
- POX-2
- Concentrate to third parties

Key exploration projects in 2021
- Nezhda flanks
- Khotoydokh



21 GE Koz
Payable production

2.2 Mtpa
Nameplate capacity

5.1 GE Moz
Ore Reserves at 3.4 g/t

Successful launch in 2021

Location: Republic of Sakha (Yakutia), Russia
Managing director: Alexander Simon
Employees: 908
Mining: 25 years (19 years of conventional open-pit mining 2019–2037, 17 years of underground mining 2029–2045)
Processing: Flotation/Gravity concentration + offtake/Amursk POX
Production start date: 2021
Life of mine: 2045

Operational highlights

	2021	2020	Change
Safety			
LTIFR	**0.13**	0.39	-67%
Mining			
Waste mined, Mt	**22.0**	–	NA
Ore mined, Kt	**1,192**	–	NA
Gold grade, g/t	**2.2**	–	NA
Processing			
Ore processed, Kt	**344**	–	NA
Gold grade, g/t	**3.7**	–	NA
Gold recovery	**73.0%**	–	NA
Production			
Gold, Koz	**20**	–	NA
Silver, Moz	**0.1**	–	NA

2021 performance

Nezhda concentrator was fully ramped up within three months of first concentrate production in Q4 2021, significantly faster than planned. The plant has achieved 100% of design hourly throughput on a consistent basis. Monthly throughput in December was 160 Kt at 4.1 g/t gold (10% above plan due to mining sequencing).

Average gold recovery in December was 77%. Payable metal equalled 21 Koz of GE. Approximately 75% of payable metal reported to materials where exports are not impacted by the Chinese import restrictions.

Exploration and reserves

- In 2021, most of the exploration was carried out at the southern flank of the deposit. 9.5 km of core drilling and 40,000 m^3 of tranches were completed. The results confirmed further potential of mineral resource extension
- Ore reserves increased by 734 Koz (mainly underground) to 5.1 GE Moz with an average grade of 3.4 g/t. Additional mineral resources were up by 500 Koz to 8.6 GE Moz GE with an average grade of 4.8 g/t
- In 2022, drilling will continue at the flanks to assess ore bodies with open-pit resources extension potential.

ESG highlights

- 1000+ permanent jobs
- $1.7m+ social investment
- Emissions intensity level in line with the Group's trajectory for carbon footprint reduction.

Priorities for 2022

- Ramp-up period to reach the nameplate capacity and full design recovery by April 2022
- Construction of the second stage of dry cake storage
- Commissioning of a power line and 100% grid power supply, leading to roughly $70/oz reduction in Nezhda's TCC.

Development assets

Veduga

The large high-grade asset with robust economics

200 Koz
Annual gold production

4.0 Moz of gold[1]
Ore Reserves at 3.9 g/t

19%
IRR

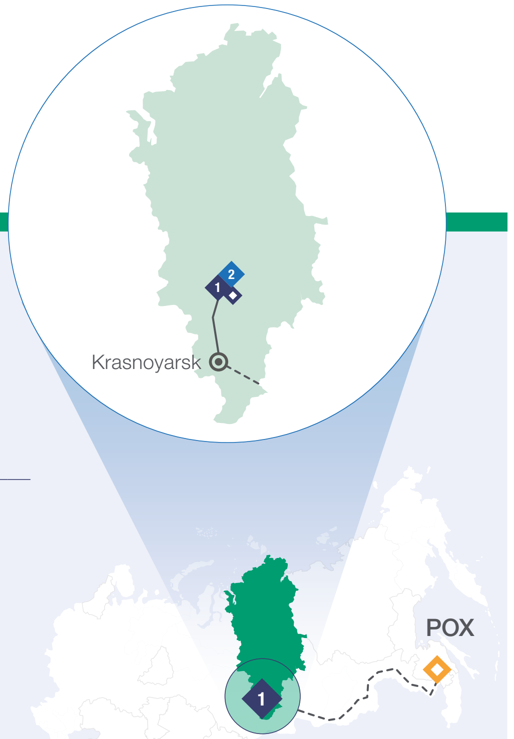
$447m
Capex

Feed sources
Veduga

Processing
Veduga (conventional flotation)

Sales/Downstream
POX

Key exploration projects in 2021
Veduga flanks



Town — Road - - - Railway

Location: Krasnoyarsk Region, Russia
Managing director: Victor Demeschik
Employees: 374
Mining: Open-pit (until 2036) followed by underground
Processing: 2.0 Mtpa flotation + Amursk POX + offtake to China
Production start date: 2025
Life of mine: 2041

Development

Veduga is accessible by an all-year road and has direct access to the Federal power grid.

The mine plan assumes ten years of conventional open-pit mining until 2031 (including pre-production stripping in 2022–2024), and 12 years of underground mining using a skip shaft for hauling from 2030 to 2041.

The preliminary feasibility study is based on a 2.0 Mtpa flotation concentrator with dry-stacking of tailings. Flotation concentrate will be processed at the future POX-2, while volumes in excess of the facility's capacity will be sold to third parties. Veduga could also potentially become a source of feed for the future Pacific POX project.

Average life-of-mine annual production is 200 Koz of gold at TCC in the range of $725–775/oz and AISC in the range of $800–850/oz.

Timeline

- 2022 — Start of construction
- 2023 — Delivery of the main technological equipment
- 2024 — Completion of equipment assembling
- 2025 — First production and full ramp-up

Exploration and reserves

- The updated ore reserve estimate comprises 4.0 Moz of gold with an average grade of 3.9 g/t (50% increase compared with the previous estimate)
- Open-pit reserves increased by 89% to 1.4 Moz and now represent 35% of the total ore reserves. Underground reserves extended by 35% to 2.6 Moz
- Additional mineral resources stand at 1.3 Moz of gold with an average grade of 4.5 g/t, representing an opportunity for significant conversion into reserves
- In 2022, Polymetal will continue to evaluate resources of Ore Body 1 at the deep horizons.

ESG highlights

- 900+ permanent jobs by 2027 for specialists in mining and metal processing
- Increasing Polymetal's share of renewable electricity to 25% by 2030
- Dry stacking
- 85% share of recycled water
- $11.5m+ social investment until 2028.

Priorities for 2022

- Final statutory clearance in Q2 2022, with subsequent consolidation of the asset
- Detailed engineering and contracting major equipment
- Continued pre-stripping activities.

1 Ore Reserves in accordance with the Company's ownership equal to 59.45% comprise 2.4 Moz.

Prognoz

Accelerated development of one of the best silver mines globally

6.5 Ag Moz
Annual production

125 Moz of silver
Ore Reserves at 481 g/t

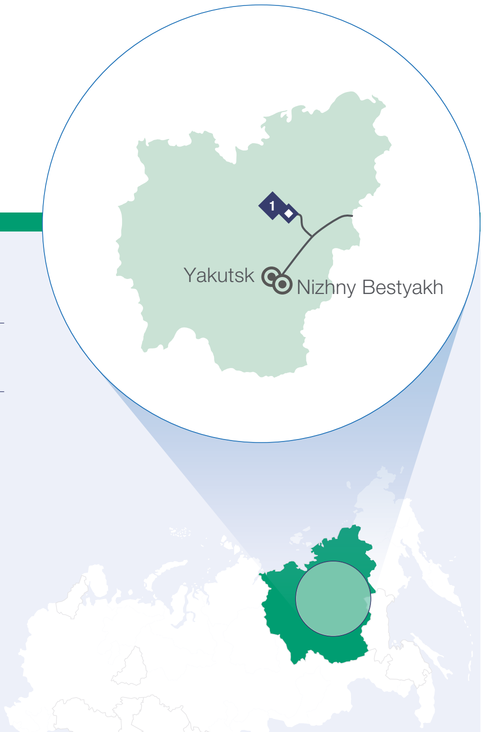
35%
IRR

$105m
Capex

Feed sources
Prognoz

Processing
Nezhda (flotation)

Sales/Downstream
Concentrate to third parties



Town — Road

Location: Republic of Sakha (Yakutia), Russia
Managing director: Alexander Akamov
Employees: 129
Mining: Open pit
Processing: 250 Ktpa at the Nezhda concentrator (winter road transportation)
Production start date: 2024
Life of mine: 2042

Development

In 2021, the Board of Directors approved an accelerated development of the open-pit mine at Prognoz with ore processing at the Nezhda concentrator.

The decision to process ore from Prognoz at Nezhda ensures optimal allocation of human and financial capital within Polymetal. Fast-track development significantly reduces capital expenditure requirements and project execution risks, while bringing cash flows forward and lowering our environmental footprint.

The annual mine capacity will amount to 250 Kt of ore with average silver grade of approximately 600 g/t. Ore will be processed through the 2.2 Mtpa Nezhda concentrator. Silver recovery to high-grade clean silver-lead concentrate is expected to average 89%. Ore will be trucked by winter road from Prognoz to the Nezhda production site (675 km) using contractors.

Life-of-mine payable silver equivalent (AgEq) in concentrate is expected to comprise 120 Moz. Average annual payable AgEq production in 2023–2041 is estimated at roughly 6.5 Moz with an average AISC of $13.8/AgEq oz.

The project's upfront capital expenditure to be incurred is estimated at $105 million, including investment in mining fleet, remote site infrastructure, roads, and pre-stripping.

Timeline

- 2022 — Start of construction
- 2023 — First ore mined
- 2024 — First payable production

ESG highlights

- 18% lower GHG intensity per oz of GE due to grid access
- Up to 90% of water for technological needs will be recycled/reused
- 170 new jobs in 2022
- $0.3m of community investment and $0.4m of Covid-related support to local healthcare institutions.

Priorities for 2022

- Start of stripping activities
- Engineering and start of construction
- Positive decision of the General Board of State Expert Review in Q4 2022.

Towards a greener future

> Our licence to operate and ability to hire and retain the best talent are crucial for Polymetal's success."
>
> **Daria Goncharova**
> Chief Sustainability Officer

90%
Share of water recycled and reused
+1 p.p. year-on-year

0.12
LTIFR
(no change)

Global trends and approach

In 2021, public expectations and scrutiny of the mining industry intensified due to a variety of factors, including high-profile environmental and indigenous community incidents and the urgent need to act on climate change mitigation.

Polymetal aims to meet the growing demand for metals while limiting our impact on nature, improving the quality of life for local communities and ensuring a safe, fair and inclusive work environment for employees. Our licence to operate and ability to hire and retain the best talent are crucial for Polymetal's success, and we continue to monitor our social impact through community and employee engagement.

Understanding our industry's crucial role in the energy transition process, we aim to contribute to the Paris Agreement goals by decreasing our GHG emission intensity by 30% by 2030 compared to 2019.

Our actions in 2021

We published our first Climate Change Report in 2021, detailing our actions to reduce our impact. These include signing up to the Science Based Targets initiative, for which we are developing specific near-term targets. We also launched our strategy to reduce our biodiversity footprint, including a reforestation programme through which we aim to plant 8.8 million trees by 2025. Our shift to renewable energy continued as we signed a new contract for green energy supply in the Urals.

Providing equal opportunities remains one of the key elements of our sustainability focus, driven by a new, comprehensive, five-year Diversity and Inclusion Programme. In Russia, we co-funded a Talented Women in Mining award, for which three of our own employees were among the winners. We trained local indigenous people in Yakutia with skills to help them find employment. Actions like these and others helped us improve or confirm our ESG ratings in 2021.

Looking ahead

Sustainability will remain at the core of our operations. We will continue to strengthen our resilience to climate risks, setting Scope 3 emissions reduction target and developing our approach to carbon neutrality. This will be supported by new energy efficiency projects and further investment in greener technologies. Our biodiversity strategy to limit our impact on nature will be mainstreamed throughout the company, with a particular focus on reforestation projects in four regions of Russia.

Diversity and inclusion will be further embedded across the company, as will our work to engage with local communities. Understanding the importance of developing talent, we will continue to provide colleagues with opportunities for personal and professional growth through study and career development.

We continue to develop preventative tools to reduce safety risks across our operations, such as strengthening controls over geological exploration sites, checking and training contractors and implementing digital safety measures. We also understand our responsibility to raise ESG standards among our suppliers and will introduce ESG scoring of key suppliers via self-assessment questionnaires.

Daria Goncharova
Chief Sustainability Officer

Our contribution to the UN SDGs

By addressing the UN Sustainable Development Goals (SDGs), we make sure that we contribute to a more sustainable world with every business decision. Our sustainability agenda is built around 12 SDGs that complement and depend on each other.

With our efficient mining operations in remote regions, we stimulate communities' development and economic growth (**SDG 8**), while ensuring health and well-being of people we work with (**SDG 3**).

We contribute to community development, not only with the taxes we pay and the jobs we create, but also by directly supporting local healthcare (**SDG 3**) and educational institutions (**SDG 4**), renovating local infrastructure (**SDG 9**), making charitable donations (**SDG 1**) and implementing other projects that our neighbouring communities find most important. We also contribute to these SDGs through providing our employees with safe working conditions, decent remuneration and opportunities for training and professional development.

We oppose any kind of discrimination and particularly aim to eliminate gender stereotypes when it comes to women working in the mining industry (**SDG 5**).

Mining operations are inevitably connected with the use and alteration of natural resources, and we do all we can to minimise this impact, using these resources efficiently and taking responsibility for environmental risks (**SDG 12**). This includes minimising fresh water withdrawal and ensuring discharge water quality (**SDG 6**), managing waste responsibly, reducing land use through applying dry stacking technologies and monitoring biodiversity (**SDG 15**).

We also recognise that mining activities can result in adverse consequences for the climate and, at the same time, are exposed to physical and transitional climate-related risks. Our climate change targets and risk assessment underpin our commitment to **SDG 13**.

Finally, **SDG 16** and **SDG 17** reflect our overall approach to business and stakeholder engagement. We strive to work in an ethical and fair way and embrace partnership for positive change.

Relevant SDGs and material issues

See metrics and performance in 2021 for each of the material issues on page 54–55.

SDG	Material issues
1 No poverty	Employees; Communities; Supply chain
3 Good health and well-being	Health and safety; Employees; Communities
4 Quality education	Employees; Communities
5 Gender equality	Employees; Supply chain
6 Clean water and sanitation	Water; Communities
8 Decent work and economic growth	Supply chain; Employees; Communities
9 Industry, innovation and infrastructure	Communities; Supply chain
12 Responsible consumption and production	Water; Waste and pollutants; Biodiversity and lands
13 Climate action	Climate change
15 Life on land	Biodiversity and lands; Waste and pollutants
16 Peace, justice and strong institutions	All
17 Partnerships for the goals	All

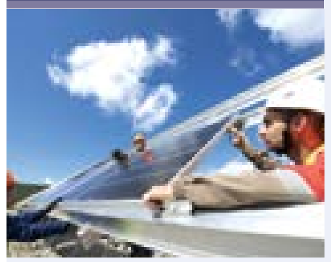
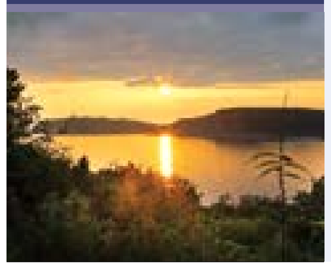
Sustainability continued

Our material issues

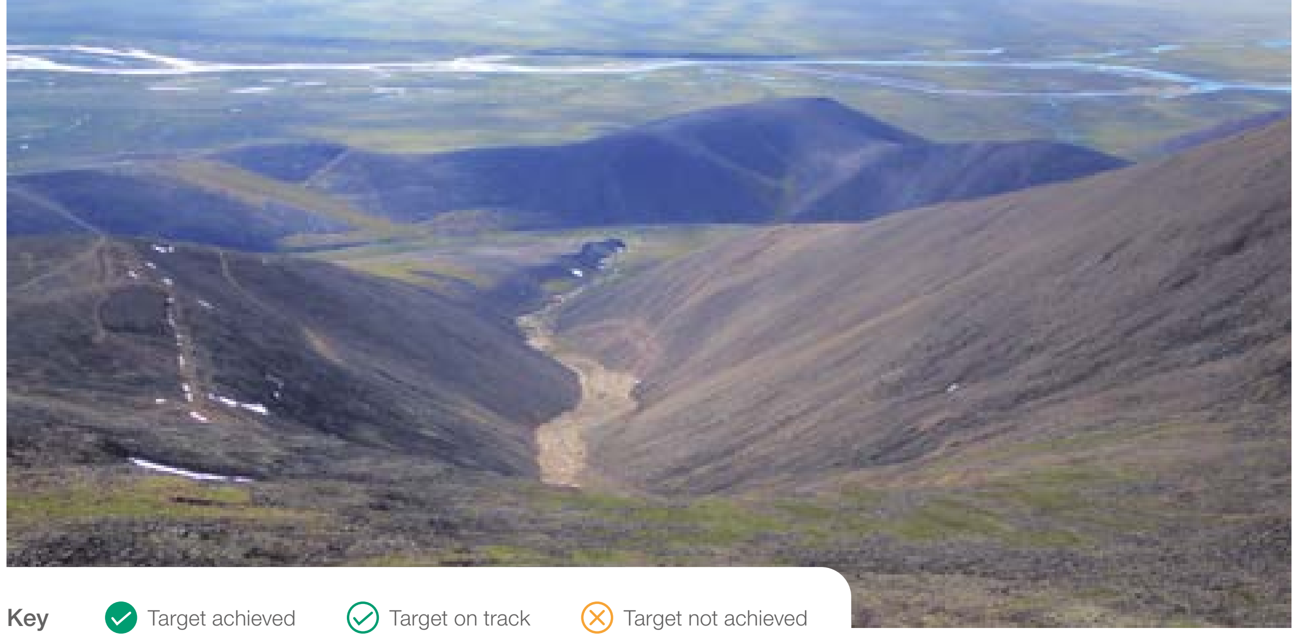
Maintaining high standards of corporate governance and sustainable development requires a focused approach on the issues that stakeholders tell us are most material to Polymetal, to society and to the environment. These issues inform our ESG agenda and disclosures and are integrated into the business strategy and risk management procedures.

Our materiality determination process involves:

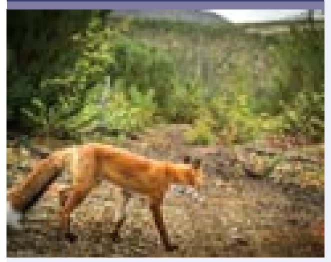
1. Identifying social and environmental impacts in the mining sector described in academic research and market reviews
2. Analysing internal and external stakeholder feedback
3. Monitoring non-financial reporting standards such as GRI, SASB and TCFD and reviewing peers' reports
4. Reviewing our internal risk registers
5. Interviews with senior management and Board
6. Analysing social, economic and environmental contexts via other sources and tools

Material issues	Targets	Performance in 2021	Status
Health and safety 	Ensure zero fatalities	0 fatalities among employees, 1 contractor fatality (2020: 0 for both)	Target not achieved
	Maintain LTIFR below 0.2	0.12 (2020: 0.12)	Target achieved
	Year-on-year decrease in absent days following accidents	4% y-o-y decrease (1,516 days in 2021 compared to 1,583 in 2020)	Target achieved
Employees 	Maintain voluntary turnover rate below 10% starting from 2022 (below 6% in 2020–2021)	8.2% voluntary turnover (2020: 6.5%)	Target not achieved
	Improve equality and diversity, including women's representation of 33% in the Talent Pool in 2022	21% women in total workforce (2020: 21%); 30% in Talent Pool	Target on track
	Support labour rights	83% employees under collective agreements	Target achieved
Climate change 	30% decrease in GHG emission intensity per ounce of gold equivalent by 2030 (Scope 1+2, 2019 baseline)	9% decrease (677 kg CO_2e/oz of GE in 2021 compared to 742 kg of CO_2e/oz of GE 2019)	Target on track
	35% decrease in absolute GHG emissions by 2030 (Scope 1+2, 2019 baseline)	7% decrease (1,099 Kt CO_2e compared to 1,180 Kt CO_2e by the list of assets as of 2019)	Target on track
	Achieve 7% of total electricity generation from renewable sources by 2025	0.4% (3,899 gigajoules generated)	Target on track
	Update climate change scenarios and implement mitigating actions required to achieve the 2°C trajectory in 2021	Achieved. Climate action plan developed and approved	Target achieved
Water 	55% decrease in fresh water withdrawal[1] per tonne of ore processed by 2030 (baseline 2019)	42% decrease (155 m³/Kt of processed ore in 2021 compared to 268 m³/Kt of processed ore in 2019)	Target on track
	Increase share of water recycled/reused	90% of water reused/recycled (2020: 89%)	Target achieved

1 Excluding water for non-technological purposes



Key: Target achieved · Target on track · Target not achieved

Material issues	Targets	Performance in 2021	Status
Waste and pollutants 	Increase share of waste reused and recycled by backfilling overburden waste whenever possible	23% of waste reused/recycled (2020: 17%)	Target achieved
	Achieve 50% dry-stack tailings storage of tailing total waste by 2030 (interim target for 2021 – 11%)	11% of tailings dry stacked (2020: 11%)	Target achieved
Biodiversity and lands 	By 2023 design a framework to evaluate Polymetal's biodiversity footprint	Key elements of the footprint identified. A biodiversity standard will be developed in 2022	Target on track
	By 2023 develop biodiversity action plans for high-risk sites	One site, Kutyn, identified as high-risk due proximity to an Important Bird and Biodiversity Area	Target on track
	By 2023 examine a path to net-positive impact on biodiversity	Compensatory biodiversity projects in regions of operations will be launched in 2022	Target on track
	By 2025 reforest 4,400 hectares	993 ha planted with larch and spruce	Target on track
Communities 	Ensure zero community conflicts	Zero conflicts	Target achieved
	Ensure positive engagement	143 letters of gratitude. 613 inquires received and resolved (2020: 572)	Target achieved
	Maintain the level of financial giving	$20m invested in social projects (2020: $17.9m)	Target achieved
Supply chain 	50% share of regional procurement by 2024	44% (Russia: 40%; Kazakhstan: 68%)	Target on track
	ESG score for key suppliers by 2023	ESG surveying launched and piloted for key suppliers	Target on track

Health and safety

Polymetal operates in a high-risk industry. We are responsible for the safety at work of more than 13,000 employees and expect the same responsible approach from our contractors.

63%
decrease in contractor LTIFR

Zero
fatalities among employees

100%
operating sites certified to ISO 45001

Our targets
Ensure zero fatalities
Maintain LTIFR below 0.2
Year-on-year decrease in absent days following accidents

Which guidelines do we follow?

External: UN Global Compact, ISO 45001, EBRD Environmental and Social Policy, Responsible Gold Mining Principles, national occupational safety standards

Corporate: Health and Safety Policy, Occupational Health and Safety Management System, Code of Conduct

Our approach

Ensuring that every person who works for and with Polymetal returns from work safe at the end of the day is our utmost priority. To enable this, our health and safety approach is based on strong leadership, a zero-harm culture and stringent risk management.

Our CEO, COO and other senior managers are personally accountable for safety, 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 for non-safety related KPIs if severe incidents or fatalities occur, whether among contractors or own employees. In addition, 25% of their annual bonus is linked to the number of days lost due to work-related injuries – a KPI that reflects both the number and the severity of injuries.

Our Group-wide Health and Safety Policy promotes a zero-harm culture at each operating site. An ongoing safety campaign is delivered through corporate media and on-site visual communication tools, with employees and contractors involved in safety risk identification. We ensure that any person working on site can access health and safety messaging via a range of channels, including our dedicated Safety Hotline. This enables any employee or contractor to report any concerns or suggestions so that we can take responsive measures.

The bedrock of how we manage health and safety is risk assessment. Our Occupational Health and Safety Management System is in place across all operating sites and is audited annually for compliance with ISO 45001.

Risk assessment and mitigation

Managing risk systematically is fundamental to our licence to operate. 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 and contractors. Each industrial process and site has its own risk map and mitigation plan, and individual facilities classified as hazardous are fully insured. In 2021, we conducted 11,260 safety checks, including 2,893 among our contractors.

Critical risks and their mitigation

Based on the list of critical safety risks, we develop an annual action plan. For each risk, operation sites implement mitigation activities covering administration, risk elimination, engineering improvements, training and visualisation.

The critical safety risks remain generally unchanged and include road accidents, falling rock, being hit by an object, trips and falls while walking and jams by rotating mechanisms. Our safety action plan for 2021 covered mitigation measures for all key safety risks. For example, at the beginning of the year we saw an increased frequency of injuries related to tripping and falling while walking. The review of such incidents demonstrated that in most cases sand or salt were not put on slippery ice sidewalks and roads and that people did not use special personal protective equipment. Preventative measures were taken, such as fencing-off hazardous areas and introducing strict instructions for walking on the site.

One of our focus areas in 2021 was improving the safety of geological exploration works. We assigned responsible personnel and introduced risk assessment procedures, identified key hazards for every exploration site, developed mitigation plans and carried out internal safety checks in line with corporate standards.

Our road safety programme was further developed, with separate measures for transportation via public roads and at our own sites. For example, we banned the transportation of workers more than 200 kilometres at night (with exceptions for extreme situations). We continued to equip our mining vehicles with collision warning systems and installed flashing beacons on our cars.

Where possible, we apply digital technologies to improve the safety of workplaces. We launched a positioning system at the Varvara processing plant, which enables us to see the exact location of each worker and prevent them from entering hazardous areas. It also means we promptly receive feedback in cases of emergency, for instance.

Engaging employees and contractors

Empowering employees to identify and report safety risks is critical to our approach. Each production site delivers weekly health and safety briefings. Our safety communication campaign involves contests, articles and interviews in our corporate newspaper, checklists, videos and visual toolkits. In 2021, we held an internal competition for the best safety project, with more than 50 applications submitted – all of which showed potential improvements that could be applied at other sites.

As well as offering mandatory safety training by external accredited training centres, we use an internal virtual learning system, OLYMPOKS. This provides training around industrial processes, energy, environment, transport, fire, civil defence, emergencies and first aid. In the last year, 4,113 employees attended health and safety training sessions, either internally or externally. There remain opportunities for improving personal safety leadership and employee engagement and we strive to equip our employees with sufficient training, tools and role models for continual safety awareness.

Working with our contractors, we highlight safety risks and share our expertise to help them mitigate such risks. We regularly inspect contractor operations, collaborating with them to resolve any issues and encouraging them to compete in our Best-in-Profession contests (read more on page 62). We also train contractors on the principles of hazard identification, risk assessment and procedures for ongoing production control and workplace monitoring. The requirement to regularly identify and assess hazards and risks is now part of all agreements with contractors. By 2023, we want all our contractors working on site to apply hazard identification procedures comparable to those applied by our own employees.

We remain committed to our strategic objective of zero fatalities among both employees and contractors."

Safety performance

In 2021, the lost time injury frequency rate (LTIFR) for Polymetal employees stood unchanged at 0.12, with 15 cases of lost-time injuries (2020: 13). Days lost due to work-related injuries for the full year decreased by 10% y-o-y to 1,516. Most of these injuries were classified as minor, except for two severe injuries: one the result of an employee being hit by a spare part during maintenance at a mill; and the second arising from a trip and fall while walking. Following these incidents, we updated risk maps for relevant facilities and ensured employees received instructions to eliminate such risks.

Contractor LTIFR decreased by 63% to 0.09 (2020: 0.24), with six cases of lost-time injuries. Tragically, one of these injuries led to fatality: a drilling contractor lost his life while carrying out works at the Saum open-pit mine, part of the Voro hub. Following this event, we have completed a comprehensive review of safety risk management among contractors and introduced a set of preventative and contractor-screening measures at the mine, which will also be rolled out to other operations where applicable. New measures include at least twice-monthly inspections, designating employees responsible for safety control at different contractor works and individual safety measures. We remain committed to our strategic objective of zero fatalities among both employees and contractors.

Polymetal employee safety in 2021

	Units	2021	2020	2019
Injuries, including:	number	**15**	13	20
Fatalities	number	**0**	0	2
Severe injuries	number	**2**	2	3
Minor injuries	number	**13**	11	15
LTIFR[1]	rate	**0.12**	0.12	0.19
Days off work following accidents	number	**1,516**	1,583	1,760

Contractor employee safety in 2021

	Units	2021	2020	2019
Injuries, including:	number	**6**	12	10
Fatalities	number	**1**	0	1
Severe injuries	number	**0**	0	0
Minor injuries	number	**5**	12	9
LTIFR[1]	rate	**0.09**	0.24	0.20

1 Lost time injury frequency rate per 200,000 hours worked.

Measuring the maturity of safety culture

In 2021, we conducted a survey to assess our safety culture and understand the effectiveness of our safety communication campaign. 4,900 employees participated anonymously in a survey based on the internationally recognised Hudson's safety maturity model, with feedback analysed by leading industry consultants, Ecopsy. We also ran focus groups with managers and specialists and conducted interviews with technical staff.

The results show that our safety culture is evolving from Reactive to Calculative, whereby Polymetal management clearly demonstrates leadership and develops strategies to achieve our zero harm goal. We also benchmark comparably against other leading mining companies, according to Hudson's maturity model. Other findings include:

- Almost 2/3 think Polymetal has enhanced controls for safety rules observance
- 89% think that their immediate superiors observe all safety rules and expect the same from their subordinates
- 84% are satisfied with safety training
- 78% consider safety briefings, meetings and training events to be an effective channel to obtain useful information.

Based on Ecopsy recommendations, we have developed an action plan to address any outstanding safety issues and, in turn, progress along Hudson's 'safety ladder'.

Health and well-being

Employee performance and, in turn, corporate productivity, relies on good health and well-being. We aim to support positive occupational health and contribute to wider employee well-being.

Occupational health

In 2021, five cases of occupational diseases were reported by three employees, all at our Dukat mine. Those affected had been working in underground mining for 10 to 16 years and all had occupational diseases identified after resigning from Polymetal. They will receive appropriate payment from the Social Insurance Fund of the Russian Federation. To avoid such cases occurring again, third-party organisations conduct regular assessments of working conditions at Polymetal sites.

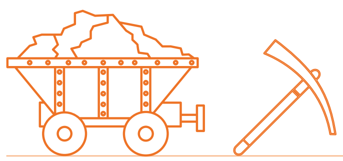
Dedicated contractors are responsible for ensuring the highest hygiene standards, while employees receive regular medical check-ups (including daily health checks with an automated health monitoring system) and paid time off work for health appointments.

Encouraging well-being

The well-being of our employees is an essential part of our HR strategy. We provide fitness facilities and organise sports events, while gym membership is subsidised for office workers and we have our own sports facilities at operational sites. Flash mob events promoting healthy habits, such as exercising and cycling to work, are organised on corporate social networks.

To encourage our people to take care of their physical and mental health, in 2021 we introduced a private health insurance programme for all employees, with fees fully covered by Polymetal. The insurance also covers children under the age of ten. The cover includes a second medical opinion and access to video content on healthy eating, stress management and other well-being topics. An additional maternity package is offered at a subsidised price.

Responding to the pandemic-related challenges, we organised Covid-19 vaccinations at our sites and offices, incentivising vaccination with two paid days' leave. We continue to monitor the vaccination process at all sites and we also offer flu vaccination. During 2021, we continued to provide free Covid-19 tests at the office, at home or at a healthcare facility – all employee expenses are reimbursed. In the case of emergency, we assist with transportation and admission to hospital.



Employees

Our talented people are what make us the successful business we are. Enabling them to grow, while upholding their rights and protecting their well-being, are fundamental priorities.

21%
female employees

49
hours of training per employee per year

100%
of operating site employees covered by collective agreements

61%
of employees participated in an engagement survey

Our targets

- Maintain voluntary turnover rate below 10% starting from 2022
- Improve equality and diversity, including women's representation of 33% in the Talent Pool in 2022
- Support labour rights

Which guidelines do we follow?

External: Universal Declaration of Human Rights, UN Global Compact, ILO Declaration and ILO Conventions, Responsible Gold Mining Principles, National Labour Codes

Corporate: Code of Conduct, Human Resources Policy, Diversity Policy, Employment and Labour Corporate Standard, Regulation on Social Conditions and Service Quality Control, collective agreements

Our approach

Our people are central to our success. We strive to offer fair and inclusive working environments, competitive salaries and professional development opportunities. Meanwhile, we continuously adapt to socio-economic and technological changes.

Polymetal's corporate culture is founded on mutual trust and respect, transparency and integrity as well as an unwavering drive for development and improvement. As our operations require diverse skills, we go beyond mandatory compliance training to offer employees a wide range of opportunities to demonstrate potential and acquire new skills. For key positions, individual development plans and annual appraisals are in place.

We recognise that our employees are not only a key resource, but also an important stakeholder group. The Covid-19 pandemic has highlighted the importance of employee engagement and in 2021 we conducted a large-scale employee survey, with a focus on measuring engagement and satisfaction. Our internal communication system enables employees to raise any issues or concerns without retribution and ensures remedial steps are taken. Complex or Group-wide issues are submitted to a Board-level committee for resolution.

We take a zero-tolerance approach to any form of discrimination or harassment and promote a culture of equal opportunity. Our commitment to diversity and inclusion is now supported by a five-year programme that includes training, mentoring, talent attraction and internal communications.

Finally, our integrity as a business relies on all employees and contract workers complying with our Corporate Code of Conduct. The Code outlines the ethical behaviours expected of all stakeholders and sets out our zero-tolerance of conflicts of interest, bribery, bullying and alcohol or drugs. The Code is supported by our policies, which cover a broad range of issues.

Talent attraction and retention

In a rapidly changing world and industry, it is imperative that we attract, retain and develop the best talent. Our remuneration framework is designed to be competitive in all regions of our operation, with a performance-based compensation system that ensures fair and equal growth opportunities for employees.

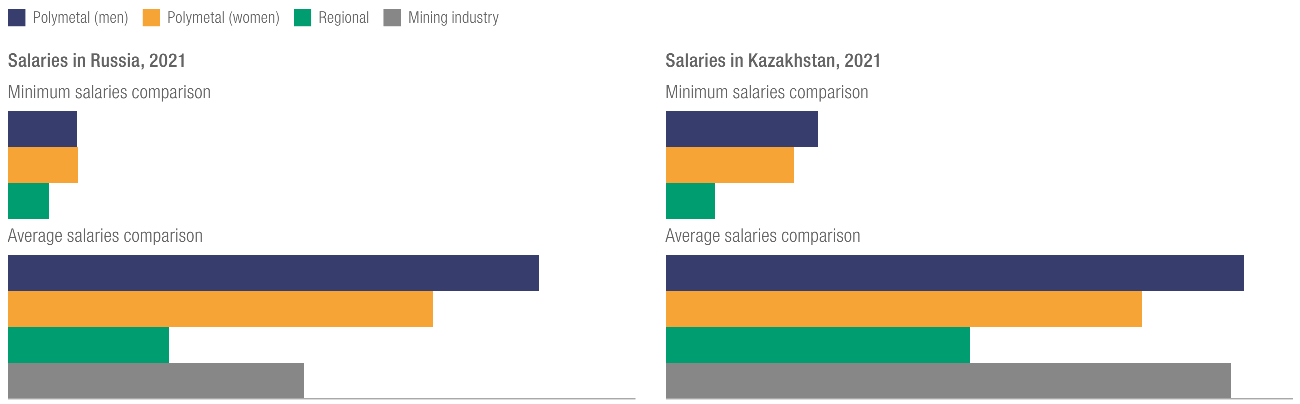
Our base salaries do not differ between men and women who perform the same function. We do however, still see variations in the type of work performed by male and female employees, resulting in a 2021 male/female average remuneration ratio of 1.22 (2020: 1.25). To manage this pay gap, we closely monitor the share of women in various roles. As co-founders of Women in Mining Russia, we are also encouraging more women to enter our industry and to progress into leadership roles (read more on page 63).

For staff with families, we offer paid parental leave for up to three years and we subsidise nursery fees, after-school activities and holiday camps. We also provide those working in remote locations and their families with free 'health holidays' every two years. Financial aid is made available for employees in case of illness or other emergencies, as well as for those who seek to apply for a mortgage and those retiring (see our Employment and Labour Corporate Standard). We annually align wage growth with inflation: the salary increase in 2021 was 5% for employees in Russia and 8% for those in Kazakhstan.

Training and development

Our development programmes and professional competitions help create diverse teams and build a talent pipeline. Our in-house expertise in geology, exploration, construction, metal processing, ecology and other aspects of mining is available to employees via an online training centre and in-person workshops. For our geologists, we have developed a dedicated two-year programme spanning theory and practice on geochemical modelling, big data analytics, exploration methods, resources classification and ore processing. It also involves a prospecting and exploration simulator, which we developed further in 2021, adding more software functions and analysing user trials.

Polymetal salaries compared to regional wages



Polymetal minimum salaries are 67% higher than the regional minimum in Russia and 162% in Kazakhstan.

Also during the year, we held a series of lectures on mining and processing for non-mining specialists, such as financial and accounting teams. These lectures are intended to help attendees better understand the industry and our business model and they will be developed into an online course for all new employees as part of their induction training. We are continually enhancing our team-based culture and in 2021 we focused on cross-functional development, drawing on our ProgressorLAB initiative. It gathers talented and creative people from different Polymetal sites into working groups to problem-solve on topics from geological surveying and engineering, to operational efficiency and HR analytics.

We launched a new course on diversity in decision-making during hiring and promotion and we plan to add a further course on disabilities inclusion (read more on our diversity programme on page 63). And we further enhanced wider employee programmes, including Talent Pool, Young Leaders and the Scientific and Industrial Conference.

Talent pool

Where possible, we meet staffing needs internally via our Talent Pool, which is designed to support internal mobility and develop future leaders. Any suitably qualified employee can apply for a vacancy or to join the Talent Pool. A variety of assessment procedures are used to train future leaders, including 360-degree evaluations, assessment centres and competency-based interviews. All participants receive feedback and a personal development plan. In 2021, 387 employees were selected for the Talent Pool (including 118 women), and 23% gained a promotion (61 men and 29 women).

In 2021, we created a new Talent Pool section for senior manager succession. In total, 11 candidates were selected via career path and line psychometric assessments of decision-making skills and long-term potential. Each received detailed feedback and we now plan to create a corporate mentor programme, with engaged senior managers and Directors volunteering as mentors.

A competitive culture

Competition is a key component of our motivation and engagement ethos: it helps to identify and motivate proactive and high potential employees, nurture professional excellence and share best practices around our efficiency, innovation and responsibility for safe work.

Our Best-in-Profession Competition has been running since 2015, with approximately 1,000 taking part each year. Drivers and mine foremen competitions are traditionally the most popular and are held in conjunction with national professional celebrations. Competitions test theoretical and practical skills, as well as knowledge of health, safety and environment. In 2021, 1,146 employees (10% women) took part in 148 skills competitions for 10 professions, with 24 contract workers participating. The Best-in-Profession competition for geologists was held in a new format in 2021 and included a simulator experience using Datamine software. The competing teams searched and explored a virtual deposit, demonstrating their skills in geological mapping, geochemistry, geophysics, trenching and prospecting drilling. An increasing number of employees join the competition every year proving that it appeals to our employees and their focus on professional development. For example, in 2020, 16 surveyors took part in the competition, while in 2021, there were 87.

Another opportunity for employees to unlock their potential is our annual Best Innovators competition. It is aimed to encourage employees to share operations improvement ideas around how we might do things differently, better and more efficiently. In 2021, we received 362 ideas and 167 were selected for implementation.

Developing young talent

Any employee under 35 with higher education can take part in the annual Scientific and Industrial Conference. It brings together employees from the key areas of our business and in 2021 welcomed 70 participants (23% women). The expert jury evaluated project proposals, and selected 18 for implementation based on their practical applicability. The topics vary from geology, mining, processing and industrial safety to improvement of management processes, economics and HR management. The best proposals are awarded, with 6 participants subsequently gaining a promotion and 13 joining the Talent Pool in 2021.

We continued to work closely with universities and technical colleges to attract graduates and interns. In 2021, 334 students joined internships (27% female), of whom 55 went on to employment with us, undertaking a development programme that includes training and mentorship.

387

employees were selected for the Talent Pool in 2021 including 118 women

Female Chief Engineer programme

"After graduation, I assumed that I would work as a field hydrogeologist on the surface, however, I received a job offer as a hydrogeologist in underground mines. I really enjoyed being in the mine and seeing the rock from the inside."

Anna Bogoslovskaya
Lead Geomechanical Engineer
Polymetal Technical Department in St. Petersburg

To further develop our female employees into management roles, in 2021 eight women from various operations took part in the Female Chief Engineer programme where they experienced managing a team and training in hard and soft skills. Each participant was assigned a mentor from senior management.

The programme is endorsed by independent non-executive Director Tracey Kerr who shared her 30+ years experience in a web conference attended by more than 100 employees from all across the Group. It included a Q&A with more than 30 questions fielded.

Diversity and inclusion

We value a diversity of views and backgrounds among our employees, as set out in our Diversity and Inclusion, Human Rights and Human Resources policies. We do not discriminate on any grounds, be they gender, race, religion, disability or political affiliation. When advertising a role and recruiting candidates, assessors specify qualification requirements and avoid any conscious or unconscious bias when interviewing people. Remuneration decisions are based purely on competence for the role, regardless of any other attribute. All equality and inclusion issues are raised at each meeting of the Nomination Committee.

In 2021, we approved a five-year Diversity and Inclusion Programme to eliminate workplace bias, empower diverse teams and attract and retain people with different background. The programme is backed by metrics and KPIs.

Gender

In 2021, the proportion of women in our workforce remained at 21% (2020: 21%). When developing our Gender Diversity programme, we analysed local job markets and compared them with Polymetal's workforce needs at new sites, which are often situated in remote areas with the harshest climate and insufficient social infrastructure. This led us to establishing our challenging, yet realistic, target of maintaining 21% women across the Group by 2025. To enable gender parity in the future, we will continue our efforts around equal access to technical education, removing the barriers to career growth and promoting female leadership within and outside the Group. From 2021, our CEO and other senior leaders had diversity-related KPIs established.

Our corporate engagement survey showed that, despite the female engagement rate being higher than male, women were less clearly able to visualise a future career path.

Additionally, we surveyed a wider community within our Women in Mining Russia initiative to understand better what gets in the way of a successful career for a female mining expert. The outcomes of this are reflected in our diversity action plan where we have set gender diversity targets for our existing development programmes and introduced new initiatives to inspire women into leadership roles. In particular, we aim to sustain 30% women in our Talent Pool (read more on page 62) and 50% in Young Leaders (read more on page 155).

We held two Group-wide online workshops on women's leadership in 2021, including a virtual conference with a female Board Director within our Female Chief Engineer programme (see the case study above). We partner with universities to attract at least 20% female interns annually and we support the STEM+E Awards of the National University of Science and Technology, a competition for young women from technical universities. In the UK, we partnered with the Camborne School of Mines to offer a $8,250 female scholarship and the chance to work with Polymetal on a dissertation project.

Improving working and living standards at our sites is crucial to enable female employees to work at remote production sites. In 2021, we built an additional female dormitory at our Varvara site, after Kazakhstan authorities reduced the list of professions prohibited for women and more job opportunities were opened for female workers. We also introduced mentoring support for new parents returning to work and we launched online training around diverse culture in decision making, which applied case studies and role modelling to eliminate stereotypes during hiring and promotion. It was completed by 2,598 employees and will be rolled out to contractors in 2022.

Finally, we understand that every effort should be recognised. This is why, in addition to fair pay-for-performance systems, we provide non-monetary recognition. With Polymetal's support, the Talented Woman in Mining Award, the first of its kind in Russia and Kazakhstan, was held in Moscow in October 2021. The competition was organised by Women in Mining Russia, co-founded by Polymetal in 2020. It convened 237 participants from 24 companies and 96 cities. Of the 63 finalists, 15 were awarded a prize.

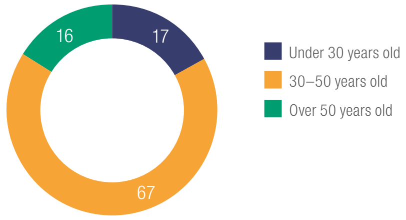
Disability

In 2021, we employed 30 people with disabilities (2020: 30). We understand that various types of physical and mental disabilities require a tailored approach to hiring and it is our responsibility to create an inclusive environment for those with special needs. We collaborate with a specialised recruitment agency that matches candidates with disabilities with employers that provide accessible work places, even in remote regions. We also organised HR training on employing people with disabilities, led by an external expert and we plan to roll out an e-course on inclusiveness for all employees.

Age

Those aged 50 and above comprise 16% of our workforce and are the major source of expertise and mentorship in many areas. We offer flexible hours and remote work or redirect them from physically demanding jobs towards teaching and mentoring younger colleagues. Our generous corporate medical insurance programme covering all employees helps people of all age take care of their health.

Employees by age group
(% of total workforce)



Communications and engagement

Our internal feedback system allows us to understand employee concerns and provide a timely response. Employees can send confidential feedback through a variety of channels, including a corporate hotline (telephone or email – it can be anonymous), messenger app or a meeting with their manager. All employees are made aware of these channels from their induction and they are easy to find in corporate media. In 2021, we received 1,773 enquiries to these channels, with topics raised including living and work conditions, social benefits (particularly, the new medical insurance scheme), Covid-19 vaccination, remuneration and other. Each enquiry is investigated and remedied as appropriate. We also conduct a quarterly analysis of all reported issues and share anonymised responses to the most frequent enquiries in our company newsletter, corporate portal, info-boards and at meetings.

In 2021, we conducted several Group-wide studies to assess employee perceptions of our corporate culture, with the results being taken forward to continually improve our workplaces in line with our core values. For instance, we are planning to introduce a number of changes to our internal communications, hiring and induction processes, while also

Gender diversity by employee level

	Female	Male
Total	21%	79%
Management	22%	78%
Qualified personnel	40%	60%
Workers	11%	89%

Management includes employees who hold positions as heads of business units: directors, chiefs of divisions, managers, experts or supervisors, etc.; chief specialists, for example, chief accountant, chief dispatcher, chief engineer, chief mechanic, chief metallurgist, chief geologist; and deputies to these positions

Qualified personnel are employees who are engaged in engineering and technical, economic, and other such positions. In particular accountants, geologists, dispatchers, engineers, inspectors, mechanics, quantity surveyors, editors, economists, energy specialists, legal advisors, etc., and assistants to these positions. It also covers office workers in accounting and control and maintenance positions, who are not engaged in manual labour, including clerks, concierge staff, controllers and secretaries

Workers include personnel who are directly engaged in the process of value creation, as well as those engaged in repair, moving goods, transporting passengers, providing material services, and so on.

adding indicators around the core values within employee assessment and training, which will be integrated into our non-financial recognition systems.

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 strategic values will help define Polymetal's future success.

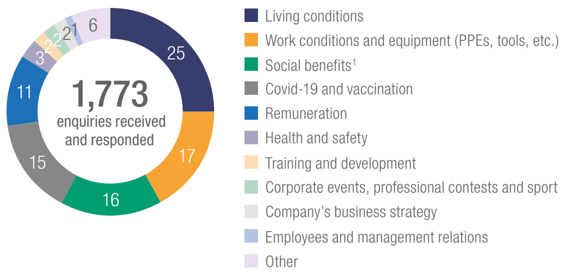
Engagement survey

While previous corporate surveys focused primarily on satisfaction levels, in 2021 we gauged employee engagement for the first time. The survey involved 8,187 employees (61% of our workforce) and we saw an average engagement score of 69% (moderately engaged), which benchmarks well for a complex mining company with rotating shift schedules: 12% above our peer average and 6% above the production sector average for Russia. Employee satisfaction levels were 77% (a 7% decrease since 2019, reflecting pandemic-related uncertainties) and 68% 'highly appreciated' our employer brand (13% above sector average in Russia), while 66% reported a positive attitude towards their relationships with management and peers. The responses have shaped positive changes at local and Group levels and we plan to conduct the survey every two years, with even more regular pulse surveys on specific topics.

Communication with the Board

Regular meetings with managers and direct-line access to the CEO and members of the Board of Directors are an important aspect of our culture and in 2021, 56 questions were received during such events. We also convened approximately 170 employees with Board members in an open discussion, with more than 30 employee questions spanning topics from corporate strategy and production, to women's leadership, inclusive culture and Covid. Read more on how the Board engages with employees on page 143.

Topics dominating employee enquiries
(%)



1 Including questions on the private health insurance scheme implemented in 2021.

Employee volunteering

In 2021, around 30% of employees volunteered for various causes, giving their time to more than 55 social and environmental campaigns in Russia and Kazakhstan. For instance, our charity project Mandarin helped make New Year wishes come true for 845 children from single-parent or vulnerable families or those in rehabilitation centres and with special needs. Employees donated 1,200 toys to Saint Petersburg and Ekaterinburg hospital children's departments, as well as school supplies for 200 children from socially and economically disadvantaged families and supplies for 500 people in nursing homes. Besides charity projects, our

employees have an option to donate blood or to support the National Bone Marrow Registry. Polymetal employees donated approximately 40 litres of blood in 2021.

We continued to support environmental campaigns – for instance, employees in Yakutsk, Khabarovsk and Magadan collected almost 50 kilogrammes of plastic bottle cap waste for recycling. We also launched a new career guidance programme for youth from large or disadvantaged families and orphanages. It includes visits to fire departments, police stations and veterinary stations where children can learn about diverse professions through games and interaction. Another new initiative was a volunteering training course, with supervision from experienced volunteers and speakers from non-governmental organisations and other mining companies.

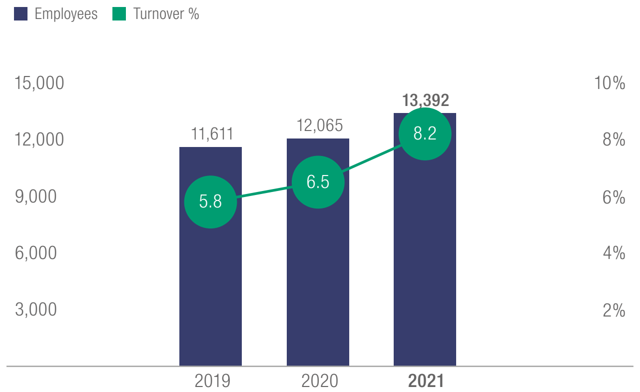
Freedom of association

We acknowledge the right of our employees to join organisations that protect and support their interests. This includes the right to elect representatives in accordance with the laws and practices of the countries where we operate. In 2021, 83% of all employees and 100% of operating site staff were covered by collective bargaining agreements. At each operating site, employees have set up Workers' Councils, with employee representatives elected to the Commissions for Regulation of Social and Labour Relations to facilitate discussion between employees and Polymetal.

Headcount and turnover

Our average headcount in 2021 increased by 11% to 13,392 employees, with more than half working on a fly-in fly-out basis at remote sites. Our voluntary turnover rate increased to 8.2% in 2021, compared to 6.5% in 2020. This can be explained by the staffing processes at our development projects such as POX-2, Kutyn (part of the Albazino hub), Maminskoye (part of the Voro hub) and others. As teams are often unstable at early stages of a project, this has influenced the overall turnover across the Group. In addition, we continue to observe higher labour market competition and increased demand for mining experts.

Headcount and turnover



Climate change

Global climate change will require us to be more resilient and forward-thinking. This means innovating in extraction to minimise greenhouse gas (GHG) emissions, while assessing the effects of a changing climate.

9%
decrease in GHG emissions intensity compared to 2019

18%
share of renewable electricity in total electricity consumption

25%
share of heat utilisation systems in total heat consumption

Our targets

30% decrease in GHG emission intensity per ounce of gold equivalent by 2030 (Scope 1+2, 2019 baseline)

35% decrease in absolute GHG emissions by 2030 (Scope 1+2, 2019 baseline)

Achieve 7% of total electricity generation from renewable sources by 2025

Develop a Scope 3 target and net-zero approach by the end of 2022

Which guidelines do we follow?

External: The Paris Agreement, TCFD, GHG Protocol, Science Based Targets initiative, ISO 14001, ISO 50001, EBRD Environmental and Social Policy, Responsible Gold Mining Principles, World Bank Guidelines and Policies

Corporate: Climate Policy, Climate Management System, Environmental Policy, Environmental Management System, Energy Policy

Our approach

Climate change calls for global action to minimise the human impact on the climate and to accelerate the transition to a low-carbon economy. We support the initiatives from countries that joined the Paris Agreement to reduce greenhouse gas (GHG) emissions and build a roadmap to carbon neutrality.

Accepting the need to take urgent action to mitigate human-made impacts on the climate, we are committed to reducing our own impact and developing an approach to carbon neutrality. However, we believe that decarbonisation is not a goal in itself – it is only one tool in limiting climate change. Therefore, in our strategy, we are focused on those projects that comprehensively reduce our GHG emissions and net impact on water resources and biodiversity.

In 2021, we set new climate targets to reduce our direct and energy-related emissions and presented a Climate Action Plan to guide our efforts to 2030. In our Climate Strategy, we give unconditional priority to real decarbonisation projects and state that offsetting is reserved only for hard-to-abate or residual impacts that cannot be avoided at the current level of technological development.

We appreciate global initiatives to tackle climate change and, in 2021, we joined the Science Based Targets initiative (SBTi)[1]. This reaffirms our commitment to work with more than 2,200 world-leading companies to achieve the goals of the Paris Agreement.

The transition to a low-carbon economy is impossible without close collaboration along the entire value chain. Therefore, we encourage our partners, contractors and suppliers to apply the same strict standards to reduce their carbon footprint as we do ourselves. We are working closely with them to set Scope 3 goals and to develop a net-zero plan by the end of 2022.

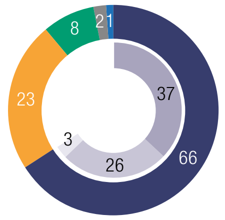
Resilience and future-proofing

Building climate resilience is our strategic priority. Many of our assets are located in regions where predicted climate change could have a significant impact on our operations. By gradually reducing our carbon footprint and introducing cutting-edge technologies, we both mitigate our impact on the environment and improve our resilience to transitional and physical climate risks.

The changes that are taking place require us not only to switch to low-carbon energy sources, but also to assess and monitor climate-related risks and opportunities. In 2021, we introduced a new corporate Climate Management System, which includes a methodology for a detailed assessment of climate-related risks and opportunities. It establishes our approach to the qualitative and financial assessment of climate risks and opportunities in different horizons and climatic scenarios. The new system also provides a continual data flow through our Risk Management System, ensuring both are fully integrated.

We use climate risk assessments and corresponding metrics when developing existing assets, making strategic decisions on new projects and updating our Climate Action Plan.

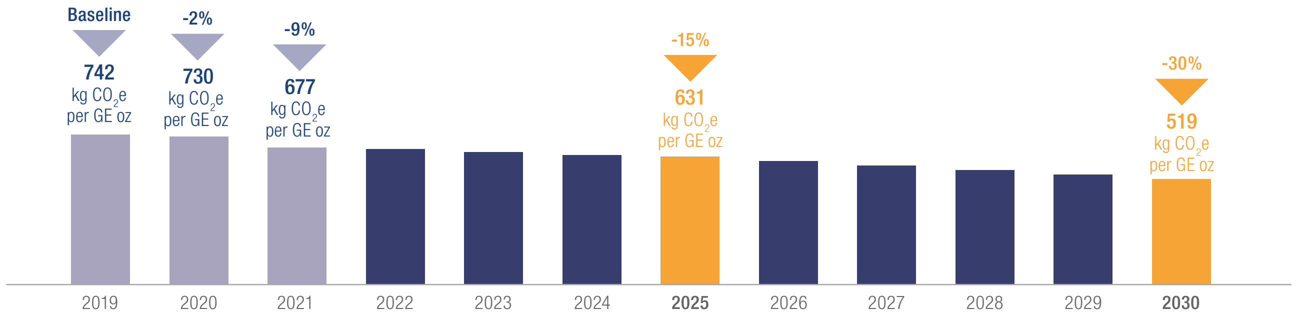
Energy consumption by source
(% of total consumption)



Looking ahead, climate change remains a source of risk but also opportunity. The energy transition and development of renewable energy sources bring decarbonisation potential, as well as opening up prospects for non-ferrous metals markets (namely in technology sectors). We are, therefore, continually expanding the resource base of our operating projects, as well as considering new projects for the development of copper deposits. In the long term, we expect an increase in demand for this metal to underpin capacities of renewable energy sources and energy storage systems.

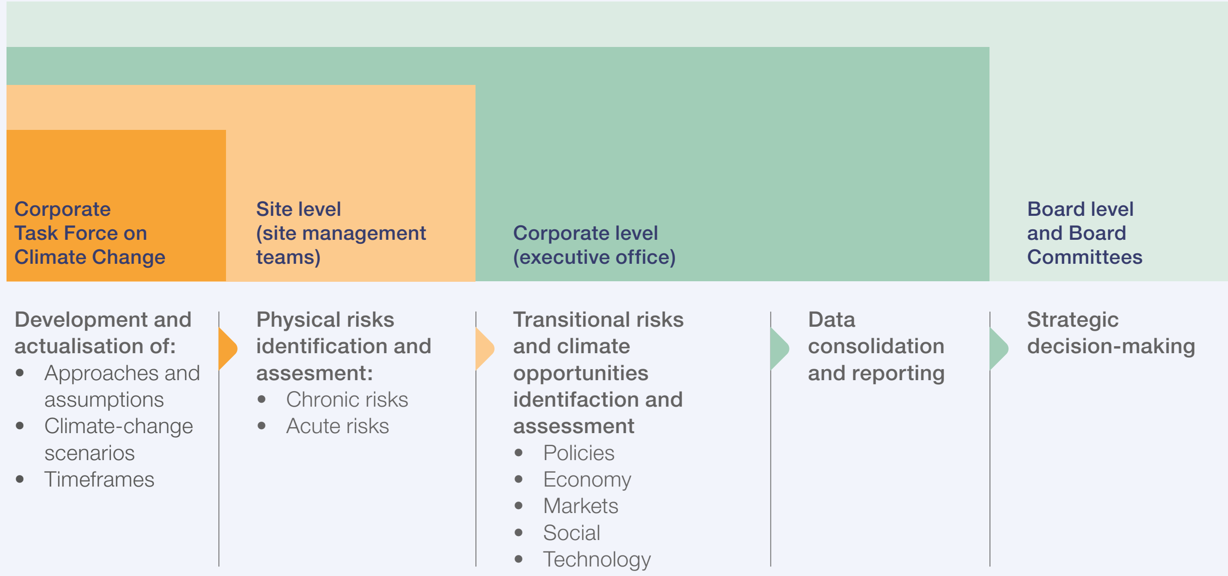
In summary, our in-depth assessment of climate risks and opportunities, combined with an action plan, ensures that we are moving forward with robustness and confidence.

GHG intensity reduction target
Scope 1 + Scope 2 emissions intensity per oz of GE, share of baseline 2019



1 Specific near-term targets.

Risks and opportunities framework



The Polymetal Climate Strategy

The seriousness of global climate change challenges all those in society to build resilience. To this end, we adapt our strategy by employing advanced technologies and continually improving operational performance. At the same time, evaluating our impact and risk exposure remains ongoing.

Often located in remote regions, we operate in five different climatic zones in Russia, including European Russia, Western and Central Siberia, the Far East, Yakutia and Chukotka, and in the northern regions of Kazakhstan. Each of these areas has its own microclimate. In addition, some Russian assets are located in the permafrost region. Since permafrost zones are especially vulnerable to climate change, we pay special attention to the safety of our facilities there and meticulously monitor all soil changes as indicators of potential climatic disturbance to the ground and foundations of our assets.

Acknowledging the significant impact of climate change and the volatility of climate factors, we identify, assess and manage climate risks and opportunities on an ongoing basis. In 2021, we introduced a new corporate Climate Management System and our Corporate Standard for assessing climate risks and opportunities. The updated Standard establishes a mandatory assessment of climate risks and opportunities for all of our existing sites and development projects. Every three years, we conduct an in-depth analysis, including the revision of climate scenarios, while monitoring and updating key risks and opportunities is ongoing with twice-yearly reporting.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we conduct scenario analysis for climate-related risks and opportunities. We do so for three climate scenarios, based on the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) scenario models:

- **Sustainable development scenario:** a fast transition to a low-carbon economy, limiting the global average temperature rise to 1.5°C above pre-industrial levels (Shared Socioeconomic Pathway – SSP1-1.9 model by IPCC and Sustainable Development scenario by IEA).
- **Paris Agreement scenario:** limiting the rise in global average temperature to well below 2°C above pre-industrial levels (SSP1-2.6 model by IPCC and Sustainable Development/Stated Policies scenarios by IEA).
- **Business-as-usual scenario:** a slow transition to a low-carbon economy with the developing countries lagging far behind; the global average temperature rise is well above 2°C relative to pre-industrial levels (SSP2-4.5/SSP3-7.0/SSP4-8.5 models by IPCC and Current Policies scenario by IEA).

In 2021, we assessed climate risks and opportunities against these scenarios in forming a long-term Climate Strategy. A detailed description of our scenario analyses is provided in our Climate Change Report 2021.

To ensure a consistent approach, all analysis methods, climate scenarios and assumptions are the same for all assets and are recorded in the updated Corporate Standard. Responsibility for maintaining the relevance of scenario models sits with the Corporate Task Force on Climate Change, which includes our Group CEO, CSO, COO, CFO and Sustainability, Ecology, Audit and Risks and Corporate Reporting teams.

Assessment of climate risks and opportunities is integrated into our corporate risk management system and covers all levels of management. In line with TCFD guidelines, we consider physical and transient climate risks, as well as climatic opportunities, across three time horizons:

- Short-term looks up to one year ahead and covers the operational planning and goalsetting phases.
- Medium-term is between one and five years ahead and corresponds to the period of technical and economic modelling.
- Long-term enables us to assess potential climate changes and their impact on assets throughout the entire life cycle.

Physical risks are identified through a bottom-up process by site management teams. This enables us to consider the climatic and technological features of each asset and to develop an optimal set of mitigation measures. As transitional climatic risks and opportunities have a complex impact on the entire Company, their assessment is carried out at corporate level.

Risk owners assess risks and opportunities by assigning them a probability of occurrence and a potential financial impact. To integrate climate risks with the corporate risk management system, the assessment methodology and thresholds for climate risks are fully consistent with the parameters for corporate risks. Climate-related risks and opportunities identified are consolidated at corporate level, and top risks and opportunities are reported to the Corporate Task Force on Climate Change twice a year. A consolidated climate risks report is also shared with the Risk Management Team to communicate the data once a year to the Board of Directors and Board Committees.

Climate-related trends – and the risks and opportunities identified as arising from them – inform our Climate Strategy and Action Plan. This is co-ordinated by the Corporate Task Force on Climate Change and reviewed by the Safety and Suitability Committee and the Audit and Risk Committee.

Physical risk assessments primarily form the basis of strategic decisions on the development of our sites and increasing their long-term resilience. For example, in 2021, assessments of melting permafrost risk helped us implement a control and monitoring system for objects in permafrost (read more on page 71).

Transitional risks assessments are used to assess the Company's exposure to new carbon regulation and to develop a decarbonisation and carbon-neutrality strategy (read more on page 72).

Climatic opportunities are taken into account when assessing the decarbonisation potential of low-carbon technologies, as well as the potential of development projects and new business areas, such as expanding copper production and rare earth metals mining (read more on pages 73 and 74).

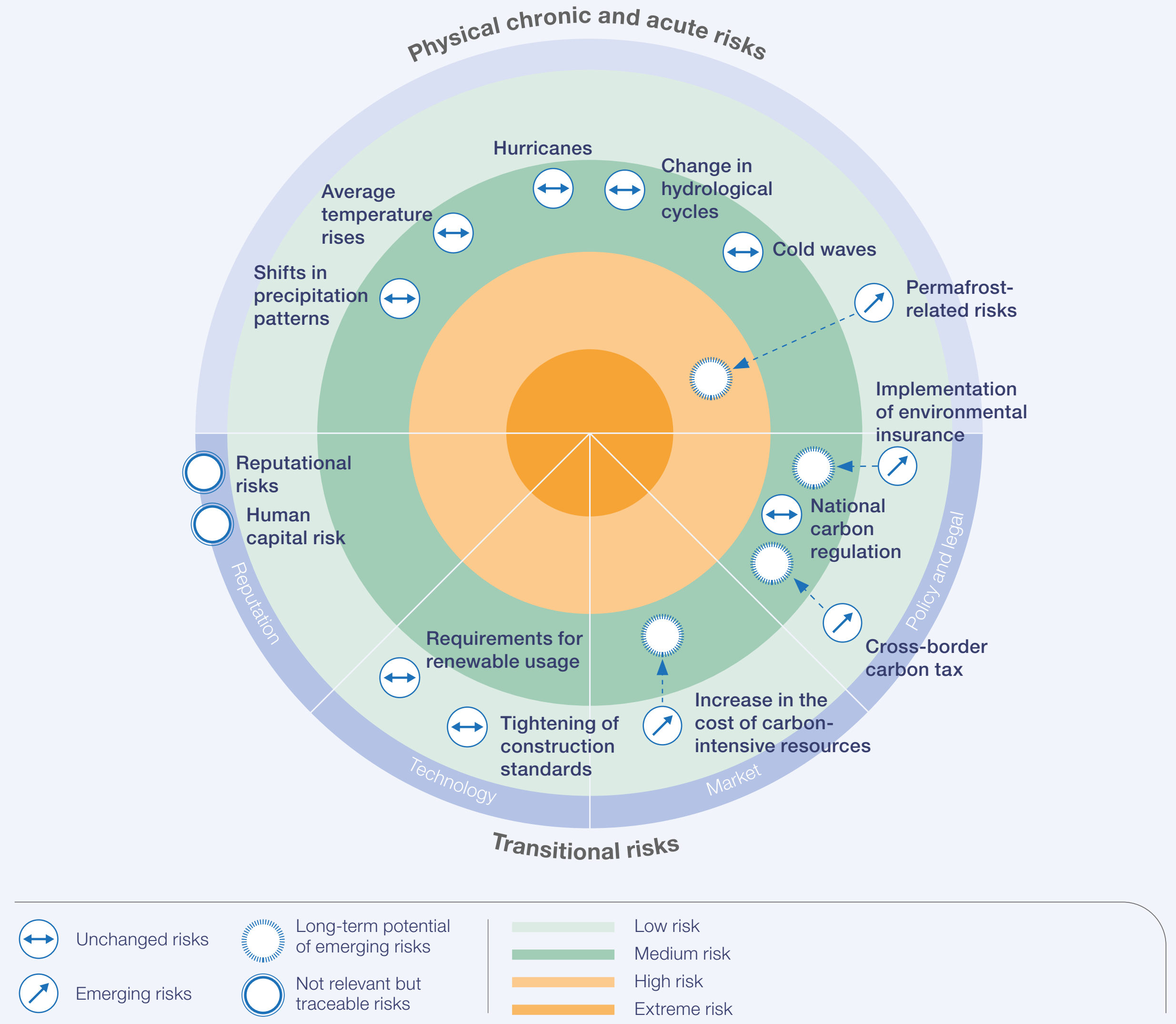
Key climate risks

Evaluation of climate risks is an integral part of our strategy and decision-making across project life cycles, from scoping to operations and reclamation. Acknowledging the importance of such risks and the volatility of climate factors, we have conducted a scenario analysis, which we are integrating into our Climate Management System.

The risk analysis complies with new TCFD guidance released at the end of 2021, and includes three climate scenarios that correspond to the baseline goals of the Paris Agreement. The analysis is based on IPCC future-oriented climate models (SSPs). These SSPs address the changes of greenhouse gas concentrations in the atmosphere and associated environmental, economic and social changes. For a deeper analysis of transitional risks, our assessment also includes IEA scenario models, which consider strategic shifts in global politics and the economy. Together, these models, alongside academic research, enable us to credibly evaluate potential climate-related impacts on our assets, including physical and transitional risks.

> "Evaluation of climate risks is an integral part of our strategy and decision-making across project life cycles, from scoping to operations and reclamation."

Material climate risks in Paris Agreement Scenario
(medium-term horizon)



By analysing three scenarios and three time horizons, we deliver a comprehensive assessment of potential climate change impact. To integrate the results into our Risk Management System and develop mitigation measures, we align with our Paris Agreement Scenario. Our climate goals and action plan are also aligned with this.

In 2021, we conducted a detailed climate risk assessment and identified key material risks for each asset and for Polymetal as a whole. According to the results, all identified material climate risks are low or medium. When integrating assessments into our corporate risk management system, climate risk was identified among emerging risks (read corporate risk overview on pages 114–128 and detailed information on material climate-related risks on pages 268–270).

The current impact of climate-related issues on the financial position of the Company (as of the end of 2021 and in the short term) in the target scenario is assessed as insignificant and does not exceed 1% of Adjusted EBITDA[1]. We also do not expect additional impairment charges due to assets exposed to climate risks. But, taking into account the potential impact of global warming, we continue to monitor our risk exposure. If risk levels rise to high or extreme, they will be reviewed by our Corporate Task Force on Climate Change and Audit and Risk Committee, following which they may be included in our list of principal risks.

The physical risks associated with the melting of permafrost, as well as the transitional risks associated with national and international carbon regulation, have the greatest growth potential in the long term. We are particularly attentive to these risks and we have developed preventive adaptation measures.

1 Defined in the Alternative performance measures on page 249.

Thawing permafrost

Long-term geocryological risks in permafrost[2]

As 50% of Polymetal's total gold and silver proved and probable reserves are situated in permafrost regions of Russia, we pay particular attention to permafrost-related physical risks. While melting does not directly affect the volume of silver and gold reserves, it can significantly impact mining conditions, logistics and building codes and requirements. 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 financial 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, as well as increased water levels during floods or longer flooding seasons.

When assessing permafrost-related risks, we use the results of climate studies and our own observations. In 2021, we developed a comprehensive inventory of all of our buildings and structures located in the permafrost areas. This contains information about the parameters of these facilities, alongside operating and soil conditions.

Scenario analysis of permafrost-related risks showed that these risks are currently low and our assets are fully resilient to possible negative events in the short and medium terms. However, in the long term, it may affect our operations – according to our modelling, damage from geocryological risks could reach 2–3% of Adjusted EBITDA and, in a negative scenario, become a high-level risk. That is why we are already taking preventive measures.

We mitigate permafrost-related risks through regular monitoring and compliance with design, construction and operational regulations. Monitoring includes field observations of foundation soils, the temperature regime inside buildings and building structure movements. Upon detecting any signs of thawing and defects in building structures, we inform all involved parties and take appropriate remedial measures.

Permafrost-related risks assessment is embedded in our tailings storage facilities (TSF) management system. For example, during an independent audit of Mayskoye TSF in 2020/2021, Knight Piesold Limited conducted an in-depth analysis of the state of frozen soil and assessed long-term geocryological risks. Following confirmation that the soil is currently frozen and taking into account the potential climate change risks, we plan to take the following steps to ensure long-term stability:

- Carry out additional surveys to adjust stability analysis
- Monitor pore pressure and water balance for potential permafrost melting
- Ensure piezometers and digital monitoring tools are in place
- Review seismic surveys.

We also place a special emphasis on the safety of fuel storage facilities and to this end:

- All storage facilities are designed considering permafrost conditions
- We conduct regular external and internal monitoring of facilities
- We apply a strict zero-tolerance approach to any regulatory deviations at potentially environmentally hazardous facilities
- The logistics of fuel and lubricants supply are carefully planned to determine optimal minimum storage volumes
- Emergency drills are carried out for fuel-spill scenarios.

2 Source: Anisimov O.A., Belolutskaya M.A. Predictive assessment of the impact of permafrost degradation on infrastructure in the northern regions of Russia. State Hydrological Institute.

Carbon regulation

We believe that the development of carbon markets and the improvement of carbon accounting systems, as well as the promotion of renewable energy, can help mitigate climate change. At the same time, regulatory changes entail certain risks for business.

The emerging national carbon adjustment mechanisms and potential cross-border carbon taxes are key significant transitional risks. In the medium and long term, we expect the introduction of transboundary regulatory controls, which will have an impact on exports (concentrate, Doré bars), as well as national carbon regulations.

Russia and Kazakhstan aim to become carbon neutral by 2060 and are actively developing national carbon regulation systems. In Russia, in 2021, a law was adopted to limit GHG emissions and a regional experiment was launched on Sakhalin to introduce carbon quotas and create a local carbon market. This experiment is due to be completed by 2025, after which the approach is likely to be rolled out nationwide by 2030. In Kazakhstan, we also expect the introduction of carbon regulation to align with international carbon regulations. Currently our GHG emissions, whether Scope 1, Scope 2 or Scope 3, are not subject to national carbon taxes or quotas. The first taxes and mandatory quotas for the most carbon-intensive industries may be introduced in Russia and Kazakhstan as early as 2023–2025, with all large industrial enterprises covered by 2030.

Since the EU announced implementation of the Carbon Border Adjustment Mechanism (CBAM) by 2023, this is a key medium- and long-term risk. From 2026, EU importers in the most carbon-intensive industries, namely iron and steel, cement, fertiliser, aluminium and electricity generation, will buy carbon certificates corresponding to the carbon price that would have been paid if the goods had been produced under the EU's carbon pricing rules.

Despite the fact that the precious metals mining industry does not currently come under the CBAM, it may be incorporated from 2026–2030 and beyond. We export Doré bars and concentrates that could potentially be subject to this tax. Despite the fact that our export volumes in the EU make up a relatively small share of total sales (about 12% of total revenue in 2021), we closely monitor the CBAM and will reassess our exposure should further changes be implemented.

When assessing this risk, we are not limited to analysing European regulations since China may introduce a similar carbon tax in the future and is one of our key consumers of concentrate – our sales to East Asia were approximately 45% of total revenue in 2021.

According to updated IEA forecasts, carbon prices in advanced economies with net-zero pledges will reach $120 per ton of CO_2 by 2030. For emerging markets and developing economies with net-zero pledges, it could be $40. Given our own decarbonisation trajectory, the risks associated with national and cross-border carbon taxes could amount to 3–5% of our Adjusted EBITDA in the long term.

The risks of carbon regulation not only affect existing assets, but also our development projects. When making strategic decisions, we include these risks in economic assessments using an internal carbon price of $40 per ton of CO_2, which is in line with IEA forecasts and expert estimates for the carbon price level on the Russian and Kazakh future carbon markets. For example, with the approved development of Prognoz and Veduga projects, the Polymetal Board reviewed carbon metrics and potential carbon tax impacts. Carbon taxes and internal carbon prices were also considered for our key green projects in 2021, as part of the stress-testing of our long-term climate action plan.

Our main tool for mitigating regulatory risk is transparency in our climate disclosure, as well as adherence to carbon targets. By reducing our emissions and introducing a climate action plan, we mitigate our impact and enhance our resilience to risk. Our Climate Strategy is designed to reduce long-term carbon tax risks by 25–30% by decreasing carbon intensity by 30% by 2030. In addition, our POX-2 project paves the way for processing larger volumes of refractory ore and replacing concentrate exports (especially in China), which in turn would reduce the impact of transboundary carbon regulations.

Moreover, to build resilience over the 2030–2050 time horizon, we are developing a corporate strategy for carbon neutrality, which will be presented to our stakeholders at the end of 2022.

Opportunities

Low-carbon transition metals

Demand for metals in energy-transition technologies, such as copper, gold and silver, is likely to rise. Copper, a base metal used in electric vehicles and wind, solar and battery technologies, is predicted to grow 7–10-fold by 2030, according to Goldman Sachs. In 2022, it is forecast to reach $11,500 per tonne[1] and $15,000 by 2025[2] (in 2021, it was around $10,032)[3].

At Polymetal, our 2021 copper production amounted to 1,901 tonnes, with sales of 2,093 tonnes. Our copper reserves and resources are concentrated in several assets: Varvara hub (Kostanay Region, Kazakhstan), Voro (Sverdlovsk Region, Russia) and Viksha (Karelia, Russia). As at 1 January 2022, proved and probable copper reserves were 61.8 kt (Varvara hub and Voro), while measured, indicated and inferred resources amounted to 149.4 kt (Varvara hub, Voro and the Novopet project). PGM mineral resources at Viksha are 157.7 kt of measured, indicated and inferred copper.

Given copper's future potential, we are considering opportunities for expanding our production. In 2020, we announced a joint venture with Rosgeo to carry out exploration at Novopet in southern Bashkortostan, Russia. Under the arrangement, we acquired a 75% stake in the wholly owned subsidiary of Rosgeo, which owns the licence for the Novopet area. We have also been granted a seven-year call option to acquire the remaining 25% interest following the Russian statutory reserve estimate (GKZ). Through shareholder loans, we will provide exploration funding sufficient to complete a GKZ reserve estimate. We expect 100 km of drill holes to be completed in 2023, resulting in a JORC-compliant mineral resource estimate. In April 2021, we also acquired a 75% interest in a copper project at the Sagitovskaya licence area on similar terms.

The estimated annual financial positive impact of these opportunities is around $4–10 million (2023–2025, assuming current production volumes are maintained and the copper price increases from $10,032 per tonne in 2020 to $15,000 in 2025).

3 Kt CO_2e

We will avoid 3 Kt of CO_2e emissions by using renewables at Svetloye and Omolon in 2022

1 Goldman Sachs Global Investment Research. Investing in Climate Change 2.0. Issue 104, December 13, 2021.
2 Goldman Sachs Global Investment Research. February, 2022.
3 Average annual price of copper (revenue from copper sales to the payable amount of copper in 2021, detailed data on page 220).

Developing our own renewables

At remote sites, we continue to rely on diesel generation, which still constitutes up to 30% of our energy consumption. As of 2021, 39% of the total gold equivalent was produced at sites without any grid connection (Omolon, Svetloye, Albazino, Lunnoye and Nezhda). This creates a high exposure to diesel price risk, as well as GHG emissions and disruptions to logistics.

Renewable energy sources, such as solar and wind, are one of the most promising ways to reduce risk and costs at these sites. These technologies are gradually becoming feasible in the extreme climates of the Far North.

We have already had some success in the use of renewable energy. For example, our remote site at Omolon has no grid connection and depends on diesel generation. To reduce the risks associated with logistics and fuel prices, as well as lowering GHG emissions, we opened our second solar plant at Omolon, with capacity of 2.5 megawatt (MW). We will avoid 3,000 t of CO_2e emissions by using renewables at Svetloye and Omolon in 2022 (2% of Svetloye and Omolon Scope 1 and 2 emissions).

By 2025, we aim to have renewable energy plants across six sites – Omolon, Varvara, Kyzyl, Svetloye (2nd phase), Prognoz and Kutyn – with a total capacity of more than 30 MW (a total investment of $40 million). We plan to achieve 7% of total electricity generation from renewable sources by 2025 and 10% by 2030. This will reduce total Scope 1 and 2 emissions by 10% by 2025–2030, with estimated annual financial savings of approximately $7–11 million by 2026–2030 (cost savings from grid energy or fuel for diesel power plants, as well as potential savings in carbon tax if introduced at a national level).

Preparing for change

The World Gold Council's 2019 report *Gold and Climate Change: Current and future impacts* suggests the outlook for gold as an asset class is positive, if the world moves in line with the Paris Agreement goals. Gold is one of our key mined metals: at the end of 2021, production amounted to 1,422 kiloounces (Koz) or 44.22 tonnes from mines at Kyzyl, Dukat, Albazino/Amursk, Mayskoye, Omolon, Voro, Varvara, Svetloye and Nezhda. As of 1 January 2022, Polymetal's proved and probable gold reserves were 27,057 Koz, and measured, indicated and inferred gold resources were 22,294 Moz.

Currently, 7.1% of global gold demand – 330 tonnes[1] – is for technologies, namely LEDs, electric vehicles and solar photovoltaic panels (PV). It is estimated that 0.036 milligrams (mg) of gold is required for 100 candela of LED lighting, while an electric vehicle contains 0.16–0.2 mg.

Gold nanomaterials are of interest to scientists as a potential means to improve how the sun's energy can be captured and utilised. Gold has a long association with glazing, having often been used as a thin coating on glass to improve energy efficiency in buildings. It has also been incorporated into experimental solar cell devices. Most current technologies for solar PV production are reliant on silver, and the global rise in solar capacity will have a significant impact on silver prices. Beyond solar, gold is in next-generation hydrogen and oxygen fuel cells. Catalysts in fuel cells typically contain platinum, but recent research suggests significant improvements can be made by incorporating gold nanomaterials, making them far more efficient than platinum alone.

> Gold nanomaterials are of interest to scientists as a potential means to improve how the sun's energy can be captured and utilised."

These opportunities impact our downstream supply chain, as our final products are concentrates and Doré bars. Increased demand could bolster gold prices in the long term. At the current price level, additional demand would be worth up to $3.5 million annually to Polymetal (assuming current production volumes and the gold price level[2] are maintained). At Amursk, POX-2 will enable us to process all refractory concentrates in-house. We believe this project has the potential to 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 (approved by the Board in 2021) has the greatest development potential within our project pipeline. Furthermore, 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 junior exploration companies.

With Nezhda now operational and with the launch of POX-2 to come, we expect a significant increase in gold production by 2023–2025, which will help meet rising demand from the technology sector.

1 World Gold Council. Gold Demand Trends. Full Year and Q4 2021.
2 In 2021, average gold price for Polymetal was $1,768 per troy ounce (detailed data on page 220).

Climate governance

Delivering on our strategic sustainability and climate objectives requires leadership from the very top of the organisation. Our approach is therefore overseen by the Board and Board-level Committees, with our Group CEO having ultimate accountability. During the year, our Board conducted several climate performance reviews, approved new climate targets and gave final sign-off on our Climate Strategy.

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. The Committee monitors and reviews risks and opportunities related to climate change, and oversees our approach and the implementation of short- and long-term climate strategy.

Climate change is a Board-level standing agenda item and it was discussed at six Board and Committee-level meetings in 2021. Among items covered were climate strategy, accounting, and commitments to 2030, as well as risks and opportunities in line with TCFD and the Paris Agreement.

Our governance framework

The Board
The Board defines business strategy, reviews climate-related risks and opportunities and monitors performance.

Nomination Committee
The Nomination Committee ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its Committees.

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, including climate risks integration.

Safety and Sustainability Committee
The Safety and Sustainability Committee monitors and reviews risks and opportunities related to climate change, and oversees our approach and the implementation of short- and long-term climate strategy.

Remuneration Committee
The Remuneration Committee is responsible for the Group Remuneration Policy, and for setting pay levels and bonuses for senior management in line with individual performance. Ensures ESG KPIs are included in remuneration packages.

Group CEO
The Group CEO takes ultimate responsibility for delivering on strategy and operating performance, including climate-related issues.

Corporate Task Force on Climate Change

Chief Sustainability Officer
The Chief Sustainability Officer, as head of the Corporate Task Force on Climate Change, coordinates sustainability initiatives and activities to ensure transparency and long-term value for investors and other stakeholders.

Chief Financial Officer
The Chief Financial Officer coordinates issues related to assessment of climate risks and opportunities.

Chief Operating Officer
The Chief Operating Officer coordinates the implementation of energy-efficient technologies at operations, accounting and monitoring of the carbon footprint and environmental impact.

Carbon Footprint | **Climate-related Risks and Opportunities** | **Energy Efficiency** | **Environmental Monitoring**

Heads of Operations
Our operating mines and development properties have heads of Operations, Human Resources, Environment, and Health and Safety, who implement and monitor corporate systems, supported by dedicated HR and engineering teams.

Regional environment managers and environmental teams | **Operations managers** | **Engineering teams** | **Health and Safety managers** | **HR teams and training centres**

Climate change, as one of our key strategic issues, falls under the executive responsibility of the Group CEO, who is both a member of the Board and of the Sustainability Committee. In line with the Company's enhanced emphasis on ESG issues, the Group CEO has environmental and climate-related targets as a part of the ESG KPI accounting for 5% of the total KPI (which is half the ESG KPI). For 2021, the Group achieved the climate component of the KPI: reducing the intensity of GHG emissions by 9% compared to 2019, with a target of 6%.

Subject to shareholder approval at the AGM 2022, a GHG emissions intensity metric with a weighting of 20% will be added to the Long-Term Investment Plan (LTIP) under the Performance Share Plan vesting conditions. The remaining 80% of the LTIP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach.

Climate change issues considered on the Board and Committee level

March 2021	Board meeting: Medium term Scope 1 + Scope 2 GHG reduction targets and trajectory, Group carbon footprint commitments up to 2030
April 2021	Board meeting: Climate Policy approval and Polymetal Climate Change Report 2021 publication
June 2021	Board meeting: Strategic deep dive. Decarbonisation
August 2021	Safety and Sustainability Committee meeting: Carbon accounting and climate-related risks assessment deep-dive
September 2021	Remuneration Committee meeting (joint with Safety and Sustainability Committee): Update of climate-related goals.
December 2021	Audit and Risk Committee: Longer-term viability paper preliminary discussion (incl. climate-related risks considerations).
January 2022	Board meeting: 2021 GHG performance and net-zero approach.

To ensure consistent application and measurable results, the climate KPI (through the set climate metrics) is cascaded 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.

The development and implementation of climate-related strategy approaches and measures are the responsibility of the Corporate Task Force on Climate Change, which was established in 2021 and is chaired by the CSO with other members of the senior management team (CFO, COO). The Task Force is an advisory body that oversees the identification, assessment and monitoring of climate risks and opportunities, as well as the implementation of climate goals and the calculation of metrics against them. The Task Force reports annually to the Group CEO on climate risks and opportunities, and also updates the Board and Committees on a regular basis.

In accordance with our Climate Management System, the collection of climate-related metrics is carried out on a monthly basis, and monitoring and updating of information on climate risks and opportunities is carried out twice a year. The members of the Task Force co-ordinate on these works.

Climate change is integral to strategic decision-making. For example, carbon footprint and environmental indicators are considered on a par with technical and financial parameters when new projects are approved by the Board. Climate risk assessment and internal carbon pricing are undertaken when evaluating new projects – as demonstrated in 2021 with Prognoz and Veduga approvals. Data on carbon footprint, water consumption, and biodiversity impacts, and relevant compliance with the Company's climate targets were part of the Board's final decision.

Risk management

Risk identification approach

Since 2021, the process of identification, significance and materiality assessment of climate-related risks and opportunities has been driven by our new Climate Management System. This bottom-up process involves site management teams, corporate-level management, the Group CEO and Board, and is controlled by the Corporate Task Force on Climate Change (the Task Force).

In order to provide a unified approach to identifying and assessing risks and opportunities, the Climate Management System specifies scenario analysis parameters and assessment methodology in detail. The System also contains a detailed and comprehensive register of typical climate risks and opportunities, which is updated every three years by the Task Force.

Asset-level climate risk assessment is the responsibility of each site's production department, which identifies and assesses physical risks. The assessment process involves functional and operational managers and technical specialists. It begins with an analysis of a typical climate risks register and identification of potentially significant risks based on expert judgment. Next, a scenario analysis of the identified significant climate risks is carried out, taking into account historical climate data and predictive climate models. As a result of scenario analysis, an estimate of the likelihood of these risks is obtained to assess potential damage. The financial assessment of the risks includes damage from possible destruction, environmental damage and fines, as well as damage from potential downtime, and is expressed as a ratio to the Company's annual Adjusted EBITDA.

To take account of the climate features and the intensity of climate change in every region of our operations, we have selected sets of meteorological data for each asset, using information from the national meteorological services Roshydromet and Kazhydromet. Using this data, we have developed climate profiles for each asset. A climate profile contains the data on the frequency and severity of extreme natural events, including trends and climate change over the past 20 years. This tool, together with global IPCC research and SSP models, gives us the means to accurately assess the potential climate change and possible risks for each asset. This approach is also applicable to future projects. When assessing the potential for further operations in a new region, an analysis of its climate profile enables us to consider potential climate risks and regional climate features at early stages, significantly increasing the Group's resilience to climate change.

After evaluating the probability and financial impact, the assessed risks are placed on the risk matrix. Risks that fall into the zone of medium impact and above are recognised as material at asset level and a mitigation plan is developed. Monitoring of these risks is carried out continually with reports prepared twice a year. The results of the scenario analysis of physical risks, action plans and risk monitoring reports are submitted by the site management team to the Task Force.

Transitional risk assessment is carried out at corporate level. Responsibility for identifying and assessing risks for each of the recommended TCFD areas is the remit of relevant representatives of corporate management (marketing, logistic, legal, government relations, human resources, social development and other departments). The distribution of responsibility is also enshrined in the Climate Management System. Scenario analysis and financial assessment of transitional risks is carried out according to a similar methodology with physical risks. The results of the assessment are also reported to the Task Force.

Since physical risks are associated with long-term climate trends and change little in the short term, such risks are thoroughly reassessed once every three years. Updating and monitoring of material physical risks are carried out annually. Transitional climate risks are more volatile, so they are fully reassessed annually. However, if any climate risk materialises or a new risk is identified, the Task Force initiates an extraordinary review of the climate risks list.

The CSO, as head of the Task Force, is responsible for consolidating identified material climate risks and opportunities. An operational report on key climate risks and opportunities is prepared twice a year. The Task Force shares this data with the Corporate Risk Management team at least twice a year, and with the Group CEO, Board of Directors and Board Committees once a year.

Risks of a high or extreme level (in the medium-term horizon of the Paris Agreement scenario) fall under review of the Task Force and Audit and Risk Committee, following which they may be included in list of principal risks.

Risk mitigation

Timely response to potentially high climate risks forms the resilience of our strategy against climate change. Under the Climate Management System, one of the following risk-management strategies should be established for each climate risk deemed to be medium level and higher:

- Risk avoidance – refusal or termination of the Company's activities at risk
- Risk reduction – implementation of mitigation measures to reduce the likelihood or potential damage from the risk
- Risk transfer – insurance of potential damage
- Risk acceptance – deliberate refusal of any mitigation measures due to their unavailability or economic inexpediency.

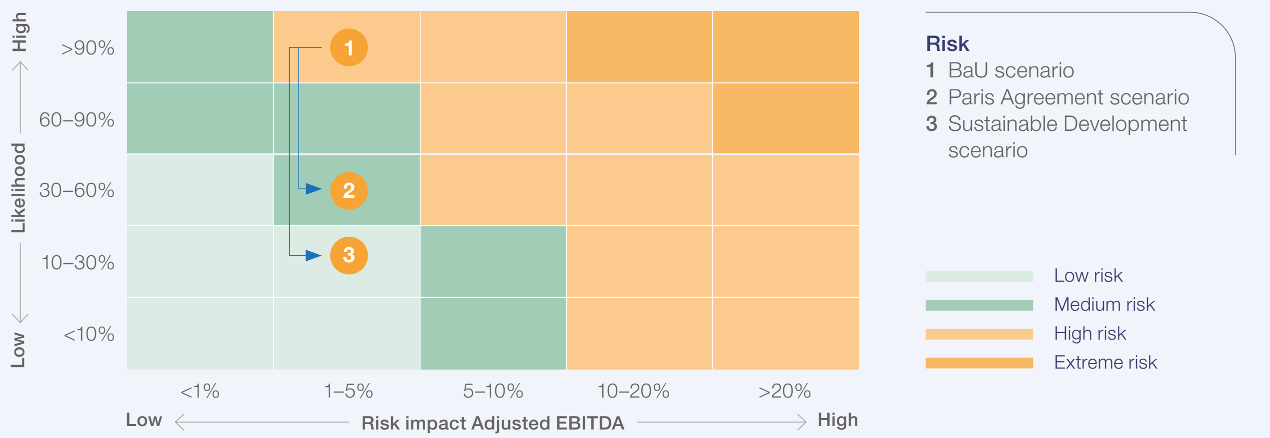
These risk management strategies for material climate risks, as well as planning the necessary mitigation measures both at the asset and corporate levels, form our corporate Climate Strategy. In 2021, strategic mitigation plans and projects to reduce the impact of climate risks on the Company and achieve climate goals were consolidated into the Climate Action Plan and published in our first Climate Change Report.

This plan includes a wide range of projects, including:

- Transition to low-carbon technologies and grid connection
- Developing our own solar and wind power plants in the regions where we are present (where possible) and ensuring the efficient generation of electricity
- Switching to electricity supplies with the lowest available carbon footprint
- Electrification of our mobile fleet
- Continuous work to improve the energy efficiency of all our processes.

Working towards a net-zero approach in 2022 requires us to improve our forward thinking. In 2022, we plan to continue improving our mitigation plans at the asset level and form a unified approach to managing them. In addition, we plan to work out in detail a long-term corporate Climate Strategy and mitigation plan for the period after 2030.

Risk matrix and risk level assessment



Our climate actions

Actions	Risks mitigated
Switch from carbon-intensive energy sources	• Risks related to national and cross-border carbon regulation – mitigation by reducing the carbon footprint • Risks related to the increase in the cost of carbon-intensive resources – mitigation by reducing the consumption of carbon-intensive fuels • Risks related to shifts in precipitation patterns – mitigation by reducing dependence on fuel supplies

Grid connection:
Nezhda (Q4 2022),
Albazino (2023),
Lunnoye (Dukat hub, projected)

Mobile fleet electrification:
up to 90 EVs by 2030
(Dukat, Mayskoye, Albazino, Veduga, Varvara, Komar and Kyzyl)

Electricity consumption is our major energy resource, but only a small number of our remote mines are connected to the power grid. We still rely on diesel generation at remote sites, which contributes significantly to Scope 1 GHG emissions. A key priority is therefore to reduce our reliance on diesel by connecting to grid electricity sources and building our own renewable energy projects. We are currently implementing projects to connect Albazino, Nezhda and Lunnoye to grid electricity.

As our mining fleet too contributes significantly to our GHG emissions, we are gradually replacing diesel-based vehicles with electric ones. With the electrification of the mobile fleet, as well as the use of electric-driven ore transportation systems wherever possible, we aim not only to reduce our carbon footprint, but also to improve air quality and reduce noise levels for those working underground or in pits.

These measures should help us reduce our GHG emissions intensity up to 8% by 2030.

Actions	Risks mitigated
Renewable self-generation	• Risks related to national and cross-border carbon regulation – mitigation by reducing the carbon footprint • Risks related to the increase in the cost of carbon-intensive resources – mitigation by reducing the consumption of carbon-intensive fuels • Risks related to requirements for renewables usage – mitigation by developing our own renewables • Physical risks related to logistical disruptions at remote sites – mitigation by reducing dependence on fuel supplies

Svetloye:
1MW solar power plant launched in 2018
2MW solar power plant (2nd phase) – projected

Omolon:
2.5 MW solar power plant launched in 2021

Kutyn:
3 MW solar power plant – projected

Prognoz:
1 MW solar power plant (1st phase) – projected

Kyzyl:
up to 20 MW renewable power plant – projected

Varvara:
up to 23 MW renewable power plant – projected

Renewable energy sources such as solar and wind farms or hydropower plants are some of the most promising ways to reduce greenhouse gas emissions at remote sites and to enhance resilience to potential electricity and fuel supply disruptions. The development of these technologies is gradually enabling their use in the regions of the Far North, which experience extreme temperature change and snowfall.

We already use solar and wind energy with our renewable power plants at Svetloye and Omolon. Now, our programme for the development of electricity generation from renewable energy sources includes the construction by 2030 of five renewable facilities at five sites – Svetloye (2nd phase), Varvara, Kyzyl, Prognoz and Kutyn – with a total capacity of more than 45 MW.

We plan to achieve 7% of total electricity generation from renewable sources by 2025 and 10% by 2030. Our renewables will reduce total Scope 1 and 2 emissions by 10% by 2025–2030.

Actions	Risks mitigated
Water and waste management	• Permafrost-related risks – mitigation by minimising the risk of the possibility of dam failure • Risks related to average temperature rises and shifts in precipitation patterns – mitigation by reduction of fresh water withdrawal and improving resilience to droughts

Water management:
reduction of fresh water use by 55% per tonne of ore processed by 2030 and increase water recycled/reused

Dry stacking of tailings:
achieve 50% dry-stack tailings storage by 2030

We strive to minimise freshwater withdrawal to reduce our impact on local ecosystems and are committed to gradually increasing the share of water reused in our processing by setting a goal to reduce freshwater use by 55% per tonne of ore processed by 2030 compared with 2019 levels (read more on pages 82–84).

Tailing storage facilities (TSF) and dams are also impacted by climate risks. All our TSFs undergo regular audits for compliance with requirements, as well as safety examinations. TSFs are regularly monitored by our on-site environmental and engineering teams, with pipelines, pump stations, water levels and dams inspected daily. We ensure emergency preparedness and response procedures at all stages of TSF life, from design to operation to closure. Increasingly, we are moving towards safer methods of waste storage, such as dry stack (filtered cake) tailings. Dry tailing storage significantly reduces the possibility of dam failure, drastically lowers the potential damage from such accidents, and eliminates tailings run-off. (Read more on pages 85–87.)

Actions	Risks mitigated
Energy efficiency	• Risks related to national and cross-border carbon regulation – mitigation by reducing the carbon footprint • Risks related to requirements for best available technologies and tightening of construction standards – mitigation by implementing advanced energy efficient technologies • Risks related to increase in the cost of carbon-intensive resources – mitigation by reducing the consumption of carbon-intensive fuels

All assets:
low-carbon and renewable energy solutions

Off-grid renewable lighting:
Albazino, Amursk POX, Varvara

Heat recovery from diesel electricity generation:
Dukat, Omolon, Svetloye, Albazino, Nezhda and Kutyn (projected)

Heat recovery from the pressure oxidation process:
Amursk POX and POX-2 (projected)

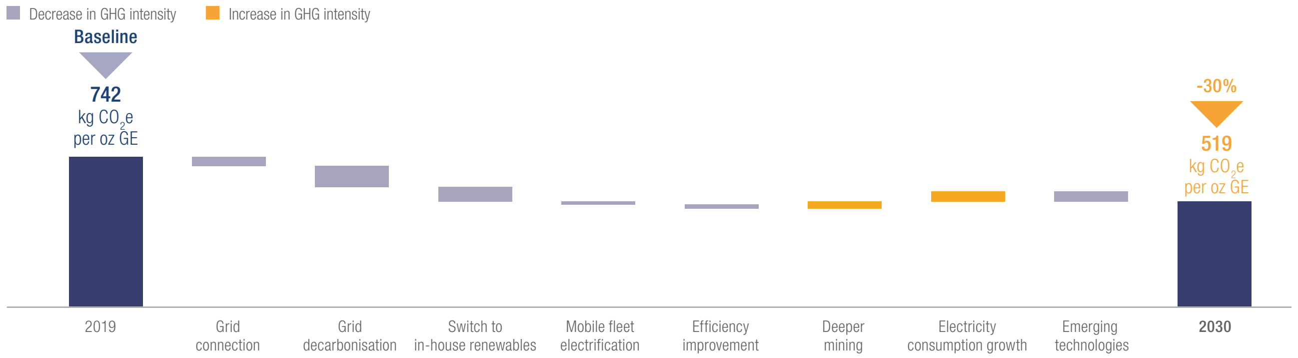
By optimising the energy efficiency of our operations, we decrease emissions while also embracing a low-carbon economy. Our Climate and Energy Management Systems, alongside our Energy Management Policy, include regular energy audits and site-level projects. Each year, we update our Energy Efficiency Programme, which involves monitoring, metering and reduction initiatives, in line with ISO 50001, the international standard for energy management.

Our key areas of focus are:

- Complying with all applicable regulatory requirements
- Actively reducing our carbon footprint or improving energy efficiency through innovation, including low-carbon and renewable energy solutions
- Embedding energy efficiency into new project design, technology updates and in equipment procurement processes
- Engaging employees through the establishment and nurturing of an energy efficiency culture
- Extending our energy-conscious approach to our suppliers, investors and wider stakeholders.

We deploy heat recovery technology to convert wasted heat from diesel generation and processing plants into electricity and heat for other premises. In 2021, 25% of our total heat needs were met by heat recovery systems. We also look at digital and AI solutions that can help increase resource efficiency and decrease GHG emissions.

Ways to achieve the goal



Metrics and targets

All of our climate-related metrics and targets cascade throughout our corporate governance framework and are closely linked to our climate actions and risk mitigation efforts. Reducing operational GHG emissions is our key climate indicator and performance against this target is reflected in senior executive remuneration as a climate change component of the ESG KPI for the Group CEO and COO (5% of the total KPI and 50% of ESG KPI).

When setting GHG reduction targets, we take into account best practice approaches. While absolute targets are important in the wider context, they do not reflect efficiency improvements. On the other hand, intensity targets help to drive pragmatic reductions but do not necessarily lead to reductions in absolute emissions. Therefore, we set both intensity and absolute targets, with the intensity target being the most important since it reflects operational expansion and contraction, which is significant in our sector as our projects run through a life cycle.

Our key climate-related target is to reduce GHG emission intensity per ounce of gold equivalent by 30% by 2030 (2019 baseline, Scopes 1 and 2) and to reduce absolute GHG emissions by 35% by 2030 (2019 baseline, covering Scopes 1 and 2; applies to mines operating in the base year, namely Kyzyl, Varvara, Voro, Mayskoye, Omolon, Dukat, Svetloye, Albazino, Amursk POX-1 and 2, and Nezhda).

We consider transparency and traceability of our climate goals to be one of the key priorities. Therefore, in 2021, we were the first among gold mining companies in Russia and Kazakhstan to join SBTi[4], and plan to confirm the compliance of our climate goals with the Paris Agreement in 2022.

Decarbonisation is not only a way for us to reduce the impact of key climate risks, but to make a real contribution to the fight against climate change. To support the sustainable deceleration of warming and stabilisation of global temperatures, we continue to improve our approach to carbon footprint reduction and are committed to developing long-term goals for 2050 and achieving carbon neutrality.

Emissions from electricity and heat on-site generation, as well as indirect emissions from purchased electricity, account for more than half of our emissions by Scope 1 and 2. Therefore, we also consider energy consumption and energy efficiency metrics as climate-related. Improving our performance in this area, we are increasing the share of purchased clean energy, developing our own renewables and working hard to improve energy efficiency. In this context, we set the goal to achieve 7% of total electricity generation from renewable sources by 2025 and 10% by 2030.

Since the issues of energy efficiency and stability of clean electricity supply require serious analysis and must be tailored to the specifics of each asset, these goals and related KPIs are cascaded to the level of the heads of the main operational units and their deputies. They are set annually as part of the corporate remuneration policy for each asset and division, taking into account current production targets, quality of raw materials, the capabilities of energy suppliers and many other factors. Thus, we manage to achieve a balance of stability and production efficiency, and systematic improvement of the Company's climate profile. In 2022 we plan to develop a set of corporate energy efficiency metrics to more explicitly link the impact of these measures to our climate strategy.

Upstream and downstream GHG emissions (Scope 3) are not as yet included in our current targets. However, as part of our efforts to achieve carbon neutrality, we have requested that key consumables suppliers provide carbon data so that we can further widen Scope 3 reporting across the most material supply chain categories. We also plan to set a Scope 3 target and develop a net-zero approach by the end of 2022.

Climate and environment are complex multi-factorial systems and each aspect of our activity has a direct or indirect impact on them. Given that environment and climate change are intrinsically linked, the issues of water and waste management also need to be considered as climate metrics. We pay special attention to water risks, the safety of tailings and reducing our impact on the ecosystems of the regions where we operate. You can read more about our approaches, policies, goals and relevant metrics in the field of water and waste management on pages 82–87.

Key GHG metrics[1]

	Target	2021	2020	2019 (base year)
GHG Scope 1 and Scope 2 emissions (market based)				
Absolute emissions, Kt of CO_2e		1,135	1,179	1,198
Absolute emissions dynamics, % y-o-2019[2]	-35% by 2030	-7%	-2%	–
GHG intensity, kg of CO_2e per GE oz[3]		677	730	742
GHG intensity dynamics, % y-o-2019	-30% by 2030	-9%	-2%	–
GHG Scope 3 emissions				
Absolute emissions, Kt of CO_2e		546	625	611
Absolute emissions dynamics, % y-o-2019	To be set in 2022	-10%	2%	–

1 According to our Climate Policy, we account for and disclose data on GHG emissions throughout the production chain, as well as the carbon footprint of the product according to our Greenhouse Gas Emissions Accounting Standard, based on the Guidelines for National Greenhouse Gas Inventories (IPCC, 2006) and the following parts of the GHG Protocol: Policy and Action Standard, Scope 2 Guidance, and Technical Guidance for Calculating Scope 3 Emissions.
2 Metric applies to mines operating in base year, namely Kyzyl, Varvara, Voro, Mayskoye, Omolon, Dukat, Svetloye, Albazino, Amursk POX-1 and 2, and Nezhda.
3 Data on oz of gold equivalent used in the GHG emissions intensity calculation is based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data on GHG emissions intensity for 2019–2020 are restated accordingly (120:1 Au/Ag conversion ratio was used previously). For detailed data on gold equivalent production see page 260.
4 Specific near-term targets.

Key energy metrics

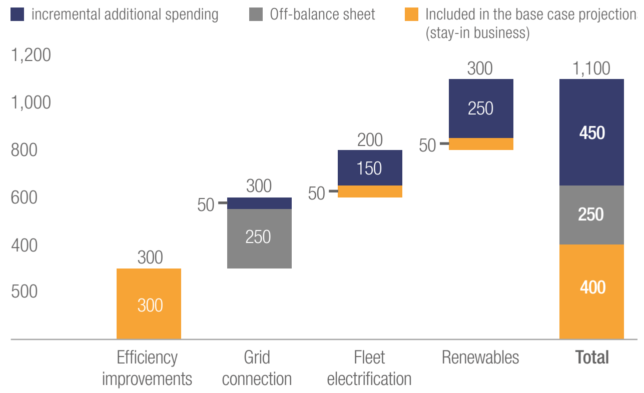
	Target	2021	2020	2019 (base year)
Energy consumption				
Total energy, TJ		9,953	9,210	9,084
Energy intensity, GJ per Koz of GE		5,934	5,702	5,627
Energy intensity dynamics, % y-o-y	specific asset-level targets and KPIs	4%	1%	-1%
Energy structure				
Renewable electricity share in self-generation, %	7% by 2025	0,4%	0,4%	0,4%
Renewable electricity share in total electricity consumption, %	specific asset-level targets and KPIs	18%	3%	0%
Heat utilisation systems share in total heat consumption, %		25%	24%	24%

We currently measure Scope 1, 2 & 3 GHG emissions to assess and manage each of the risks identified on pages 69–72 and will consider whether there are additional relevant metrics to report on next year.

Polymetal will finance projects that support low-carbon and climate change-resilient growth, as well as waste efficiency and improved water management. The primary targets are climate impact mitigation, such as increased energy efficiency and use of renewable energy, as well as environmental impact reduction such as reduced waste and emissions.

Our major green initiatives relate to reducing our carbon footprint and improving energy efficiency by grid connection, electrification of our fleet at certain mines and renewable energy at remote operations. Our overall capital expenditure estimate for these climate actions for 2021–2030 is $1,100 million.

Estimated climate-related capex 2021–2030
($m)



In 2021, recognising the rapid pace of change in carbon regulation, we have conducted stress testing of our key climate projects to assess potential risks and opportunities associated with the tightening of national and cross-border carbon regulation. The results of the assessment were published at the Analyst and Investor Day in November 2021 and confirmed the resilience of our Climate Strategy to key transition climate risks.

We see green financing as an ideal tool to finance the transition to a low-carbon economy and safer environment. It also ensures responsible financing that aligns capital with the Company's stronger ESG performance, as well as contributing to sustainable development by earmarking the proceeds for green projects and expenditures. Green financing is a natural extension of the sustainability efforts that are conducted throughout the organisation. More importantly, it is a tool to align the Company's interests and those of society at large by financing further transition to responsible mining. It gives us trusting relationships with our lenders and stakeholders, and pride and commitment among our employees.

To create a standard for green financing that can be used with a number of Polymetal's sources of funding, we have developed a Green Financing Framework. The Framework establishes the terms and conditions for the management of funds and for follow-up and reporting to lenders and investors. Polymetal hopes to continue to broaden its lender base by attracting like-minded creditors who seek to target their funds towards environmentally friendly projects.

Polymetal has set up a dedicated cross-departmental Green Financing Committee to identify and select eligible projects for green financing. These are projects that are aligned with national environmental, technical and legal requirements. The Committee includes representatives from corporate finance, sustainability, operational, energy and environmental, procurement, design, and construction departments, as well as, on a case-by-case basis, the Group's business units.

In 2021, we agreed $400 million of new sustainability-linked financing with interest rates linked to GHG emission intensity reduction targets. The financing consists of two loans obtained from AO Raiffeisenbank and UniCredit. The two loans significantly contribute to the Company's portfolio of sustainability-linked and green financing, which now amounts to $680 million and comprises approximately 40% of total debt.

In 2022, we plan to continue improving our climate project management system and introduce a unified approach to evaluation and implementation. This will allow us to streamline our internal data management on current and projected climate actions and mitigation measures, as well as increase the transparency of the Company's financial climate-related metrics.

Water

Water is a critical input for our processing activities. Our operating facilities are designed and constantly upgraded to minimise fresh water withdrawal and ensure safe water discharge.

90%
of water is reused or recycled

42%
decrease in fresh water use intensity compared to 2019 baseline

$1.9m
water projects capex

Our targets

55% decrease in fresh water withdrawal per tonne of ore processed by 2030 (baseline 2019)

Increase share of water recycled/reused

Which guidelines do we follow?

External: UN Global Compact, ISO 14001, EBRD Environmental and Social Policy, International Cyanide Management Code, Responsible Gold Mining Principles, World Bank Guidelines and Policies

Corporate: Code of Conduct, Environmental Policy, Environmental Management System, Tailings and Hydraulic Facilities Management Policy

Our approach

Water is vital for our operations and monitoring water quantity and quality is one of the key areas of our Environmental Management System (EMS). Whilst most of our assets are in areas with low water stress, climate change and its projected physical impacts on our operations amplify the importance of water risk monitoring. We continuously improve our water efficiency through metering and auditing our water use, whilst also carefully managing discharge water quality.

The majority of the water we use is consumed by our plants during ore processing, with most of it circulating in a closed water cycle. We minimise fresh water withdrawal by recycling water and capturing waste water that has naturally seeped into our mines and rainwater. Some operations consume additional water purchased 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 eco- and bio-services are of great importance to local or indigenous communities. Water usage is monitored via meters or, when not possible, estimation based on operating time of pumps. We ensure discharge water quality through regular laboratory tests at multiple monitoring points.

As water is a resource we all share, working with the community is central to our approach. We recognise access to safe and clean water as a salient human rights issue. We assess possible water risks in each of our operating regions, with feedback mechanisms to allow people to raise issues without fear of reprisal and with the assurance that their concern will be fully investigated. We also partner with local governments and community organisations to support long-term water security, including funding infrastructure projects.

Risk management

Water risks are identified and assessed by environmental teams at operating sites as part of our EMS and Climate Change Management System. EMS risks are managed on a one-year time horizon based on historical data around, for example, incidents of pollution or water excess, as well as plant technology data. Medium- and long-term risks, such as flooding or shifts in precipitation, are assessed within our Climate Change Management system, in line with IPCC climate change projections (read more in the Climate Change chapter, page 70). The most salient risks are subject to financial assessment. To assess risks, we use the World Resources Institute (WRI) Aqueduct tool, which evaluates water-related risks at catchment level and identifies potential water-scarce locations.

Water quantity: reducing fresh water use

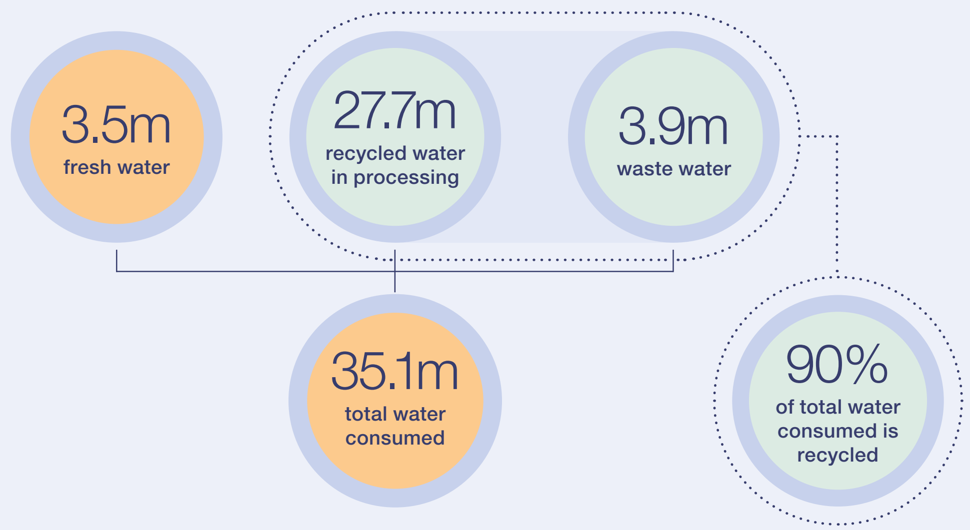
According to the Aqueduct tool, six of our 10 operational sites (Albazino, Amursk POX, Svetloye, Dukat, Kyzyl and Nezhda) are located in low water stress risk areas. Omolon is located in a medium-high risk area, while Voro, Varvara and Mayskoye are in high water-stress risk areas. To minimise the impact of water stress on our business and reduce our impact on local ecosystems, we reduce fresh water withdrawals by using more water in a closed cycle and repurposing waste water for technological use.

For example, at Voro 100% of water used for ore processing comes either from a closed water cycle or from treating rainwater. For our new factory at Voro, we are constructing a collecting pond for water run-off. Our vision is to eliminate fresh water withdrawal for processing in regions of high water risk (using mine and run-off water instead).

Our Group-wide water performance reflects our efforts to reduce fresh water use since 2018. These include water balance scheme updates, infrastructure renovation and improved water accounting. In 2021, our fresh water use reduction projects included:

- use of recycled water instead of fresh water at Albazino;
- new metering devices at Dukat, replacing worn-out pipelines to prevent water leaks and eliminating dripping taps;
- switching to a recycled water system at Mayskoye, using mine and run-off water; and
- modifying the wastewater pipelines at Varvara to pump wastewater to a concentrator.

Water use in 2021 (cubic meters)



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Cleaning up Yakutia's river banks, Russia

Polymetal employees and their families at our Nezhda and Prognoz plants volunteered their time to clean up local riverbanks as part of the national Waters of Russia Initiative aimed to conserve unique water bodies. At Nezhda, more than 30 volunteers collected 8m^3 of litter and tree debris along 2.5 km of the Malye Kideriki river, while Prognoz employees worked on one kilometre of the Nelgese riverbank to collect 4m^3 of scrap metal, plastic and other waste left from previous land users.

> Such cleanups bring people together. I am glad to see how passionate the people I work with are about the environment and ready to devote their time to saving unique rivers."

Nikolai Maltsev
Nezhda leading environmental specialist

We have updated our previously set and outperformed target, and now we aim to reduce fresh water use for processing[1] per unit of production by 55% by 2030, compared to the 2019 baseline (with an interim target of 48% reduction by 2025). In 2021, we managed to decrease our fresh water intensity for ore processing by 42% compared to 2019 to 155 m^3/1,000 t.

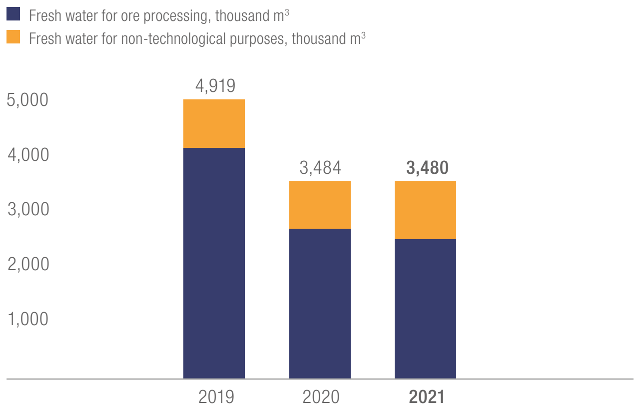
Water quality: monitoring and treatment
Alongside monitoring water use, we take full responsibility for the sufficient treatment of water we discharge to local water bodies. Untreated water discharge can occur as a result of heavy rainfall or disruption to the waterproofing layer in cake storage, collecting ponds or other facilities. To mitigate this, we monitor the integrity of our facilities and their water levels. We purchase additional pumps if needed and swiftly update emergency response plans where required (read more on tailings facilities safety on page 86). Finally, we look for ways to use excess water in production processes on an ongoing basis.

With regard to water treatment, we rigorously ensure all discharge is purified using mechanical, physico-chemical and biological processes. In addition, we monitor the quality of water bodies upstream and downstream to ensure zero contamination. Monitoring includes laboratory testing for nitrites, nitrates, ammonium, heavy metals, salts and cyanides.

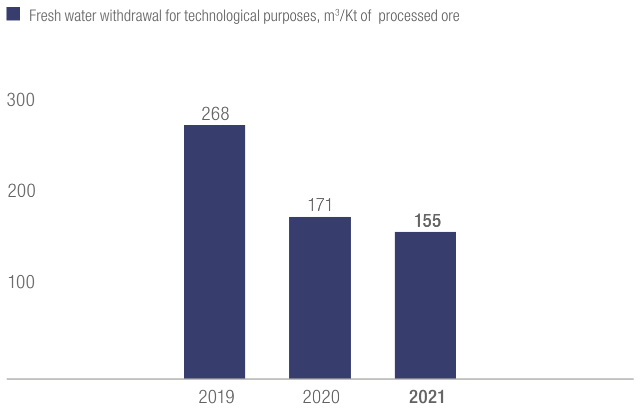
In 2021, we fully renewed wastewater treatment facilities at Dukat and completed a new treatment plant at Svetloye. At Voro, filtration units were installed to further improve wastewater treatment quality (enhancing existing multi-stage reverse osmosis methods).

1 Hereinafter this indicator excludes water used for non-technological purposes.

Fresh water withdrawal

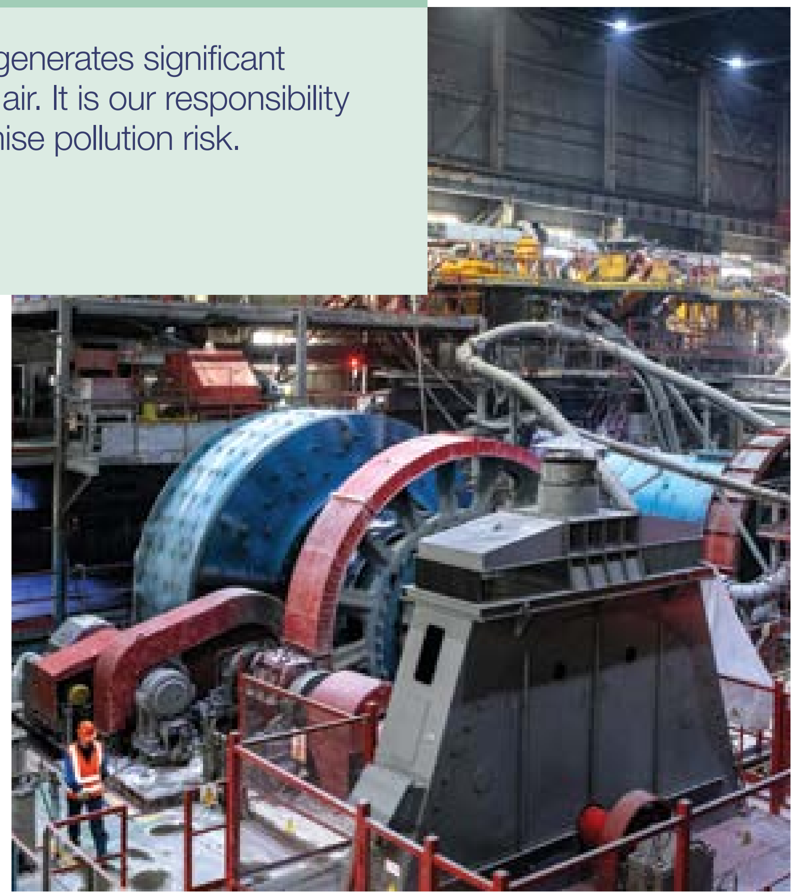


Fresh water use intensity



Waste and pollutants

We recognise that our industry generates significant mineral waste and emissions to air. It is our responsibility to reduce this impact and minimise pollution risk.



23%
of waste recycled and reused

2
new dry stacking facilities launched

11%
of tailings waste dry-stacked

Our targets

Increase share of waste reused and recycled by backfilling overburden waste whenever possible

Achieve 50% dry-stack tailings storage by 2030

Which guidelines do we follow?

External: UN Global Compact, ISO 14001, EBRD Environmental and Social Policy, International Cyanide Management Code, Responsible Gold Mining Principles, World Bank Guidelines and Policies

Corporate: Code of Conduct, Environmental Policy, Environmental Management System (EMS), Tailings and Hydraulic Facilities Management Policy, Mine Closure Policy

Our approach

Alongside managing our water impacts, our Environmental Management System (EMS) includes rigorous controls to avoid the contamination of air and land. We minimise the materials we use, reuse waste where possible and dispose of unavoidable waste responsibly.

Our focus is on preventative 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. Our EMS is supported by specific systems for cyanide and tailings management, as well as internal and external auditing.

We are guided by the 'reduce, reuse, recycle' principle when it comes to waste management and aim to support the circular economy. We strive to reduce the materials we use in production processes, reuse overburden waste for construction and backfilling and continuously look for opportunities to recycle non-mineral waste.

Tailing dams and dry-stacking facilities are the key elements of our mineral waste management infrastructure, and we are responsible for ensuring that they do not pose any threat to people or the environment. We currently store 89% in dams and 11% as dry cake, but we are gradually increasing dry stacking as this significantly reduces the risk of water contamination. The handling of cyanide, used as a leaching agent when recovering gold from ore, is rigorously controlled at every step to protect our people and avoid any release into the ecosystem.

All stakeholders are able to comment on our approach or report concerns or grievances formally and anonymously. Public hearings are one such mechanism, as well as direct mail. All feedback is formally logged and actioned. In 2021, we received 78 enquiries related to our impact on the environment, all of which were resolved.

Managing our waste responsibly

Waste is an inherent by-product of the entire mining industry, which generates significant quantities of mineral waste such as overburden rock and tailings, as well as relatively small quantities of non-mineral and hazardous substance waste. Therefore, waste management has become a fundamental part of our environmental programme.

Our focus is on reusing and recycling waste, on-site or off-site by accredited organisations. We are committed to gradually increase the share of waste reused and recycled. To achieve this, we follow the circular economy principles, in which waste is seen as a valuable resource. In 2021, we managed to raise the share of waste recycled and reused to 23% (2020: 17%).

For the waste we cannot reuse or recycle, we ensure that disposal will not pose a risk to the ecosystem. At all sites, formal measures are in place to ensure the environmentally safe disposal of waste and these are clearly communicated to employees.

Overburden and tailings

Mineral waste such as tailings and overburden comprise more than 99% of our overall waste generated by weight. Such waste is usually classified as non-hazardous and reused or disposed of at our own sites. To reduce mineral waste disposal, we backfill overburden in developed chambers, and use it for the construction and maintenance of roads and operating sites. For example, starting in 2023, we are planning to start using tailings from our Mayskoye processing plant as backfill for underground mines. This will enable the reuse of up to 50% of tailing waste generated at the site.

> "To reduce mineral waste disposal, we backfill overburden in developed chambers, and use it for the construction and maintenance of roads and operating sites."

We store our mineral waste at rock dumps and tailings storage facilities (TSFs – tailings dams and dry stack facilities). To minimise environmental impact, we use protective lining, drainage systems, wastewater treatment plants and water collectors. We operate eight tailings dams and two dry stacking facilities in Russia and Kazakhstan, and are carrying out technical closure works at one tailing dam. Each TSF is rigorously monitored and inspected daily, with checks on pipelines, pump stations, water levels and dams, and their current state is reviewed monthly by management. Our studies have confirmed that any emergency failure at our dams would have no impact on settlements, buildings, structures or facilities where communities or employees may be present. To further improve tailings safety and minimise the risk of the possibility of dam failure, we are moving towards dry stack storage methods (read more on page 87).

We welcome the new Global Industry Standard on Tailings Management, which emerged as a result of the Global Tailings Review, and we have committed that Polymetal will achieve compliance with the Standard in all operations by 1 January 2023. In 2021, we updated our full disclosure on TSFs, and this is available on our website.

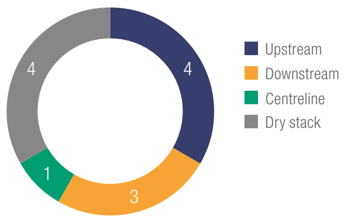
Nine government inspections of tailings facilities were conducted at four sites in 2021. All the issues identified have been resolved. In addition to state inspections, we conducted an independent third-party audit of our Varvara tailings site, which was carried out by SRK Consulting experts. There were no incidents or accidents at tailings facilities in 2021.

Non-mineral waste

With our circular economy mindset, we take measures to recycle non-mineral waste as well, including paper, plastic and metal – either at our own sites or by accredited organisations. All our production sites are equipped with recycling bins for separate waste collection and in 2022 we plan to launch recycling of food waste at Albazino and Svetloye. The food waste will be recycled into an organic animal feed additive and a soil fertiliser for use in land reclamation. In addition to fostering a circular economy, this reduces GHG emissions and air pollution from solid waste dumps. To minimise plastic waste, we also now reuse, where possible, the large bags for storing ore concentrate.

Non-recyclable solid and industrial wastes are neutralised and stored at our special waste polygons or landfilled by external companies. We employ environmental monitoring at all our special waste polygons to gauge the quality of air, surface and ground waters and soils.

Active tailings storage facilities by type



Implementing dry stacking of tailings

To increase tailings safety level, ensure water recycling and minimise the risk of the possibility of dam failure, we are keeping the shift towards dry stack tailings storage methods. In 2021, the technology has adopted at Omolon and at the recently launched Nezhda. We plan to extend it to POX-2 (2023) and Dukat (2024), and build an additional dry stacking facility at Voro (2023). After tailings dehumidification, water returns to the production cycle. Our dry cake storage technology excludes affecting ground and surface water, as well as the surrounding area.

We have committed to using dry stacking only at all new sites. Our target is for 50% of all our tailings to be stored in this way by 2030. Dry stacking facilities are one of the eligible project categories within our Green Financing Framework.

50%

Our target is for 50% of all our tailings to be stored as dry cake by 2030

Cyanide management

We use cyanide as a leaching agent when recovering gold from ore. Our Cyanide Management System ensures a consistent approach to cyanide handling, procurement, transportation, storage, processing, decommissioning, employee safety, emergency response, training and engaging stakeholders. It is now implemented at all operating sites where cyanide is used.

Our approach involves identifying all associated hazards, strictly controlling cyanide levels in our tailings, engaging with third-party cyanide producers and transporters and monitoring air, soil, surface and ground water. We design, construct and monitor tailings dams to avoid cyanide effluent and share all data with public authorities (and other stakeholders on request).

Polymetal is a signatory of the Cyanide Management Code. Our Amursk POX and Voro operations are fully certified as gold mining companies and, separately, as cyanide transporters (re-certification is scheduled for 2022). In 2021, a compliance audit was carried out at our Varvara operation.

Air quality

Many of our core activities generate nitrogen, sulphur oxides and inorganic dust. Our environmental teams continually monitor these gases and particulates to ensure high air quality standards. To minimise the impact of our operations on air quality, we apply irrigation, dust separation and shield technologies, while across our vehicle and mining equipment fleet we monitor compliance with quality standards and apply cutting-edge technologies. Our boiler-houses and processing plants are equipped with industrial air filters that remove particles and gases from the air. We use heat recovery technology to convert wasted heat from diesel generators, thus reducing emissions resulting from fuels (read more on energy efficiency at page 79).

Projects implemented in 2021 to decrease air emissions include:

- Planting 500 m^2 of dry cake slopes at Amursk POX with perennial grasses to mitigate dust build-up
- Installing a mist generator at the rail unloading point for third-party ores at Varvara to reduce dust build-up
- Testing a new dust suppression system for dump trucks at Komar.

We annually assess the effectiveness of these measures as part of our environmental control and monitoring.

Environmental compliance

In 2021, three mines were inspected by governmental bodies: Voro, Veduga and Nezhda. At Voro, the inspections revealed minor non-compliances related to inappropriate discharge water quality and insufficient monitoring of air purification systems' efficiency. At Veduga, four non-compliances related to environmental monitoring and waste management have been revealed, however, we have appealed against two of them by providing relevant supporting evidence. At Nezhda, the governmental check revealed insufficient waste accounting procedures, discharge water quality issues and two cases of non-compliance of water infrastructure with the technical documentation. All these non-compliances are either resolved or in process of being resolved. Total fines amounted to $5.7 thousand and had no significant effect on business.

Biodiversity and lands

We have identified our priorities to reduce Polymetal's biodiversity footprint and are working on mainstreaming the strategy across the group.

34,120
hectares of land managed

4,400
hectares of new forest to be planted by 2025

100%
operations with mine closure plants

Our targets

By 2023 design a framework to evaluate Polymetal's biodiversity footprint

By 2023 develop biodiversity action plans for high-risk sites

By 2023 examine a path to net-positive impact on biodiversity

By 2025 reforest 4,400 hectares

Which guidelines do we follow?

External: UN Global Compact, ISO 14001, EBRD Environmental and Social Policy, International Cyanide Management Code, Responsible Gold Mining Principles, Science Based Targets for Nature, ICMM and IUCN guidelines

Corporate: Code of Conduct, Environmental Policy, Environmental Management System, Tailings and Hydraulic Facilities Management Policy, Mine Closure Policy

Our approach

Our aim is to leave a positive legacy for both people and wildlife. From the outset of a mining project, we determine biodiversity impacts using an Environmental Impact Assessment that includes engagement with environmental organisations and local communities. We then conduct ongoing, site-specific biodiversity monitoring, which involves studies of flora and fauna near our mining sites, in collaboration with local biodiversity experts. At the end of a project, robust systems ensure responsible mine closure and rehabilitation.

In 2021, in accordance with the Science Based Targets for Nature Initial Guidance for Business, we assessed our dependencies and impacts on nature to estimate our environmental footprint. We identified land use change from mining and related infrastructure as the main pressure on biodiversity. This issue reduces habitats for species and also impacts water bodies and natural carbon sinks. In 2022, we plan to design measures to reduce land use change and set a relevant target.

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 part of the design project, which is approved by state authorities to start construction.	Annual biodiversity management 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.

IUCN Guidelines for Planning and Monitoring Corporate Biodiversity Performance helped us to identify four priorities within our environmental footprint. They are:

- territories: officially protected areas, Important Bird and Biodiversity Areas, Indigenous Peoples' lands;
- species: Red List species, forest birds;
- eco-services: climate stabilisation, fresh water; and
- landscapes: taiga, peat bogs, Kazakh steppe.

To reduce impact on each, we will strengthen existing corporate standards such as our Environmental Management System or establish new standards, for example specifically on biodiversity protection.

Priority territories

Avoiding areas of high biodiversity importance is one of the most impactful steps a mining company can take. Polymetal already operates a no-go policy for World Heritage Sites, Ramsar Sites and legally designated protected areas and adjacent territories. Our Committee for Ore Reserves requires each new project to assess its proximity to and potential impact on key biodiversity areas (KBAs) before making an investment decision.

Although not legally protected, KBAs are essential in achieving global conservation targets. We use the International Biodiversity Assessment Tool to locate KBAs near our existing and prospective sites. Three of our sites are situated within or next to Important Bird and Biodiversity Areas. We use periodic biodiversity monitoring to track our impact on species diversity and abundance and implement special measures to protect them. Our monitoring shows that two of the sites do not affect the KBAs as they take only a small fraction of them, and the areas had been already disturbed before we started to work there. The third site, Kutyn in the Khabarovsk region, will be performing an assessment of the impact on the KBA in 2022 to develop a biodiversity action plan.

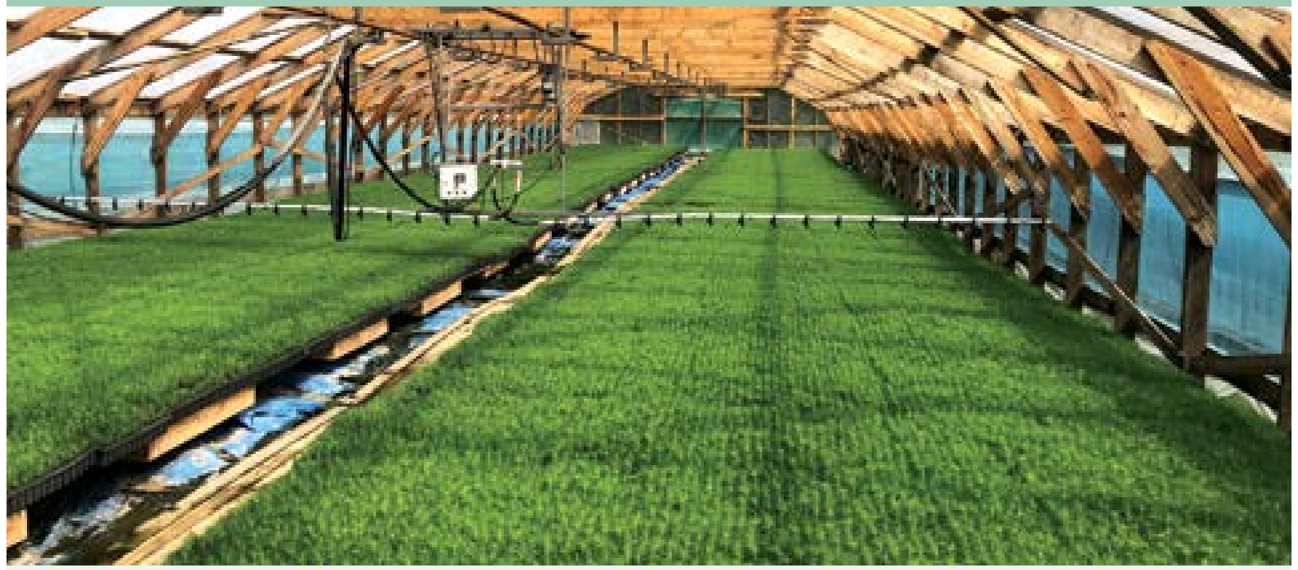
In 2021, we took our first steps in developing relations with the legally designated areas of the Khabarovsk Region, one of our major operating regions in the Russian Far East. Bolon Nature Reserve covers wetlands of international importance and here we have funded an aerial drone for surveying migratory birds such as the endangered Oriental stork. We have also donated an underwater drone to Shantar Islands National Park, helping the study of whale and other marine species behaviour.

Priority species

From the outset of a mining project, we determine the impact on Red List species, habitats and ecosystems using an Environmental Impact Assessment. When operations begin, an annual biodiversity report is submitted by the mining site as part of our Environmental Management System. It lists rare, protected and hunted species found at the site and adjacent territory.

In 2021, external experts carried out biodiversity studies at seven of our mines to analyse our impact on plants, mammals and fish. The studies have helped to update the lists of protected species around our mines. Overall, the state of biodiversity was satisfactory in the areas of direct exposure and close to natural conditions in a kilometre radius from production sites.

Best biodiversity project



In 2021, almost 100 applications were received for our Best Biodiversity Project competition. Ranging from small-scale landscaping ideas, to complex projects, three overall winners were chosen. The first involved cleaning up the Nezhda and Prognoz sites in Yakutia, with Polymetal employees and a contractor clearing 3,000 tonnes of scrap metal from boreal forest. The team now plans to establish a recreational site and it will continue to conduct regular checks on the land to eliminate unauthorised dumping of scrap.

The second winning project involved planting a million larch seedlings in greenhouses alongside a contractor to support our reforestation programme and the third winner was a project around on-site food waste composting at the Albazino and Svetloye sites. Both projects are to be implemented in 2022.

Our species protection measures span project exploration to site closure and include:

At exploration stage
- using aerial photography and lighter drilling equipment to reduce physical disturbance of land;
- plugging drill holes to prevent small mammals becoming trapped; and
- reclaiming trenches and roads that are no longer needed.

At construction stage
- permitting passage only on designated roads without disturbing additional land.

At operation stage
- installing animal deterrents at waste polygons, grid lines and tailing storage facilities;
- surrounding open pits with waste rock walls to prevent animals from falling in;
- reducing light pollution by using lights directed downwards to avoid confusing birds in flights;
- adopting safe and clean technologies, such as dry stacking of tailings;
- dust suppression;
- cleaning water protection zones and coastal strips of local water bodies, an employee volunteering initiative;
- installing road signs to warn about wild animals at and outside the site on surrounding territories;
- prohibiting fishing and hunting as well as gathering of Red List plants by employees; and
- educating and engaging employees and communities.

At closure stage
- rehabilitating the land by sowing and planting native grasses and trees; and
- ensuring safety and stability of the structures.

Rare and protected species' habitats in areas affected by Polymetal operations

IUCN Red List of Threatened Species	Number of species in the direct impact area (found at the site)	Number of species in the indirect impact area (found up to 1 km away from the site)
Least concern	112	325
Near threatened	2	19
Vulnerable	4	19
Endangered	0	9
Critically endangered	0	4
Not evaluated	10	39
Data deficient	0	3
National Red Lists		
Red Data Book of the Russian Federation	14	63
Red Data Book of Kazakhstan	6	8
Endemic species	2	2

Priority eco-services and landscapes

With mining in boreal zones requiring tree-cutting, in 2021 the Polymetal Board approved a strategy to compensate for any deforestation. Within a year of land clearing, we now plant an area of equal size in the same region and selected by the local government with native tree species. By 2025, we will plant at least 4,400 hectares (8.8 million trees) of new forest, predominantly in the Russian Far East region. The $7 million programme will allow us to restore multiple eco-services that forests provide, including homes and food for species, a natural water cycle and carbon capture and storage.

In 2021, we planted 1.18 million saplings and 1.34 million seeds of larch, as well as 268,000 spruce saplings on 993 hectares of land in Khabarovsk, Magadan and Ural regions. We plan to plant a similar area in 2022 and we also plan to use saplings no younger than two years old. For at least three years after planting, we will tend the trees to support healthy growth.

4,400 hectares

By 2025, we will plant at least 4,400 hectares (8.8 million trees) of new forest, predominantly in the Russian Far East region

Ensuring a positive mining legacy

Once we have finished working in a particular area, we are committed to comprehensive land rehabilitation, focusing on the reparation of any environmental damage that our operations may have caused. In 2021, we did not close any mine or plant. Nonetheless, we continued to prepare for the end-of-life at all our sites.

Our priority is to reduce social and environmental risks associated with closure or transfer to other organisations for further use. This may involve applying technologies to assess and safeguard a site, as well as raising employee awareness about the importance of responsible mine closure planning.

Communities

Our presence has the potential to bring significant economic and social value to communities and countries. We build trusted stakeholder relationships to ensure positive impacts and reduce social risk exposure.

$20m
of social investments

613
enquiries received and resolved

$389m
taxes paid

Our targets
Ensure zero community conflicts
Ensure positive engagement
Maintain the level of financial giving

Which guidelines do we follow?

External: UN Global Compact, Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UK Corporate Governance Code, EITI, International Labour Organization Conventions, UK Modern Slavery Act, Responsible Gold Mining Principles, World Bank Guidelines and Policies

Corporate: Code of Conduct, Supplier Code of Conduct, Anti-Bribery Policy, Human Rights Policy, Social Investment and Donation Policy, Community Engagement Policy, Group Tax Strategy

Our approach

Supporting local communities is an important part of our social responsibility as a business. We contribute to the development of neighbouring communities through socio-economic partnerships, taxes and job creation. Ongoing and rigorous stakeholder engagement helps us maintain our social license to operate.

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. Our Communities Engagement Policy ensures we embrace and empower open dialogue at every site and on every project. It outlines how we identify stakeholders and ensure effective feedback mechanisms.

The Polymetal Board of Directors and management team annually appraise targets related to community relations. We apply a dedicated Social Impact Assessment Tool to robustly monitor the outcomes of our community investments.

Engagement

Our diverse engagement channels allow us to maintain dialogue with communities, understand their needs and plan for social projects that are most demanded by stakeholders. We operate a formal feedback mechanism where we guarantee to provide a detailed response to 100% of questions or concerns within 14 days. In addition to providing telephone and email channels, we also hold regular public hearings, site visits and working groups. In 2021, 1,304 people participated in our community polls and we held 18 meetings and 19 public hearings (some held virtually due to Covid-19 restrictions). In 2021, we expanded our engagement procedures to the Krasnoyarsk Region where our Veduga site is located.

Overall in 2021, we received 613 community enquiries, with 20% related to financial assistance, 13% environmental impact, 11% education projects and 11% culture outreach. We improved our social monitoring metrics by measuring female participation in our community events and surveys (where gender data was available), revealing that women represent 64% of community event attendees and survey participants. We plan to expand gender diversity monitoring to all community engagement events in the year ahead.

Indigenous people

We respect the rights of indigenous communities[1] 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. We also provide in-kind support by delivering food, fuel, construction materials and medicines to remote and indigenous communities and reindeer herders, as well as building and maintaining roads to isolated areas.

Ongoing dialogue is critical and our community engagement system includes regular meetings and consultations with the Indigenous Minorities of the North. Our wider corporate feedback mechanisms are designed to pay attention to enquiries from these groups and to provide a timely answer. In 2021, we did not have any conflicts related to lands or objects that present historical or cultural value for indigenous communities.

Social investments

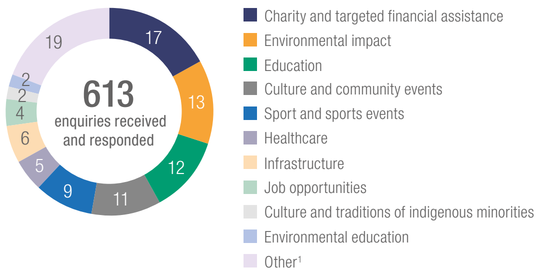
We invest in communities through long-term social partnership agreements with local authorities (37 of such agreements active in 2021, including two recently concluded in the Krasnoyarsk region), as well as by financing social projects directly. We invest in projects that matter most to our stakeholders, based on their feedback. In 2021, this amounted to $20 million, 12% more than in 2020. Our strategic investments have been targeted to healthcare and active living, education, infrastructure, culture and indigenous communities. Our employees engage in social and environmental volunteering, alongside local organisations (see page 65).

In 2021, we continued to respond to the coronavirus pandemic with $1.3 million support to medical organisations for diagnostic equipment, PPE and medicines. In St. Petersburg, we supported scientific research into Covid-19 immunity, in collaboration with public medical institutions and private clinics, with telephone surveys of 14,000 people and antibody tests for a sample of 2,500 volunteers.

We deployed our Social Impact Assessment Tool to analyse the outcomes for 31 projects in host regions. During the assessment, we engaged our in-house experts and 1,100 representatives of local communities. Our social projects have received high scores for their impact on the welfare and improvement of communities and the retention of our social licence to operate. Feedback from communities and the assessment results will help optimise Polymetal's social investment strategy.

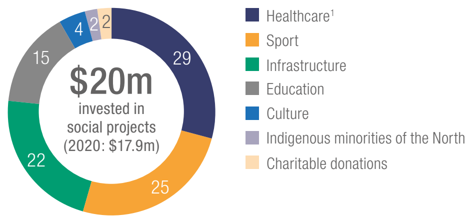
1 In reference to our Russia operations (Kazakh legislation does not reference this).

Community enquiries by topic
(% of total enquiries)



1 Includes other requests for financial and in-kind help.

Community investment by area
(% of total spend)



1 Including $1.3 million Covid-related support.

Keeping indigenous languages and culture alive

At Polymetal, our community mission is to preserve the cultural heritage of the indigenous minorities of the North. Every year, we fund new editions of indigenous language dictionaries and phrasebooks in the Amursk District of Russia, including illustrations of traditional ethnic ornaments. In 2021, we also assisted in the publishing of a Nanai language dictionary, the republishing of the Evenki language dictionary and the Russian-Chukchi phrasebook. The first and only edition of the Evenki language Chumikan dialect dictionary was published almost 30 years ago with only three copies remaining in a local school by 2021. The Russian-Chukchi phrasebook holds significant historical value due to its archaisms, authentic content and grammar.

And finally, we supported the release of a photographic record of Khabarovsk indigenous communities, as well as an audio album of Nanai songs and a book of Nivkh verses.

Total number of projects	Funds allocated	Examples of projects
766	$20m	
Healthcare		
79	$5.7m	• Supporting hospitals with their Covid-19 response in Russia and Kazakhstan • Renovating paediatrics facilities at Omsukchan District Hospital in the Magadan Region, Russia • Purchasing a CT scanner for Zhitikarinsky District Hospital in Kazakhstan
Sports		
79	$5m	• Renovating Amursk Youth Sports Centre in the Khabarovsk Region, Russia • Purchasing and installing outdoor fitness and street workout equipment, Zhitikarinsky District, Kazakhstan • Installing an outdoor hockey rink in Bryanka Settlement, Krasnoyarsk Region, Russia
Infrastructure		
127	$4.4m	• Installing and equipping 15 playgrounds in the Russian regions of Khabarovsk, Magadan, Sverdlovsk and in Kazakhstan • Funding transportation systems in the regions where we operate, including road repairs and asphalt paving, bridge repairs, specialised vehicle purchases and facilitation of public transportation • Restoring Auezov Central Park, Zharminsky District, Kazakhstan
Education		
164	$3m	• Renovating and equipping more than 100 education facilities such as general education and vocational schools as well as extracurricular centres in Russia and Kazakhstan • Equipping 6 schools for children with special needs in the Khabarovsk Region, Yakutia and Kazakhstan • Providing internet access for online schooling in 19 localities in the East Kazakhstan Region, Kazakhstan
Culture		
76	$0.9m	• Renovating and equipping more than 30 cultural facilities in every region where we operate • Purchasing equipment to establish the Khandyga Children's Art School Puppet Theatre, Tomponsky District, Russia • Landscaping the Amursk Botanical Garden, Khabarovsk Region, Russia
Indigenous Minorities of the North		
128	$0.4m	• Supporting more than 10 indigenous dance and music teams in the Khabarovsk and Magadan Regions and Yakutia, Russia • Supporting the Evens Cultural Heritage Centre located in Arka Settlement, Khabarovsk Region, Russia • Supporting reindeer herders in the Far East
Charity		
113	$0.5m	• Fully renovating Tomponsky Social Rehabilitation Centre for the Underaged ('Svetlyachok'), Yakutia, Russia • Funding the purchase of specialised periodicals for the Library for the Blind, Khabarovsk, Russia • Supporting first graders from families struggling with difficult circumstances, elderly people and veterans through annual targeted assistance in every region where we operate

Local employment and skills development

Wherever we operate, we strive to provide local people with job opportunities. This not only brings more targeted economic value, but it also builds our own workforce capacity in local priorities, cultures and ecosystems, while reducing the financial and environmental burden of fly-in fly-out employment. We work closely with local colleges and institutions to provide training, development and further employment opportunities in our communities. In 2021, our local employment rate was 89% for Russia and 98% for Kazakhstan[1].

In 2021, we continued to collaborate with the State Committee for Employment and Ministry of Education of Yakutia to provide short-term courses to prepare local candidates for employment at Polymetal. During the year, 42 graduates successfully passed exams, completed internships at the Khabarovsk and Magadan Regions and were further employed at Nezhda. The overall number of locals hired by Polymetal under the Yakutia Local Employment Project reached 430 people.

Another area of focus is raising career awareness among high school students. We organise tours around our production sites, finance the Unified State Exam tutoring and conduct science competitions annually. As part of our social programme, we also invest in equipment for school classrooms. In 2021, we organised career days attended by more than 250 high school students. At Amursk POX, we arranged a special quiz event for 114 high school students where they learnt about the processing plant. Polymetal employees tried their hand at developing training programmes and tutoring 43 students under the Mining School Project launched by a regional youth centre. In the Sverdlovsk region, Polymetal was a partner of open competitions for young geologists, and supported the creation of the Young Geologist club for high school students.

Human rights

Whether it is the rights of our colleagues or supplier partners, our communities or contractors, our commitment is consistently clear. Upholding basic freedoms and human dignity is not only right; it is fundamental to how we create value for society. We pay particular attention to regions where we exist side-by-side with indigenous communities. We did not have any conflicts related to lands or objects that present historical or cultural value for indigenous communities during the year.

In 2021, we conducted the second human rights risk assessment across the Group, having expanded the questionnaire and more than doubled the number of employees surveyed. Overall, none of the risks identified were high or extreme, with the majority showing as low. The previous assessment, held in 2019, identified a lack of formal training on anti-discrimination and anti-corruption, as well as insufficient awareness of corporate policies. To fill this gap, we launched several online courses.

As a result of training and strengthened policies, anti-corruption did not appear as a risk in 2021. However, we identified several issues linked to discrimination that need addressing. In 2022, we will extend our courses on human rights and diversity and inclusion to the direct contractors working at our sites. The courses themselves will be clarified and enriched to cover more issues. We have also begun to disaggregate the data on our employees and communities by gender so we can better understand how our standards and initiatives influence women.

1 Share of employees residing in the country of operation.

Vocational training for Mansi youth, Russia

Polymetal surveys of Sverdlovsk communities indicated that school graduates from the Mansi indigenous population struggled to secure vocational training. We therefore joined forces with the Karpinsk Engineering College to launch a vocational education programme to train future electrical fitters, while providing them with full board accommodation. Four students completed the training and are now able to become employees at one of Polymetal's operations or join our contractors.

In addition to employment opportunities, these skills will help students carry out maintenance of their utility vehicles safely, which is particularly important for communities living in the forest area. We have committed to continue supporting the Mansi youth on their path to further education in collaboration with local vocational schools.

Salient human rights risks

Community rights	Health and safety	Environment	Labour relations	Security	Diversity and equality	Supply chain
• Limitations in access to resources (water, electricity, etc.), particularly among indigenous communities • Forced resettlement • Poor accessibility of grievance mechanisms	• Injuries and fatalities • Occupational diseases • Road hazards • Poor awareness of employees of health and safety measures	• Water availability and safety • Climate change risk for future generations • Hazardous waste • Shared resources	• Unfavourable working conditions • Forced or child labour • Violation of collective bargaining agreements	• Excessive force by security guards • Violation of privacy rights	• Discrimination based on gender, race, skin colour, religion, nationality, social origin or political opinions	• Bribery and corruption • Human rights violation by contractors and suppliers

Policies and standards

• Community Engagement Policy • Political and Charitable Donations Policy	• Health and Safety Policy • ISO 45001	• Environment Policy • Tailings and Water Storage Facilities Management Policy • Mine Closure Policy • Acid Rock Drainage Management Corporate Standard • ISO 14011 • Cyanide Code	• Employment and Labour Standard • Modern Slavery Act Transparency Statement	• The Security Force Management Standard • Privacy Notice	• Diversity and Inclusion Policy • Human Resources Policy	• Supplier Code of Conduct • Procurement Policy • Anti-Bribery and Corruption Policy • Gifts and Entertainment Policy • Whistleblower Policy
Read more on how we mitigate this risk on pages 92–97	**Read more on how we mitigate this risk on pages 56–59**	**Read more on how we mitigate this risk on pages 68–91**	**Read more on how we mitigate this risk on pages 61–65**	**Read more on how we mitigate this risk on our website**	**Read more on how we mitigate this risk on pages 63–64**	**Read more on how we mitigate this risk on pages 98–99**

Tax policy

Total tax payments in 2021 amounted to $389 million (versus $432 million in 2020) and are disclosed in details in our website's Disclosure centre, with a self-assessment of our responsible tax contribution shown below.

Effective tax rate[1]

Country	3-year average effective tax rate	3-year average effective tax rate to statutory tax rate ratio[2]
Russia	16.5%	82.6%
Kazakhstan	21.3%	106.4%

Our Group Tax Strategy is designed to maintain the highest standards of compliance with the requirements of applicable tax laws, treaties, regulations, and other tax guidance, whilst providing adequate controls over tax accounting and tax reporting. Management of Group companies is responsible for compliance with the Group Tax Strategy. We operate our tax strategy in line with our overall business strategy and approach to corporate governance, ethics and risk management. We apply the following approaches to ensure we maintain the highest standards of responsible taxation and tax governance:

1 The difference between effective and general statutory profits tax rates in Russia is that tax incentives are provided by preferential tax regimes in the remote regions of the Far East, notably Svetloye, which is classified as a Regional Investment Project and was eligible for a 0% profits tax rate in 2019–2021. The slight difference in Kazakhstan is connected with non-deductible expenses.

2 The statutory profits tax rate is 20% both in Russia and Kazakhstan.

Material tax topic	Approach
Organisation of controls	Rigorous tax accounting and reporting processes and controls are implemented to ensure our objectives are met. All material operations are subject to review and approval process from multiple levels of expertise within the Group companies, with supplementary advice from external advisors where deemed necessary. Controls and processes are subject to regular reviews by our internal audit department and material tax positions are considered by Deloitte LLP as part of their statutory audit. Each applicable change in the tax law or court practice is tested from the perspective of new controls requirement and the Group reacts correspondingly. The Group's personnel responsible for tax matters is provided with access to various internal and external trainings and seminars in order to improve their tax expertise and skills.
Tax planning	The Group doesn't operate in tax haven jurisdictions and doesn't utilise aggressive tax planning. We make sure that our tax payouts are consistent with genuine commercial activity, and that they comply with the laws and regulations of the jurisdictions in which we operate and are consistent with our business strategy.
Approach to tax risk management	The approach of the Group is to interpret the tax legislation consistent with both the spirit and intention of the law. The Group is continuously monitoring its tax strategies and tax structures to comply with the new landscape created by base erosion and profit shifting (BEPS) initiatives, ongoing changes in Russian and Kazakhstan tax legislation and the evolving practice of its application in courts. The Group regularly evaluates its tax position to ensure it is adequately reflected in the consolidated financial statements.
Intragroup transactions	All material intragroup transactions are subject to transfer pricing control. Our transfer pricing methodology is compliant with OECD and local country guidelines. The Group updates the mentioned methodology on a yearly basis with the assistance of external advisors to ensure that the transactions between Group companies are conducted on an arms-length basis. The main goal of our controls is to ensure that income is taxed in and benefits the economy of jurisdiction it arises in.
Tax incentives	We would typically make use of tax incentives and exemptions where they are intentionally provided by law. To the extent the Group obtains an incentive, it fully complies with the requirements of such incentives (including, for example, the amount of investments into the project). For example, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax and MET rates as residents of the Special Economic Zone of the Russian Far East. In return for obtaining this tax relief they are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to $20 million in 2021 (2020: $18 million).
Relationships with tax authorities and other stakeholders	The Group's approach is to promote transparent relationships with the tax authorities, and maintain open communication with all relevant tax authorities to ensure all information reporting required by applicable laws is available on a timely basis. We seek to clarify the uncertain tax positions by requesting rulings or the official position of the Finance Ministry where possible. The Group is an active member of industry associations aimed at contributing to an open and constructive dialogue with government bodies[3]. Such membership aids the Group tax executives to be at the edge of tax trends. Any queries regarding taxes from the stakeholders are welcome through the contact details on Polymetal's official website. A dedicated confidential hotline with details available on the website (email or phone – toll-free in Russia and Kazakhstan) allows anyone to anonymously report any concerns about the organisation's integrity in relation to tax. All questions and reports are thoroughly analysed and the follow up is provided to the applicant. Our tax transparency assists us in building trust and strong relationship with the local communities in the regions we operate.
Transparency and disclosures	The tax transparency landscape has continued to develop over the past few years, with new disclosure requirements implemented including country-by-country reporting, GRI 207 and DAC-6. The Group is compliant with all mandatory disclosures. Where necessary, we engage external advisors to ensure the Group's reporting is sufficient and is compliant with global and local best practices.

3 Including Union of Gold Producers of Russia (UGPR); Chamber of Commerce and Industry of the Russian Federation; Republican Association of Mining and Metallurgical Enterprises (AMME); and the national chamber of entrepreneurs of the Republic of Kazakhstan "Atameken".

Supply chain

Understanding that stable relationships with suppliers are crucial for our business continuity, we encourage our partners to meet the same rigorous sustainability standards that we demand of ourselves.

44%
local procurement

>5,000
active suppliers

396
anti-corruption seminars

Our targets
50% share of regional procurement by 2024
ESG score for key suppliers by 2023

Which guidelines do we follow?

External: UN Global Compact, ISO 14001, Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UK Corporate Governance Code, EITI, International Labour Organization Conventions, UK Modern Slavery Act, Responsible Gold Mining Principles

Corporate: Code of Conduct, Supplier Code of Conduct, Procurement Policy, Anti-Bribery Policy, Policy on Disciplinary Action for Violation of Anti-Bribery and Corruption Procedures, Policy on use of agents, representatives, intermediaries and contractors' due diligence, Fair Competition and Anti-Trust Policy, Gifts and Entertainment Policy, Whistleblowing Policy

Our approach

As a business, we purchase materials, products and services from more than 5,000 diverse suppliers. We encourage these supply chain partners to meet our rigorous sustainability standards and in 2021 we launched an online self-assessment questionnaire. Covering topics from climate change and equal pay, to health and safety and community relations, it sought to identify key environmental and social issues in our supply chain, starting with our critical suppliers. The information will enable us to consider wider ESG criteria when selecting new partners.

Within our subsidiary company responsible for procurement, Polymetal Trading House, a sustainability department has been introduced for better monitoring of ESG issues in the supply chain. Another development during the year was the signing of more long-term contracts with key suppliers at a regional level. Reflecting Covid-19 and supply chain volatility issues in 2021, these contracts will enhance economic stability for many businesses. Read more about how we manage supply interruption risk on pages 144–145. Going forward, we will extend Human Rights and Diversity and Inclusion training to our suppliers, starting with the contractors working at our sites. The training will be provided on an external online platform.

> By 2024, we plan to ensure that at least 50% of our procurement is regional."

Local procurement

Sourcing products and services locally can bring significant socio-economic benefits to neighbouring communities. It also reduces our own carbon miles and transport costs, while improving operational continuity (particularly in remote locations). During the year, 44% of our procurement was regional (versus 43% in 2020).

By 2024, we plan to ensure that at least 50% of our procurement is regional. We have introduced a location criterion to the list of potential suppliers for sites, which will prioritise procurement of locally produced goods. Our procurement specialists are focused on maximising participation of regional suppliers and in 2022 we plan to survey local entrepreneurs to better understand any barriers they face in joining our supplier pool. This will form the basis of our corporate programme to involve local suppliers in the procurement of goods and services.

Due diligence

We select our partners via open tender and our e-procurement system helps enforce our Procurement Policy by applying standards consistently across a large number of contractors. We assess suppliers with standardised scorecards to guarantee objectivity and fairness. In 2021, we conducted 10,798 security checks of new and existing suppliers for compliance with our business ethics policies (versus 9,296 in 2020). Of these checks, 351 resulted in our refusal to work with the contractor as they were deemed non-compliant with our standards (463 in 2020). Our due diligence process includes:

- Security screening of new and existing suppliers using open sources and conducted by our legal and security services. Suppliers are checked on any controversies, including human trafficking, delays in paying salaries, legal proceedings and community issues. We also request references from the suppliers' customers. We check our current suppliers at least twice a year.
- Applying the SPARK database at registration to assess accountability based on 40 factors, including a Consolidated Risk Indicator, Due Diligence Index, Financial Risk Index and Payment Index.
- A pre-qualification check before an open tender involving a questionnaire that includes information on staff qualifications, regions where the business has a presence and financial capabilities. Only those that have pre-qualified are allowed to participate in our open tenders.
- Selective site visits ensuring appropriate production processes and labour conditions.

We published our fourth annual transparency statement in 2021, in accordance with the UK Modern Slavery Act. We are committed to preventing human rights violations both within the Group and in our supply chain. During the year, we surveyed 30 key Polymetal procurement managers as part of our second Human Rights Risk Assessment. We identified that more training on corporate policies was needed for employees responsible for signing contacts with suppliers and we will continue to work on this in 2022.

Applying environmental criteria to contractors

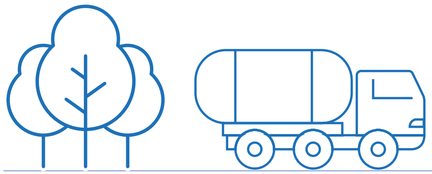
Our Supplier Code of Conduct extends to environmental expectations, with a focus on those working at our sites. Our contracts stipulate penalties for non-compliance, notably around packaging, noise, pollution and emergency preparedness. Once a supplier is contracted with us, we conduct periodic formal assessments and audits for environmental compliance and best practice. In addition, cyanide suppliers and carriers must be certified under the International Cyanide Management Code. All contractors are inducted to our Environmental Management System and are required to demonstrate responsible practices and continual improvement.

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 with details available on the website (email or phone – toll-free in Russia and Kazakhstan) allows anyone to anonymously report suspicions of corruption, bribery, fraud, human rights violations, harassment, psychological abuse, disclosure or misuse of confidential information and other violations of applicable laws and regulations. The hotline details are available on our website. All messages are thoroughly investigated on a confidential basis and without bias. Best efforts are used to uphold anonymity if requested by a whistleblower. In 2021, we received 101 concerns, 19 of which were validated after a full investigation; the remainder were found to be either lacking evidence or unrelated to business ethics. Concerns included corruption and corporate conduct.

We raise awareness of bribery and corruption risks, delivering 396 seminars for high-risk groups in 2021, attended by 19,443 people. We identified four corruption-related instances over the past year – none of which had any impact on our financial position or operations and none involved public or government involvement. No court cases relating to corruption were brought against Polymetal or any of our employees.



Excellent financial results

“Despite the high degree of uncertainty we will be working under in 2022, it is our intention to operate as normally as possible.”

Maxim Nazimok
Chief Financial Officer

$1.93
Underlying EPS
(-13%)

$418m
Free cash flow
(-31%)

Financial highlights

- In 2021, revenue increased by 1%, totalling $2,890 million (2020: $2,865 million). Average realised gold and silver prices tracked market dynamics: gold price remained flat year-on-year while silver price was higher by 19%. Gold equivalent (“GE”) production was 1,677 Koz, a 2% increase year-on-year. Gold sales were stable year-on-year at 1,386 Koz, while silver sales were down 9% to 17.5 Moz and lagged production by 2.9 Moz due to the strong December production at Dukat; the gap is expected be closed in 1H 2022.
- Group Total Cash Costs (“TCC”)[1] for the full year were $730/GE oz, within the Group’s guidance of $ 700–750/GE oz, and up 15% year-on-year, predominantly due to above-CPI inflation in the mining industry and planned decline in grades processed at Kyzyl, Svetloye and Mayskoye.
- All-in Sustaining Cash Costs (“AISC”)[1] amounted to $1,030/GE oz, up 18% year-on-year, 6% above the upper end of the guidance range of $925–975/GE, reflecting higher inflationary pressures on capital expenditure.
- Adjusted EBITDA[1] was $1,464 million, 12% lower than in 2020, mainly driven by higher costs against the backdrop of relatively stable sales volumes and revenue. The Adjusted EBITDA margin decreased by 7 p.p. to 51% (2020: 58%).
- Net earnings[2] were $904 million (2020: $1,066 million), with basic EPS of $1.91 per share (2020: $2.25 per share), reflecting the decrease in operating profit as a result of the higher costs described above.
- Capital expenditure was $759 million[3], up 36% compared to $558 million in 2020 and 5% above the upper end of the guidance range of $675–725 million. This was due to continuing macroeconomic pressures and significant materials and wage inflation, and reflects peak capital spending, including construction works at POX-2 and Nezhda, acceleration of the Kutyn and Veduga projects, the start of the feasibility study for the Pacific POX, combined with higher stripping at Nezhda, Veduga and Kyzyl.
- Net debt[1] increased to $1,647 million during the year (31 December 2020: $1,351 million), representing a Net debt/Adjusted EBITDA ratio of 1.13x (2020: 0.81x), which remains significantly and favourably below the Group’s target leverage ratio of 1.5x. The increase in net debt was mainly driven by $635 million of dividend payments (2020: $481 million) combined with accelerated capital expenditures.
- The Group generated significant free cash flow[1] which amounted to $418 million (2020: $610 million), supported by a net operating cash inflow of $1,195 million (up 2% compared to $1,166 million in 2020, and almost unaffected by changes in working capital despite an increase in production volumes and the scope of operations).
- In light of the strong balance sheet position and underlying business performance in 2021, the Board has proposed a final dividend of $0.52 per share (approx. $246 million), representing 50% of underlying net earnings for 2H 2021, in accordance with Polymetal’s dividend policy. This will bring the total dividend declared for FY 2021 to $459 million (2020: $608 million), which represents $0.97 per share, compared to $1.29 per share in 2020.

Key figures[4]

	2021	2020[5]	Change
Revenue, $m	2,890	2,865	+1%
Total cash cost[1], $/GE oz	730	638	+15%
All-in cash cost[1], $/GE oz	1,030	874	+18%
Adjusted EBITDA[1], $m	**1,464**	1,661	-12%
Average realised gold price[6], $/oz	1,792	1,797	+0%
Average realised silver price[6], $/oz	24.8	20.9	+19%
Net earnings, $m	904	1,066	-15%
Underlying net earnings[1], $m	913	1,052	-13%
Return on assets[1]	26%	34%	-8%
Return on equity (underlying)[1]	23%	30%	-7%
Basic EPS, $/share	1.91	2.25	-15%
Underlying basic EPS[1], $/share	1.93	2.23	-13%
Dividend declared during the period[7], $/share	**1.34**	1.02	+31%
Dividend proposed for the period[8], $/share	**0.97**	1.29	-25%
Net debt[1], $m	1,647	1,351	+22%
Net debt/Adjusted EBITDA	1.13	0.81	+38%
Net operating cash flow, $m	1,195	1,166	+2%
Capital expenditure, $m	759	558	+36%
Free cash flow before M&A[1], $m	**418**	610	-31%

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 year.
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 due to the same reason. This note applies to all tables in the Financial review section.
5 Restated due to a voluntary change in accounting policy. Starting from 1 January 2021, exploration and evaluation (E&E) expenses costs are capitalised into assets only when mineral resources are published; and before that are expensed as incurred. Previously capitalised E&E assets with no mineral resource estimates were written off via retrospective adjustments to the 2020 income statement and balance sheet amounts brought forward. This note applies to all comparative data for 2020.
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 effect of treatment charges deductions from revenue.
7 FY 2021: final dividend for FY 2020 paid in May 2021 and interim dividend for 1H 2021 paid in September 2021. FY 2020: final dividend for FY 2019 paid in May 2020 and interim dividend for 1H 2020 paid in September 2020.
8 FY 2021: interim and final dividend for FY2021. FY 2020: interim and final dividend for FY2020.

Revenue analysis

Sales volumes

		2021	2020	Change
Gold	Koz	1,386	1,392	+0%
Silver	Moz	17.5	19.3	-9%
Gold equivalent sold[1]	**Koz**	**1,640**	**1,622**	**+1%**

Sales by metal

		2021	2020	Change, %	Volume variance, $m	Price variance, $m
Gold	$m	2,450	2,467	-1%	(10)	(7)
Average realised price[2]	$/oz	1,792	1,797	+0%		
Average LBMA gold price	$/oz	1,799	1,771	+2%		
Share of revenues		85%	86%			
Silver	$m	419	389	+8%	(37)	67
Average realised price	$/oz	24.8	20.9	+19%		
Average LBMA silver price	$/oz	25.0	20.5	+22%		
Share of revenues		14%	14%			
Other metals	$m	21	9	+133%		
Share of revenues		1%	0%			
Total revenue	$m	2,890	2,865	+1%	33	(8)

$2,890m

Revenue (+1%)

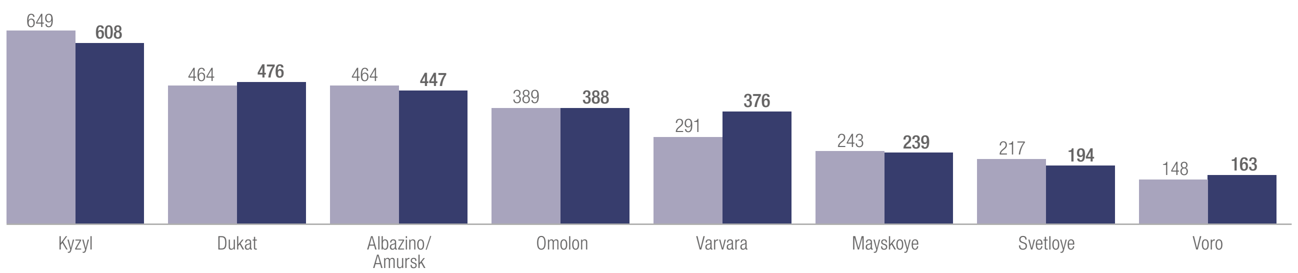
In 2021, revenue was stable year-on-year at $2,890 million. Gold sales volume remained flat year-on-year. Silver sales volume decreased by 9% year-on-year, while silver production was up 8% as silver concentrate sales lagged production.

The Group's average realised price for gold was $1,792/oz in 2021, almost unchanged from $1,797/oz in 2020, and almost in line with the average market price of $1,799/oz. The Group's average realised silver price was $24.8/oz, up 19% year-on-year and just 1% below market price of $25.0/oz.

The share of gold sales as a percentage of total revenue decreased from 86% in 2020 to 85% in 2021, driven by a significant uplift in the silver price and larger volumes of copper sold at Varvara.

Revenue by operation
($m)

Total
$2,890m
$2,865m



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)		
		2021	2020	Change	2021	2020	Change
Magadan	Dukat	476	464	+3%	19.7	22.9	-14%
	Omolon	388	389	+0%	216	217	+0%
	Mayskoye	239	243	-2%	141	136	+4%
	Total Magadan	**1,103**	**1,096**	**+1%**	**632**	**622**	**+2%**
Khabarovsk	Albazino/Amursk	447	464	-4%	248	262	-5%
	Svetloye	194	217	-11%	108	120	-10%
	Total Khabarovsk	**640**	**681**	**-6%**	**356**	**382**	**-7%**
Kazakhstan	Kyzyl	608	649	-6%	350	371	-5%
	Varvara	376	291	+29%	210	164	+28%
	Total Kazakhstan	**984**	**940**	**+5%**	**561**	**535**	**+5%**
Urals	Voro	163	148	+10%	91	84	+9%
	Total Group	**2,890**	**2,865**	**+1%**	**1,641**	**1,622**	**+1%**

At Dukat, higher silver prices compensated for a temporary lag between production and sales, which is expected to be eliminated in the first half of 2022. Among all other operating mines, physical sales volumes broadly followed the production dynamics. At Mayskoye, revenues were affected by lower average gold price in the second half of 2021 compared with the same period in 2020, as the bulk of gold production was recorded in the second half of the year after the summer navigation period had started.

Cost of sales

$m	2021	2020	Change
On-mine costs	516	437	+18%
Smelting costs	383	350	+9%
Purchase of ore and concentrates from third and related parties	130	106	+23%
Mining tax	152	142	+7%
Total cash operating costs	**1,181**	**1,035**	**+14%**
Depreciation and depletion of operating assets	229	206	+11%
Rehabilitation expenses	2	(1)	n/a
Total costs of production	**1,412**	**1,240**	**+14%**
Increase in metal inventories	(132)	(127)	+4%
Write-down of metal inventories to net realisable value	24	6	+300%
Total change in metal inventories	**(108)**	**(121)**	**-11%**
Write-down of non-metal inventories to net realisable value	–	8	-100%
Idle capacities and abnormal production costs	3	2	+50%
Total cost of sales	**1,307**	**1,129**	**+16%**

$1,307m

Cost of sales (+16%)

Cash operating cost structure

	2021 $m	Share	2020 $m	Share
Services	399	34%	341	33%
Consumables and spare parts	290	25%	261	25%
Labour	202	17%	181	17%
Mining tax	152	13%	142	14%
Purchase of ore from third and related parties	130	11%	106	10%
Other expenses	8	1%	4	0%
	1,181	**100%**	**1,035**	**100%**

In 2021, the total cost of sales increased by 16% to $1,307 million, reflecting domestic inflation (8.4% year-on-year), as well as the higher cost of services and increase in purchases of third-party ore and concentrates.

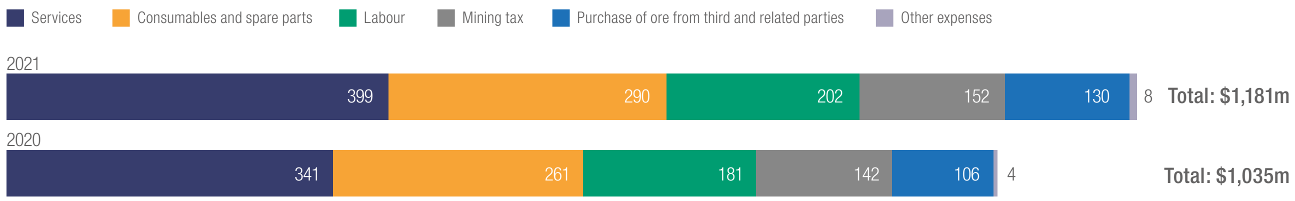
The cost of services was up 17% year-on-year, caused mostly by higher volumes of transportation services (notably at Omolon for ore transportation from the Olcha mine to Kubaka mill), drilling and blasting services at Nezhda (ramp-up of mining activities), the start of mining at Primorskoye (Dukat), Peschernoye (Voro), and Lyudmila (Svetloye), and ramp-up of mining activities at Saum (Voro), Perevalnoye (Dukat), and Emmy (Svetloye).

The cost of consumables and spare parts was up 11% compared with 2020, mainly impacted by domestic inflation and higher steel and diesel prices.

The total cost of labour within cash operating costs in 2021 was $202 million, a 12% increase over 2020, mainly stemming from an 11% increase in average headcount and increases in annual salaries (tracking domestic CPI inflation).

The increase in purchases of third-party ore and concentrates by 23% year-on-year was driven by larger volumes of high-grade third-party ore and concentrate processed at Varvara and Voro.

Cash operating cost structure
($m)



Mining tax increased by 6% year-on-year to $152 million, compared with a 2% production volume increase, mainly impacted by the increase in average realised silver prices.

Depreciation and depletion was $229 million, up 11% year-on-year, with a specific increase attributable to Dukat (start of mining at Primorskoye), Nezhda (full year of mining related depreciation charge) and Svetloye (full depreciation of Elena pit). $23 million of depreciation cost is included within the increase in metal inventories.

In 2021, a net metal inventory increase of $132 million (2020: $127 million) was recorded (excluding write-downs to net realisable value), mainly attributable to concentrate build-up at Dukat, as well as ore mined at Nezhda and heap leach work-in-progress at Svetloye. The Group recognised a $25 million (2020: $6 million) write-down to the net realisable value of its lower grade metal inventories (see Note 21 of the consolidated financial statements).

Selling, general and administrative expenses

$m	2021	2020	Change
Labour	171	139	+23%
Share based compensation	16	15	+7%
Services	10	5	+100%
Depreciation	8	7	+14%
Other	21	18	+17%
Total	**226**	**184**	**+23%**

General, administrative and selling expenses (SGA) increased by 23% year-on-year from $184 million in 2020 to $226 million in 2021, mainly driven by the intense competition for qualified administrative personnel, as well as an increased headcount due to the development projects at Nezhda, Veduga, Kutyn, Primorskoye and POX-2, and regular salary reviews.

Other expenses

$m	2021	2020	Change
Exploration expenses	72	51	+38%
Social payments	28	28	+0%
Provision for investment in Special Economic Zone	20	18	+11%
Taxes, other than income tax	11	15	-27%
Change in estimate of environmental obligations	2	(3)	-167%
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(1)	(2)	-50%
Other expenses	17	17	-2%
Total	**149**	**124**	**+19%**

Other operating expenses increased to $149 million in 2021 compared with $124 million in 2020. Starting from 1 January 2021, the Group has voluntarily changed its Accounting Policy in relation to exploration and evaluation costs in accordance with IFRS 6 'Exploration for and evaluation of mineral resources'. As a result of this change, exploration and evaluation costs are expensed as incurred until such time as the Group determines that reasonable prospects exist for eventual economic extraction of minerals. This is supported by management's decision to prepare the JORC mineral resource estimation for a certain field once the project has progressed. Previously, the Group capitalised mineral exploration and evaluation costs into exploration assets if management concluded that future economic benefits were likely to be realised, and no IFRS 6 impairment indicators were present, based on the latest internal assessment of exploration results. The retrospective adjustment for the change in Accounting Policy resulted in exploration expenses for 2020 increasing by $26 million. For details refer to Note 1 of the consolidated financial statements.

Other expenses are mainly represented by housing and 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-year[1]

		Cash cost, $/GE oz			Gold equivalent sold, Koz (silver for Dukat, Moz)		
		2021	2020	Change	2021	2020	Change
Magadan	Dukat (SE oz)[2]	10.6	9.8	+8%	19.7	22.9	-14%
	Omolon	798	560	+42%	216	217	+0%
	Mayskoye	969	819	+18%	141	136	+4%
	Total Magadan	**819**	**735**	**+11%**	**632**	**622**	**+2%**
Khabarovsk	Svetloye	481	375	+28%	108	120	-10%
	Albazino/Amursk	804	719	+12%	248	262	-5%
	Total Khabarovsk	**707**	**611**	**+16%**	**356**	**382**	**-7%**
Kazakhstan	Kyzyl	477	401	+19%	350	372	-6%
	Varvara	920	941	-2%	210	164	+28%
	Total Kazakhstan	**643**	**566**	**+14%**	**561**	**536**	**+5%**
Urals	Voro	747	487	+53%	91	84	+9%
	Total Group	**730**	**638**	**+15%**	**1,640**	**1,622**	**+1%**

In 2021, total cash costs per gold equivalent ounce sold (TCC) were $730/GE oz, up 15% year-on-year. Accelerated domestic inflation and above-CPI inflation in the mining industry, combined with the planned grade decline, had an overall negative impact on cost levels, which was partially offset by mild depreciation of the Russian Rouble and Kazakh Tenge against the US Dollar and a change in the gold-to-silver price ratio.

Total cash cost by operation:

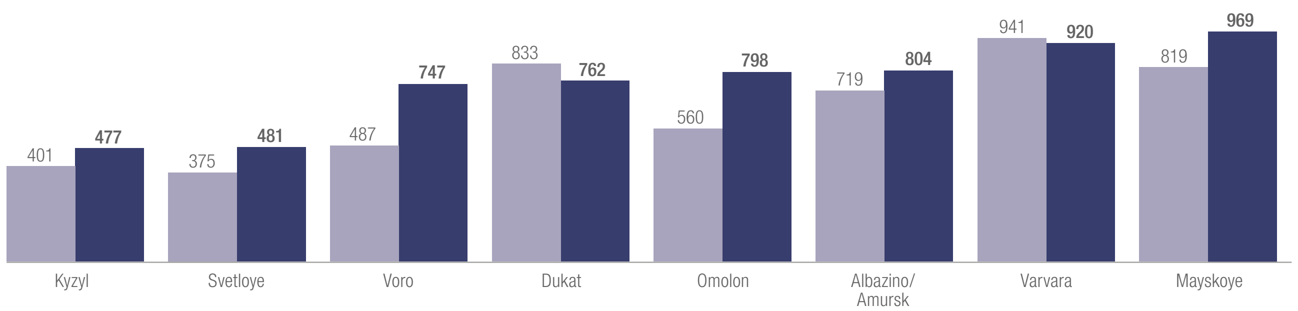
- Dukat's TCC per silver equivalent ounce sold (SE oz) increased by 8% year-on-year to $10.6/SE oz[2], mostly attributable to a change in the gold-to-silver price ratio and corresponding decrease of SE oz sold, combined with domestic inflation.
- At Omolon, TCC amounted to $798/GE oz, an increase of 42% year-on-year, as the Kubaka mill processed higher-cost ore from Olcha, as well as higher-cost ore from Birkachan and Tsokol underground mines, which was combined with lower gold grade at the heap leach facility due to re-handling of the stockpiles.
- At Mayskoye, TCC were $969/GE oz, a 18% increase year-on-year, mostly driven by decline in average grade processed.
- At Svetloye, TCC amounted to $481/GE oz, up 28% year-on-year, mostly driven by a planned 25% decline in gold grade, as well as higher road maintenance costs.
- At Albazino/Amursk, TCC were $804/GE oz, up 12% year-on-year. The cost increase is mostly attributable to planned moderate grade decline, as the Anfisa high-grade open-pit is nearing full depletion, as well as higher underground mining costs due to complex geotechnical conditions and higher steel and cement prices.
- Kyzyl's TCC were $477/GE oz, significantly below the Group's average level, albeit up 19% year-on-year, because of a planned gradual grade decline towards the open-pit reserve average.
- At Varvara, TCC were $920/GE oz, down 2% year-on-year, driven by higher grade in the Komar ore, the main source of feed, and better recoveries after flowsheet improvements.
- At Voro, TCC were $747/GE oz, up 53% year-on-year, which mainly stemmed from the treatment of additional volumes of higher-cost third-party concentrates and Saum ore.

Total cash costs by operation

($/GE oz)

Total
$730/GE oz
$638/GE oz

2020 ■ 2021



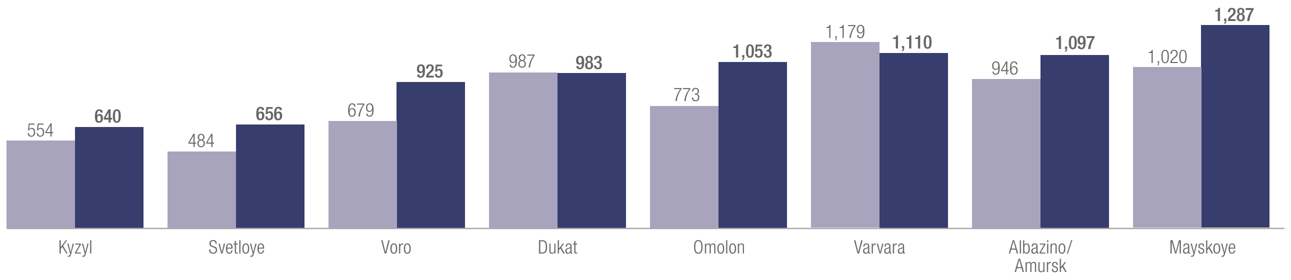
1 Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. 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 $762/GE oz (2020: $833/GE oz) and was included in the Group TCC calculation.

All-in sustaining cash costs by operation

($/GE oz)

Total
$1,030/GE oz
$874/GE oz

2020 ■ 2021



All-in cash costs

All-in sustaining cash costs (AISC)[3] amounted to $1,030/GE oz, up 18% year-on-year. AISC by operations were represented as follows:

All-in sustaining cash cost per ounce

$/GE oz		2021	2020	Change
Magadan	Dukat (SE oz)	13.6	11.5	+19%
	Omolon	1,053	773	+36%
	Mayskoye	1,287	1,020	+26%
	Total Magadan	**1,073**	**917**	**+17%**
Khabarovsk	Svetloye	656	484	+35%
	Albazino/Amursk	1,097	946	+16%
	Total Khabarovsk	**963**	**801**	**+20%**
Kazakhstan	Kyzyl	640	554	+16%
	Varvara	1,110	1,179	-6%
	Total Kazakhstan	**817**	**745**	**+10%**
Urals	Voro	925	679	+36%
	Total Group	**1,030**	**874**	**+18%**

AISC at Omolon, Kyzyl, Varvara and Voro generally followed total cash cost dynamics, and were additionally affected by the acceleration of capital allocation to stay-in-business improvement initiatives.

At Dukat, AISC increased by 19% to $13.6/GE oz. This was mostly driven by the development of Primorskoye satellite mine and mining fleet purchases.

At Mayskoye, AISC increased by 26% to $1,287/GE oz, mainly due to the construction of the conveyor ore transportation system, underground mine electrification project, investments in backfill plant and commissioning of the fourth stage of the tailings dam.

At Svetloye, AISC were $656/GE oz, up 35% year-on-year, driven by mining fleet purchases and the development of the Emmy and Ludmila deposits.

At Albazino/Amursk, AISC were $1,097/GE oz, a 16% increase year-on-year, following scheduled technical upgrades of the underground mining fleet, development of Ekaterina and Anfisa underground mines, and Farida open-pit development.

$1,030/GE oz

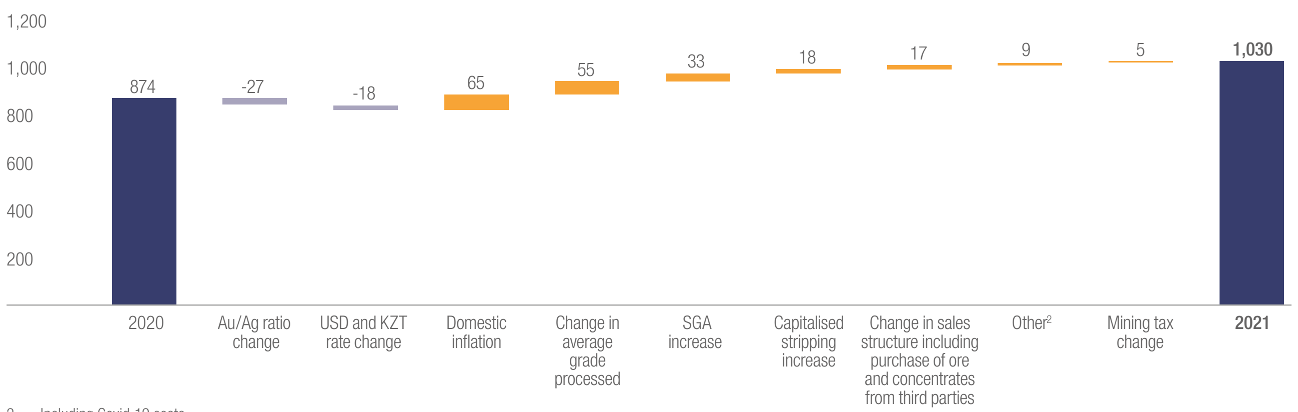
AISC (+18%)

3 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 SGA), 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 capital expenditure (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.

Reconciliation of all-in costs

	Total, $m			$/GE oz		
	2021	2020	Change	**2021**	2020	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 6)	**1,077**	**927**	**+16%**	**657**	**572**	**+15%**
Adjusted for:						
Idle capacities	(3)	(2)	+14%	(2)	(2)	+0%
Inter-segment unrealised profit on metal inventory	0	(11)	-100%	0	(7)	-100%
Treatment charges deductions reclassification to cost of sales	48	49	-3%	29	29	+0%
General, administrative and selling expenses, excluding depreciation, amortisation and share based compensation (Note 6)	**92**	**80**	**+15%**	**56**	**49**	**+14%**
Adjusted for:						
SGA expenses of development projects	(15)	(8)	+88%	(9)	(5)	+80%
Total cash costs	**1,198**	**1,034**	**+16%**	**730**	**638**	**+14%**
SGA expenses for Corporate and Other segment and other operating expenses	217	166	+31%	132	102	+29%
Capital expenditure excluding development projects	188	164	+15%	115	101	+14%
Exploration expenditure (capitalised)	10	9	+12%	6	6	+0%
Capitalised stripping	74	44	+68%	45	27	+67%
All-in sustaining cash costs[1]	**1,688**	**1,417**	**+19%**	**1,030**	**874**	**+18%**
Finance cost	59	67	-12%	36	41	-12%
Capitalised interest	13	10	+22%	8	6	+33%
Income tax expense	257	324	-18%	157	194	-19%
After-tax all-in cash costs	**2,016**	**1,808**	**+11%**	**1,229**	**1,103**	**+11%**
Capital expenditure for development projects	556	377	+48%	339	232	+46%
Other expenses and SGA for development assets	42	32	+34%	26	20	+30%
All-in costs	**2,615**	**2,217**	**+18%**	**1,595**	**1,352**	**+18%**

Reconciliation of AISC movements
($/GE oz)



2 Including Covid-19 costs.

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.

Adjusted EBITDA and EBITDA margin

Reconciliation of Adjusted EBITDA[2]

$m	**2021**	2020	Change
Profit for the year	904	1,066	-15%
Finance cost (net)[3]	59	67	-12%
Income tax expense	257	314	-18%
Depreciation and depletion	214	207	+3%
EBITDA	**1,434**	**1,653**	**-13%**
Net foreign exchange gain	(5)	(23)	-78%
Gain on disposal of subsidiaries, net	(3)	(13)	-77%
Share based compensation	16	15	+7%
Change in fair value of contingent consideration liability	(4)	23	-117%
Write-down of metal inventory to net realisable value	25	6	+320%
Other non-cash items	2	(1)	n/a
Adjusted EBITDA	**1,464**	**1,661**	**-12%**
Adjusted EBITDA margin	**51%**	**58%**	**-7 p.p.**

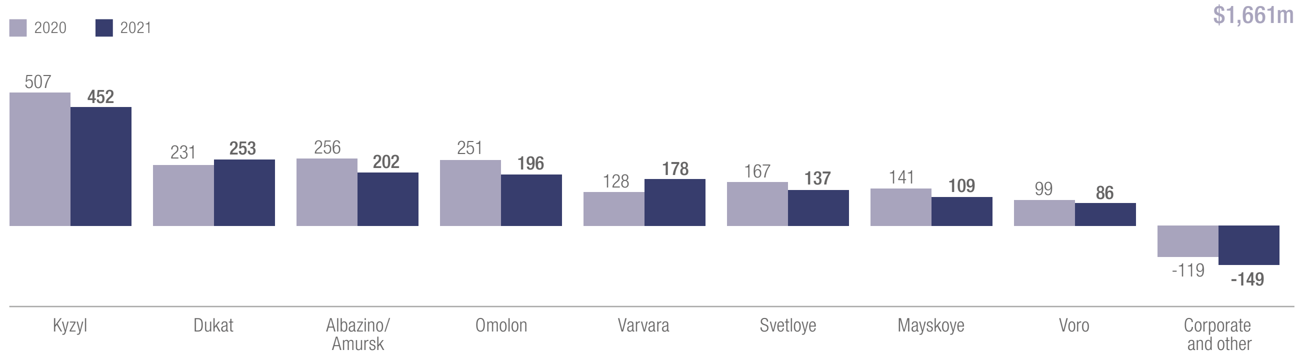
$1,464m
Adjusted EBITDA (-12%)

Adjusted EBITDA by operation

$m		**2021**	2020	Change
Magadan	Dukat	253	231	+10%
	Omolon	196	251	-22%
	Mayskoye	109	141	-23%
	Total Magadan	**558**	**623**	**-10%**
Khabarovsk	Albazino/Amursk	202	256	-21%
	Svetloye	137	167	-18%
	Total Khabarovsk	**339**	**423**	**-20%**
Kazakhstan	Varvara	178	128	+39%
	Kyzyl	452	507	-11%
	Total Kazakhstan	**630**	**635**	**-1%**
Urals	Voro	86	99	-13%
Corporate and other and intersegment operations		(149)	(119)	+25%
	Total Group	**1,464**	**1,661**	**-12%**

Adjusted EBITDA by operation
($/GE oz)

Total
$1,464m
$1,661m



In 2021, Adjusted EBITDA decreased by 12% year-on-year to $1,464 million, with an Adjusted EBITDA margin of 51%, driven by cost dynamics against the backdrop of stable sales volumes and revenue.

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.

Other income statement items

Polymetal recorded a net foreign exchange gain in 2021 of $5 million compared with an exchange gain of $23 million in 2020. This is largely attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries, offset by the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble.

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.

Income tax expense for 2021 was $257 million compared with $314 million in 2020, charged at an effective tax rate of 23% (2020: 23%). For details refer to Note 15 of the consolidated financial statements.

Net earnings, earnings per share and dividends

The Group recorded net income of $904 million in 2021 compared with $1,066 million in 2020. The underlying net earnings attributable to the shareholders of the Parent were $913 million, compared with $1,052 million in 2020,

Reconciliation of underlying net earnings[1]

$m	2021	2020	Change
Profit for the year attributable to the shareholders of the Parent	**904**	**1,066**	**-15%**
Write-down of metal inventory to net realisable value	25	6	317%
Tax effect on write-down of metal inventory to net realisable value	(5)	(1)	400%
Foreign exchange gain	(5)	(23)	-78%
Tax effect on foreign exchange gain	0	5	-98%
Change in fair value of contingent consideration liability	(4)	23	-117%
Tax effect on change in fair value of contingent consideration	1	(5)	-122%
Gain on disposal of subsidiaries, net	(3)	(13)	-77%
Reversal of previously recognised impairment	–	(8)	-100%
Tax effect on reversal of previously recognised impairment	–	(2)	-100%
Underlying net earnings	**913**	**1,052**	**-13%**

Basic earnings were $1.91 per share compared to $2.25 per share in 2020. Underlying basic EPS[2] was $1.93, compared with $2.23 in 2020.

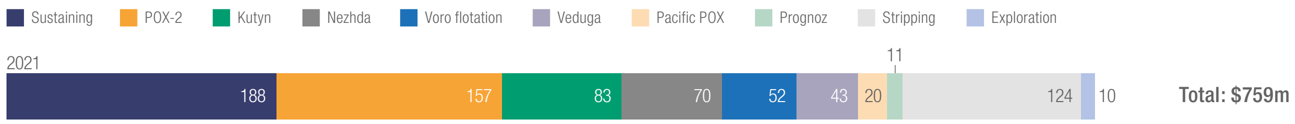
In accordance with the Group Dividend Policy, the Board has proposed a final dividend of $0.52 per share (delivering a total expected dividend of $246 million), representing 50% of the Group's underlying net earnings for the second half of 2021. During 2021, Polymetal paid a total of $635 million in dividends, representing a final dividend for 2020 full year and an interim dividend for the first half of 2021.

Capital expenditure

In 2021, total capital expenditure was $759 million[3], up 36% year-on-year, which was mainly due to accelerated spending across the development project portfolio, notably, POX-2, Kutyn, Voro flotation and Veduga.

Capital expenditure, excluding capitalised stripping costs, was $619 million in 2021 (2020: $482 million).

Capex structure
($m)



Capital expenditure[3]

$m	Sustaining capex	Development capex	Stripping and underground development	Exploration	Total capex 2021	Total capex 2020
Development projects						
POX-2	–	157	–	–	**157**	125
Kutyn	–	83	–	–	**83**	42
Voro flotation	–	52	–	–	**52**	18
Veduga	–	25	16	2	**43**	17
Pacific POX	–	20	–	–	**20**	0
Prognoz	–	11	–	–	**11**	5
Total development projects	**–**	**349**	**16**	**2**	**367**	**206**
Operating assets						
Nezhda	10	70	50	–	**129**	124
Amursk/Albazino	32	–	11	7	**51**	46
Kyzyl	26	–	24	–	**50**	43
Dukat	31	–	7	–	**38**	33
Varvara	26	–	9	1	**35**	29
Mayskoye	33	–	3	–	**36**	26
Omolon	21	–	7	1	**28**	23
Svetloye	9	–	4	–	**13**	9
Voro	–	–	9	1	**10**	16
Corporate and other	1	–	–	1	**2**	3
Total operating assets	**188**	**70**	**124**	**10**	**392**	**352**
Total capital expenditure	**188**	**418**	**140**	**12**	**759**	**558**

The major capital expenditure items in 2021 were as follows:

Development projects

- Capital expenditure at the POX-2 development project of $157 million mainly included purchases of large-sized equipment, including power substation equipment, stainless steel tankage and oxygen plant, as well as construction of the chemicals storage and foundation works for the thickener, downstream circuit equipment and boiler-house.
- The construction of the Merrill-Crowe and ore crusher buildings at the Kutyn heap leach project ($83 million invested in 2021) is in progress and key equipment has been installed.
- Voro flotation plant construction (capital expenditure of $52 million) proceeded ahead of schedule. Major processing equipment has been installed and the concentrator building has been fully winterised.
- $129 million was invested at Nezhda. This included the mechanical completion of all key equipment, construction of the dry-stack tailings storage facility and capitalised stripping costs. The concentrator was fully ramped up within three months of first concentrate production, significantly faster than planned, and achieved 100% of design throughput.
- Capital expenditure at Veduga of $43 million was mainly related to capitalised stripping, exploration, evaluation and engineering activities, as well as a significant infrastructure upgrade.

Stay-in-business capital expenditure at operating assets

- Capital expenditure at Albazino of $51 million was mostly related to the development of Ekaterina-2, Farida and Anfisa pits, scheduled technical upgrades and the purchase of an underground mining fleet.
- At Kyzyl, capital expenditure in 2021 comprised $50 million, mainly related to the scheduled renewal of the mining fleet (commissioned in 2016), stripping activities and concentrator debottlenecking, resulting in increased throughput of 2.2 Mtpa.
- At Dukat, capital expenditure of $38 million is mainly related to the mining fleet upgrades and Primorskoye satellite mine development, as well as the start of engineering and procurement for the transition of the Omsukchan concentrator to dry-stack tailings.
- Capital expenditure at Mayskoye of $36 million was mainly related to the construction of infrastructure needed to commission the ore transportation conveyor, as well as backfill construction.
- At Omolon, capital expenditure of $28 million was mainly related to the construction of the dry tailings storage facility and solar power plant.

Exploration and stripping

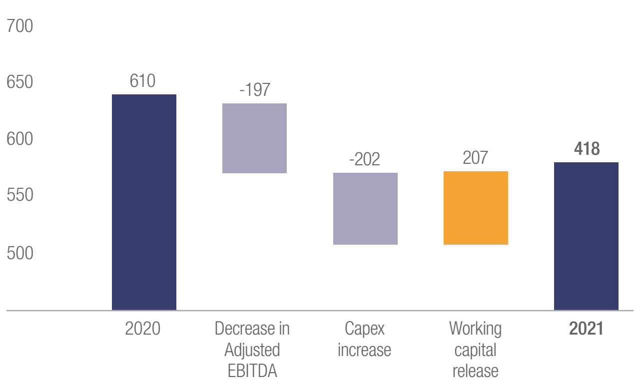
- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2021 was $12 million (2020: $9 million). Starting from 2021, the Group has voluntary changed its Accounting Policy for exploration and evaluation expenditures. For details refer to Note 1 of the consolidated financial statements.
- Capitalised stripping and underground development totalled $140 million in 2021 (2020: $76 million) and is attributable to operations with 2021 stripping ratios exceeding their life-of-mine averages during the period, particularly Nezhda ($50 million), Kyzyl ($24 million), Veduga ($16 million), Omolon ($7 million) and Voro ($9 million).

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.
3 On a cash basis. On accrual basis, capital expenditure was $870 million in 2021 (2020: $608 million).

Cash flow analysis

$m	2021	2020	Change
Operating cash flows before changes in working capital	1,192	1,326	-10%
Changes in working capital	3	(160)	NA
Total operating cash flows	**1,195**	**1,167**	**+2%**
Capital expenditure	(759)	(558)	+36%
Acquisitions of joint venture and associate	(13)	(31)	-58%
Proceeds from disposal of subsidiaries	2	23	-91%
Other	(18)	2	NA
Investing cash flows	**(788)**	**(564)**	**+40%**
Net increase in borrowings	276	(1)	NA
Dividends paid	(635)	(481)	+32%
Veduga VTB investment	–	35	-100%
Proceeds from royalty arrangement	20	–	NA
Contingent consideration payment	(33)	(23)	+43%
Total financing cash flows	**(372)**	**(470)**	**-21%**
Net increase/(decrease) in cash and cash equivalents	**35**	**133**	**-74%**
Cash and cash equivalents at the beginning of the year	386	253	+53%
Effect of foreign exchange rate changes on cash and cash equivalents	(4)	0	NA
Cash and cash equivalents at the end of the year	**417**	**386**	**+8%**

Reconciliation of free cash flow movements 2020–2021 ($m)



Total operating cash flows in 2021 remained stable year-on-year. Operating cash flows before changes in working capital decreased by 10% year-on-year to $1,192 million as a result of a decrease in Adjusted EBITDA. Net operating cash flows were $1,195 million, up 2% compared with $1,167 million in 2020, and almost unaffected by changes in working capital (2020: increase in working capital of $160 million), despite an increase in production volumes and scope of operations.

Total cash and cash equivalents increased by 8% year-on-year and comprised $417 million, with the following items affecting the cash position of the Group:

- Operating cash flows of $1,195 million
- Investment cash outflows totalling $788 million, up 40% year-on-year mainly represented by capital expenditure (up 36% year-on-year to $759 million)
- Payment of a final dividend for 2020 in May 2021 and an interim dividend for the first half of 2021 in September 2021, amounting to $635 million
- Gross borrowings increase of $276 million
- Contingent consideration payments (royalties payable to the sellers of Komar and Omolon) of $33 million and proceeds from royalty arrangement of $20 million.

Liquidity and funding

$m	31 Dec 2021	31 Dec 2020	Change
Short-term debt and current portion of long-term debt	446	334	+34%
Long-term debt	1,618	1,403	+15%
Gross debt	**2,064**	**1,737**	**+19%**
Less: cash and cash equivalents	417	388	+8%
Net debt	**1,647**	**1,351**	**+22%**
Net debt/Adjusted EBITDA	**1.13**	**0.81**	**+38%**

The Group's net debt increased to $1,647 million as of 31 December 2021, representing a Net debt/Adjusted EBITDA ratio of 1.13x, well below the Group's target ratio of 1.5x.

The proportion of long-term borrowings comprised 78% as at 31 December 2021 (81% as at 31 December 2020). In addition, as at 31 December 2021, the Group had $2.3 billion (31 December 2020: $2.3 billion) of available undrawn facilities from a wide range of lenders, of which $1.35 billion is committed[1]. This allows the Group to maintain its operational flexibility in the current environment.

The average cost of debt remained low at 2.9% in 2021 (2020: 3.4%) supported by lower benchmark interest rates and the ability to negotiate competitive margins due to 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.

2.9%
Average cost of debt (-15%)

30%
ESG instruments in net debt

Interest rate breakdown (%)

2022 outlook

The current devastating conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain Company performance. However, despite the wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances.

The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2022. Production will be weighted towards 2H 2022 due to seasonality.

The scope of operational activities and capital project advancement is not expected to change materially in light of recent developments, however in light of substantial changes in the macro landscape our cost and capital expenditure guidance for 2022 is suspended. Further updates will be provided as the circumstances change.

The Group currently forecasts to continue to deliver positive free cash flow.

1 As at 1 March 2022, $0.8 billion of committed facilities are available to be drawn down because $0.5bn was from banks who are now on the SDN list.

Managing risks effectively

Our risk management framework was designed to enable us to achieve our strategic objectives and create sustainable value. It has also proved its resilience during the uncertainties and ongoing challenges triggered by the Covid-19 pandemic.

Our approach

Meticulous risk management is a vital component of our overall business model, helping Polymetal minimise the risks for all its stakeholders while delivering on its strategic objectives and creating sustainable value. We constantly monitor macroeconomic and market volatilities, production risks, environmental issues, the geopolitical situation and local regulatory developments in order to assess the impact on our risk profile, and we have appropriate risk mitigation strategies and preventive controls in place.

The Company's approach to risk management is also embedded in our corporate culture. The need for a proactive approach towards risks within day-to-day operations is essential for safeguarding delivery on our strategic objectives. The risk awareness culture complements the rigorous risk management processes and procedures.

We continuously monitor and refine our risk management practices and internal control systems to meet the changing requirements of the business. These systems incorporate international best practice and adjustments to the UK Code 2018, and comply with the COSO ERM 2017 framework. Our compliance controls are aimed at minimising risks and preventing legal non-compliance. They are also aligned with Polymetal's Code of Conduct.

Our approach to assessing long-term viability, taking account of the potential impact of the principal risks, is set out on pages 182–184.

Risk management framework

Top down	Governance and oversight at corporate level	**The Board** • Is responsible for the Group's overall approach to risk management and internal control • Sets the tone on risk aware culture • Defines risk appetite and approves risk management policies and related internal controls • Carries out a robust assessment of the Group's emerging and principal risks • Monitors the Group's risk management and internal control systems and reviews their effectiveness • Ensures sound internal and external information and communication processes.
	Assist the Board by monitoring principal risks and procedures	**The Board Committees** • The Audit and Risk Committee reviews the adequacy and effectiveness of the Group's internal control and risk management processes, considers the policies and overall process for identifying and assessing business risks and managing their impact on the Group, develops and oversees implementation of risk management strategies and makes recommendations to the Board • The Safety and Sustainability Committee measures the impact of the Company's initiatives and relevant exposures, and liaises with the Audit and Risk Committee in monitoring sustainability risks. Further information on the Board and its Committees is given in the Governance section on pages 134–178.
	Implementing the Board's policies on risk management and internal control	**Executive management** • Maintains risk appetite and risk management within its remit, including principal risks monitoring • Ensures internal responsibilities and accountabilities are clearly established, understood and embedded at all levels of the Group to provide risk-aware decision making • Ensures risk-based planning and monitoring • Is responsible for decisions on and implementation of the risk response. **Functional and operational managers** • Have overall responsibility for leading and supporting risk management within their business activities, escalating when appropriate • Have direct responsibility for the risk management processes, including relevant mitigation activities and monitoring.
Bottom up	Support and assurance	**Risk and compliance function** • Promotes risk management and related controls integration with the Group's day-to-day business processes • Facilitates the development of the risk-aware culture • Coordinates and supports Group-level risk management activity and reporting • Maintains and regularly updates the Group's principal risks register • Regularly reports to the Audit and Risk Committee and, as appropriate, to the Board. **Internal audit function** • Provides independent and objective assurance of the effectiveness of the risk management framework • Monitors the risk management process and mitigation tools and actions • Plans and executes assurance activities to ensure that there are policies and procedures in place to support the effectiveness of the Group's internal control system, and maintains the Risk Assurance Map • Regularly reports to the Audit and Risk Committee and, as appropriate, to the Board. Further information on the internal audit function is given on page 149.

Risk management process

Governance and culture

We have focused on maintaining a robust risk awareness culture to promote effective risk management across all business units. The Group's operating structure is consistent with the nature, size and geographic spread of the business.

It ensures management's responsibility for the development and implementation of risk management practices and risk-aware decision making by all business units within the Group and facilitates effective risk management in achieving the Group's strategy and business objectives.

Strategy and objective-setting

The risk management framework is geared at successful and sustainable achievement of the Group's strategic objectives. The Group's strategy is risk-based and the risk management framework is aligned with our values, business goals and objectives. Risk assessment forms an integral part of management and planning for the whole Group.

Risk appetite, risk tolerance and key risk indicators

The risk appetite is defined as the nature and extent of risk the Group is willing to accept in relation to the pursuit of its objectives. The risk appetite of the Group is considered in relation to the principal risks and their impact on the ability to meet strategic objectives. The Board assesses the risk appetite, which is set to balance opportunities for business development and growth in principal areas, whilst maintaining reputation and taking into account stakeholders' interests.

The Board periodically revises the Group's risk appetite and risk tolerance levels of principal risks, based on the Group's external and internal context analysis. The Group has a zero-tolerance approach to the following risks: fatalities; corruption; disclosure of commercial secrets; accidents at construction; and severe violation of human rights and freedoms.

We implement key risk indicators (KRIs) for the Group's principal risks, which assist in identifying whether it is operating within or outside its risk appetite. KRIs set the control values and provide the data for proactive monitoring of the Group's risk performance. Deviation may signal risk realisation and identify whether further action is required.

Risk analysis and management

We identify and assess risks at the earliest possible stage and implement an appropriate risk response and internal controls in advance. Our risk management procedures are designed to delegate the responsibility for risk identification while avoiding gaps and duplications. They are embedded into accounting and documentation systems to identify potential risk triggers.

The risk identification comprises not only single, mutually exclusive risks, but also multiple linked and correlated risks. Once identified, potential risk factors are assessed to consider quantitative and qualitative impacts, and the likelihood of an event (see the table on page 117). Together these create a risk profile.

When the appropriate ranking has been identified, a response to each risk is developed and implemented, responsibilities and timelines are assigned.

Management assesses the effects of a risk's likelihood and impact, as well as the costs and benefits of possible mitigating actions to bring the risk within acceptable tolerance levels. Risk matrices and assurance maps are used to record, prioritise and track each risk through the risk management process. Risk owners take responsibility for risks, including controlling or mitigating them at all levels and across individual business units.

The Board carries out a robust assessment of the Group's principal risks, evaluating the potential impact on our business model, operations, performance, stakeholders, our values and solvency or liquidity. There is a particular focus on environmental and social impacts within the communities where we operate that is regularly discussed at joint meetings of the Audit and Risk and Safety and Sustainability Committees to ensure that our risk management processes cover all aspects of safety and sustainability. Three times a year, the Audit and Risk Committee also reviews the Group's overall risk profile.

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. Emerging risks are properly identified and monitored within the risk management process. The Board of Directors and management review emerging risks, as appropriate and at least annually.

To read more about emerging risks, see page 128.

Review and revision

Risk review and monitoring is performed at all stages of the risk analysis and risk management process and contributes to ensuring that the Group identifies and assesses changes that may substantially affect its strategy and business objectives.

This subsequently identifies new risks and applies necessary and timely measures, while at the same time evaluating the effectiveness of existing risk analysis and risk management processes. The internal audit function provides independent and objective assurance of the effectiveness of the risk management framework and monitors risk mitigation actions.

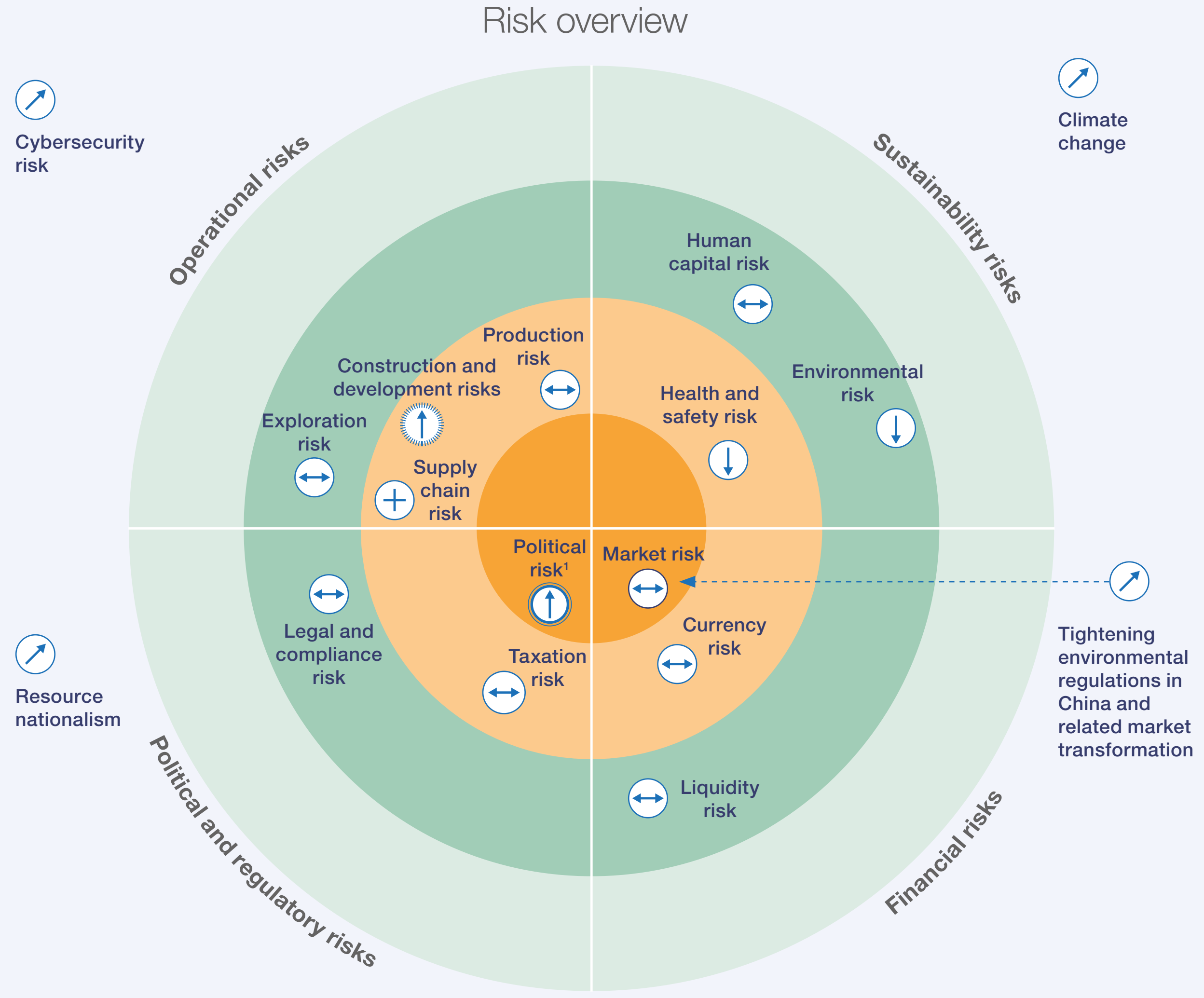
Communication and reporting

Ongoing risk communication and reporting processes are embedded in Polymetal's business operations. Risk analysis outcomes are generated through the electronic documentation management system and distributed, as appropriate. Risk and internal control reports are regularly reviewed by the Audit and Risk Committee. Relevant risk-related issues are also discussed by other Board Committees and at Board meetings. Various communication channels are implemented and used within and outside the Group to obtain and share appropriate information flows from both internal and external sources on a continuous basis.

Risk and compliance and internal audit functions provide appropriate support and consultation on risk management issues. Appropriate induction and ongoing training is also provided to encourage desired behaviours and responsible risk taking, as well as enhancing risk-awareness in required areas. Training is tailored as appropriate for the role, responsibilities, location and risks of the individual employee or executive manager.

2021 developments and overview of principal risks

The risk overview below shows the residual level to which the Company is exposed once preventive controls and mitigation measures have been applied to the principal risks.



Operational risks
1 Production[2]
2 Construction and development[2]
3 Supply chain[2]
4 Exploration

Sustainability risks
5 Health and safety
6 Environmental
7 Human capital

Political and regulatory risk
8 Legal and compliance
9 Political[2]
10 Taxation

Financial risks
11 Market[2]
12 Currency[2]
13 Liquidity[2]

Current emerging risks
Climate change
Resource nationalism
Cybersecurity

1 Political risk realisation and trend is based on the assessment after the reporting date and at the date of publication.
2 This risk was considered as part of the viability assessment as detailed on pages 182–184.

Read more on the next pages.

Unchanged risks | Decreased risks | New risks | Increased risks | Emerging risks

Some evidence of risk realisation | Strong evidence of risk realisation

Low risk | Medium risk | High risk | Extreme risk

Approach to risk assessment

Principal risks
- Could seriously effect and prevent the Group from delivering its strategic objectives
- Oversight by the Board and Board's committees
- Owned by the Executive Management
- Assessed and monitored at the Group level

- Identified and assessed through applying impact and likelihood 5x5 scoring scale based on the financial indicators (% Adjusted EBITDA) and non-financial consequences (safety, environmental, regulatory and reputational) along with the likelihood criteria (from rare to almost certain)
- Defined risk appetite and tolerance vary depending on the risk type
- Risk response and mitigating controls are subject to internal audit review and monitoring

Functional and operational risks
- Owned by Functional and Operational Management
- Assessed and monitored at the level of business unit, site or function. Escalated to the Executive Management where appropriate

Covid-19 implications

External challenges and the high level of uncertainty triggered by the pandemic may affect the resilient operation of the Group's business processes to varying degrees given the correlation of different risk factors. The Group treats Covid-19 as a pervasive risk with wide-ranging impacts across a range of principal risks. The spread of new strains could lead to the risk of sustained and tightened restrictions, in particular, this could result in the equipment delivery time extension, increased project costs (quarantine arrangements, higher labour costs), limitations on the involvement of external experts, and logistical issues.

In 2021, we continued to enhance preventive arrangements, ensuring a proper and timely response to the emerging volatility, and to support our employees and contractors (e.g. sharing additional costs, including paid isolation, personnel rotation etc., and providing accessibility to medical services, testing and vaccination). The external environment and relevant restrictions are constantly monitored. The Board of Directors receives appropriate updates on a timely basis. We 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 118–127.

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Principal risks

The Group's principal risks and related preventive controls and mitigation strategies are set out below. Principal risks and risk factors are assessed 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, including a robust consideration of the likelihood of the occurrence and potential consequences of risk events.

In 2021, we validated the continued importance of our 13 principal risks. We have updated our risk profile to include supply chain as a separate principal risk. We have also disclosed the impact of the Covid-19 pandemic on several principal risks.

The principal risks are those that we believe could seriously affect and prevent the Group from delivering its strategic objectives. A number of principal risks, such as risks related to tailings storage facilities operation and risks related to slope wall or underground mine failure may cause dramatic consequences for the Group's prospects. Nevertheless, these risks are highly unlikely. We treat these risks with the highest priority and focus on the development and implementation of relevant preventive controls and measures to mitigate the inherent level of these risks when ensuring the Company's viability. Appropriate criteria have been included in the incentive metrics of our Remuneration Policy. To read more about the ESG metrics, see page 171.

Risk key

Risk level
- Low
- Medium
- High
- Extreme

Risk exposure trend
- 2021 – No change
- New principal risk
- 2021 – Increased
- 2021 – Decreased

Link to strategy
- Meaningful organic growth
- Capital discipline & sustainable dividends through the cycle
- Global leadership in refractory ore processing
- High standards of ESG through impact assessment

*The order in which the risks are presented is not relevant to their significance.

Operational risks

1. Production risk

Risk level: High

Risk exposure trend: 2021 – No change

Link to strategy: Meaningful organic growth; Global leadership in refractory ore processing

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
- Lack of design and permit documentation
- Reduced volumes of concentrate sales.

Other risks include:
- The failure of our contractors to meet required performance and deadlines, as well as to provide sufficient quality of works
- Lack of key materials
- The failure of the supply chain to procure complex logistics to remote locations
- The influence of Covid-19 on our production and logistics processes.

Preventive control and mitigation

We continuously monitor the progress of our production plans, identify and assess relevant production risks at our operations, and develop and implement risk management measures in a timely manner, specifically:

- Proven procedures to develop and approve mining plans
- Continuous tracking of key materials, monitoring and prompt analysis of how our contractors complete their tasks, and proactively developing alternative options
- 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 and slope analysis, and online monitoring of pit-wall stability and prompt wall stabilisation
- 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.

Principal areas of focus in 2021

All mines across our portfolio worked smoothly and the Company met its production guidance. At Nezhda, production started ahead of the previously announced target date.

The Company increased productivity and enhanced the efficiency of current operations by advanced mining and metallurgical sampling, optimised mining operations and processing of third-party concentrates. Polymetal implemented prompt measures to solve logistical challenges caused by Covid-related transportation disruption.

The epidemiological situation remains under control. Timely and effective measures helped to prevent interruptions in the production process and to maintain the pace of the production operations.

Strict Covid-related precautionary procedures have been maintained at all production sites and offices, including regular tests, mandatory isolation of new arrivals and voluntary vaccination among employees.

Operational risks continued

2. Construction and development risks

Risk level: High

Risk exposure trend: 2021 – Increased

Link to strategy: Meaningful organic growth; Global leadership in refractory ore processing

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:

- Failure to comply with design solutions during construction
- Delay in commissioning
- Inability to achieve design parameters
- Capital expenditure overruns
- Inability to perform construction works or to commission a construction object.

Preventive control and mitigation

The Board approves all acquisitions above $25 million to ensure that potential new assets fit the Company's strategic goals. 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. Our engineering professionals supervise full observance of the design parameters during construction. The Company has a proven procedure for obtaining permitting documents. To ensure the resilient performance of the engineering teams, Polymetal implements a professional assessment, development and motivation programme.

JORC-compliant ore reserves estimates for new development assets are assured by external auditors and validate all critical feasibility study assumptions.

Principal areas of focus in 2021

In 2021, mining and construction activities at development projects progressed on schedule. Nezhda produced its first concentrate. The start-up was ahead of the previously announced target date. POX-2 construction progressed on schedule. All heavy equipment arrived on site and has been installed. The Board of Directors approved investment in Veduga, based on the results of the preliminary feasibility study.

The Company revised its capital expenditure guidance for Nezhda and POX-2 given the project scope extension and indirect effect of the Covid-19 pandemic that led to an increase in the cost of materials and construction works. The planning horizon for placing procurement orders has been expanded due to the risk of delays in delivery.

The Group regularly evaluates Covid-related risks and has tight control over meeting the equipment delivery deadlines and availability of OEM installation teams. We work closely with the equipment suppliers to deal with any Covid-related restrictions, including limitations on cross-border travel. When drawing up construction schedules, we take into account the mandatory isolation period for employees and contractors. The epidemiological situation remains under control with development projects remaining undisrupted despite several localised outbreaks.

3. Supply chain risk

Risk level: High

Risk exposure trend: New principal risk

Link to strategy: Meaningful organic growth; Global leadership in refractory ore processing

Risk description and potential effect

Supply change failure could adversely affect the Company's business processes. In view of the macroeconomic context and industry-wide uncertainty, maintaining resilient supply chains is a vital component in ensuring the Company's sustainable performance. Supply chain risk also correlates with the market, construction and development and production risks, and to some extent with the level of political risk. Disruption or restrictions to the supply chain operations could negatively impact operational procurement, concentrate transportation and planned delivery of construction and development projects.

Preventive and mitigation measures

In order to maintain resilient supply chain operations, the Company has implemented a range of preventive controls and mitigation measures to address the volatile environment, including:

- Advanced planning and ongoing reviewing (e.g. tracking all shipments, infrastructure outages and inclement weather, monitoring pandemic and possible sanctions-related restrictions)
- Agile stock allocations and creating safety stocks for key inventory groups
- Reservation of production capacities on the n-Tier suppliers level and shift to substitute items where the risk of supply chain interruption is high
- Calculating multiple shipment scenarios for critical items along with a focus on local contractors and using our own containers in the shipment turnover
- Proactive order placing of consumed materials.

Principal areas of focus in 2021

During the reporting year, we focused on fostering strong relationships with our suppliers and contractors. We proactively managed production demand and inventory levels to optimise the number of order placements and ensure on-time inventory and equipment delivery to operations.

We 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 the production and delivery of development projects caused by Covid-19 restrictions to the supply chain. Despite the logistical challenges triggered by the pandemic restrictions, we managed to respond promptly and effectively to any emerging issues. Contingency planning has been in place to ensure supply chain resilience, including selection of key equipment suppliers.

Operational risks continued

4. Exploration risk

Risk level: Medium
Risk exposure trend: 2021 – No change
Link to strategy: Meaningful organic growth

Risk description and potential effect	Preventive control and mitigation	Principal areas of focus in 2021
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 • Ineffective use of available resources and/or failure to meet targets could adversely affect the Company's future performance • Improper approval of new ore reserves may result in the Company's inability to benefit from exploration results.	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. The Company has a system to control filing of documents with the state authorities that enables strict control over the time and quality of the documentation filed. Polymetal runs programmes to train and develop relevant personnel and gives priority to introducing new exploration technologies to accelerate exploration and improve its productivity and efficiency.	In 2021, Polymetal continued to invest in both near-mine and greenfield exploration projects in order to increase ore reserves. The Company increased exploration activities in new areas, including drilling campaigns at several joint ventures with junior exploration companies. In 2021, Ore Reserves increased by 7% or by 2 Moz year-on-year on the back of successful near-mine exploration at Nezhda, Veduga, and Kutyn (Albazino hub), as well as initial reserve estimates at Elevator (Varvara hub), Saum (Voro hub) and Nevenrekan (Omolon hub). 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 exploration companies in order to access promising, untested mineral properties. In 2021, we continued to explore some prospective areas. The average grade in ore reserves continues to be one of the highest within the sector globally at 3.5 g/t of GE.

Sustainability risks

5. Health and safety risk

Risk level: High
Risk exposure trend: 2021 – Decreased
Link to strategy: High standards of ESG through impact assessment

Risk description and potential effect	Preventive control and mitigation	Principal areas of focus in 2021
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.	Our approach to health and safety is about a zero-harm culture. Safety responsibility comes from the top: our Group CEO and COO, alongside the HSE Director, 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 key areas covering five main directions of impact: administration, risk elimination, engineering improvements, training and visualisation. This includes health and fatigue monitoring, upgrading safety equipment, route optimisation, regular road safety inspections and improving work and rest conditions. An internal audit of the efficiency of health and safety management is performed. Our Occupational Health and Safety Management System is audited annually for compliance with ISO 45001.	In 2021, there were no fatal accidents among Polymetal employees (one fatality of a drilling contractor occurred). LTIFR among the Group's employees for 2021 was stable at 0.12, while LTIFR among contractors decreased by 63% y-o-y to 0.09 (2020: 0.24). Following the fatal accident of our drilling contractor employee at Saum, Polymetal completed a comprehensive review of the safety risks management among contractors and introduced a set of preventive and contractor screening measures, including regular inspections, designating employees responsible for safety control, and arranging individual safety measures. Polymetal will also train contractors on the principles of hazard identification, risk assessment and in ongoing production control procedures and workplace monitoring. The requirement to regularly identify and assess hazards and risks is now included in all agreements with contractors. To enhance safety risk management, the Company continues to introduce smart technologies, such as underground mine worker positioning systems and electric voltage and collision warning systems. In 2021, we rolled out mitigation measures to our development and exploration projects, where there are additional risks associated with staff transportation and accommodation at remote sites. Based on a complex analysis of the health and safety risks and the efficiency of the preventive control and risk mitigation measures, in 2021 the Group assessed the health and safety risk as 'high'. External auditors confirmed the compliance of our Occupational Health and Safety Management System with ISO 45001 with no adverse audit reports.

Risk key

Risk level
- Low
- Medium
- High
- Extreme

Risk exposure trend
- 2021 – No change
- New principal risk
- 2021 – Increased
- 2021 – Decreased

Link to strategy
- Meaningful organic growth
- Capital discipline & sustainable dividends through the cycle
- Global leadership in refractory ore processing
- High standards of ESG through impact assessment

Sustainability risks continued

6. Environmental risk

Risk level: — Risk exposure trend: ↓
Link to strategy:

Risk description and potential effect	Preventive control and mitigation	Principal areas of focus in 2021
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.	We ensure that all environmental concerns are taken into account and properly addressed during the design, construction, operation and closure stages of mines and processing facilities. We are engaged in multifaceted measures to both mitigate environmental risks and, where possible, to improve ecological conditions around our sites along with continuous monitoring of our activities. This includes the following: • 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, with environmental impact assessment reviewed by the regulator. • Each operation regularly identifies and assesses environmental risks with consolidated data analysed to evaluate the level of the Company's principal environmental risk. This includes monitoring changes in environmental laws, standards and best practice, as well as environmental monitoring. • The Company continuously reduces its fresh water use and monitors discharge water quality to minimise its impact on local water bodies. • Each new project is assessed for its proximity and potential impact on key biodiversity areas before making an investment decision, and periodic biodiversity monitoring is used to track our impact on species around existing sites. • Each tailings storage facility (TSF) is rigorously monitored and inspected to ensure ongoing control. External experts with appropriate global experience are engaged to undertake regular, independent safety reviews of our TSFs. Our studies confirmed that an emergency failure at our dams would have no impact on settlements, buildings, structures or facilities where communities or employees may be present. To further improve tailings safety, The Company is shifting its operations to dry stacking technology. • The Company implements a Cyanide Management System to identify and minimise the risks of potential negative effects of cyanide on the environment and the health of employees. For climate change risk description, refer to page 128.	We have rigorous controls in place to ensure that we meet our environmental targets related to water use, waste, and biodiversity (read more on page 88–91). In 2021, we continued to focus on our material environmental issues: • Actions were taken to reduce the consumption of fresh water for process needs, alongside the modernisation and refurbishment of water treatment facilities at Voro, Svetloye and Dukat. • In accordance with the Science Based Targets for Nature Initial Guidance for Business, the Company assessed the impact of its operations on biodiversity and identified land use change to be the key one. In 2022, we plan to design measures to reduce land use change and set a relevant target. • We evaluated our TSFs based on the Global Industry Standard on Tailings Management Dam Failure Consequence Classification. Additionally, an independent audit was carried out at Varvara TSF with an action plan developed to implement the auditors' recommendations. No emergencies have occurred at Polymetal's TSFs in 2021 (more information about all our hydraulic structures is included in the Tailing Storage Facility Management Report published in 2021 on our website). • Dry stacking technology was rolled out at Omolon and Nezhda. We have committed to store 50% of our total tailings waste using dry stacking by 2030. 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.

Sustainability risks continued

7. Human capital risk

Risk level: — Risk exposure trend: ↔
Link to strategy:

Risk description and potential effect	Preventive control and mitigation	Principal areas of focus in 2021
Attraction and retention of qualified personnel is essential to ensure Company's performance. The volatile external environment posed by the impact of Covid-19 complicates existing human resources processes. 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.	Our corporate culture is crucial for delivering the long-term success of the Company and the Board appreciates the key role that our employees play in this. We aim to provide a comfortable and effective working environment as well as training, further education and other opportunities for our employees. The main principles and approaches to the implementation of our human resources strategy are based on international best practice, generally recognised principles and rules of domestic and international law, as stated in our Human Resources Policy, Diversity and Inclusion Policy, and Human Rights Policy. The Group has an internal communications system enabling it to independently monitor employee engagement and satisfaction. There are direct lines to the Group CEO and departmental heads. Employee engagement surveys are conducted on a regular basis with summaries provided to the Nomination Committee. An annual direct line with the Board of Directors is also arranged for the employees. 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 and offer a competitive remuneration package and benefits, including annual indexation against inflation of all base salaries. The Company maintains a Talent Pool of high-potential professionals, nurturing young leaders to manage future growth.	In 2021, we continued with an in-depth focus on our employees' well-being, promptly addressing the challenges caused by Covid-19. Strict precautionary procedures were maintained at all production sites and offices, including daily temperature checks, regular testing and medical surveillance, isolation of new shifts, ensuring isolated accommodation space for potentially infected employees, enhanced hygiene protection in public spaces and increased control over disinfection and sterilisation measures. We also arranged for voluntary vaccination among our employees. The epidemiological situation remains under control. Proactive interventions by HR to both the logistical challenges and other Covid-related restrictions, putting timely and effective measures in place, helped to prevent or mitigate significant outbreaks at our offices and operations. The Board of Directors received regular updates on the situation. 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 in the gold mining sector, we continued to expand our initiatives to promote a positive and effective corporate culture for employees' well-being and development. In 2021, we went ahead with setting up a number of workforce engagement channels to enable employees from every subsidiary to ask questions on a wide range of topics to the Company's Board and management. As a part of the ongoing monitoring of human rights observance, we conducted a comprehensive human risk survey within all of the Company's operations and developed an action plan accordingly. We also provided appropriate training on human rights, diversity and inclusion practices to our employees.

Risk key

Risk level	Risk exposure trend	Link to strategy	
Low	2021 – No change	Meaningful organic growth	Global leadership in refractory ore processing
Medium	New principal risk	Capital discipline & sustainable dividends through the cycle	High standards of ESG through impact assessment
High	2021 – Increased		
Extreme	2021 – Decreased		

Political and regulatory risks

8. Legal and compliance risk

Risk level: Medium | Risk exposure trend: 2021 – No change | Link to strategy: High standards of ESG through impact assessment

Risk description and potential effect

With operations in developing countries, such as Russia and Kazakhstan, the Company is exposed to the risk of adverse legislative changes that may potentially affect its business activities.

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.

Non-compliance with regulatory requirements and guidance may cause sanctions, loss of licences for mineral properties and penalties, and may also affect the reputation of the Group.

Preventive control and mitigation

We have a successful track record of operating in Russian and Kazakhstan jurisdictions. The Group has implemented monitoring and compliance-control procedures related to applicable laws, regulatory requirements and guidance, corporate governance standards and the Group's internal policies and procedures. A number of control procedures are considered by the external auditor as part of their statutory audit. Implementation of appropriate policies and procedures is also the target of the internal audit.

We follow a risk-based approach when considering potential corporate transactions and maintain comprehensive procedures to ensure appropriate corporate practices.

We strive to create a more favourable regulatory environment by being a member of various voluntary non-governmental organisations in Russia and Kazakhstan.

Polymetal also holds membership in mining associations in Russia and Kazakhstan.

Principal areas of focus in 2021

The Company's representation on industry-related committees and panels enables Polymetal to act in a timely and co-ordinated 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.

In 2021, the Company maintained its overall approach, which is aimed at ongoing monitoring and enhancement of compliance processes. These included a comprehensive analysis and revision of existing policies and procedures, development and implementation of new guidelines and introduction of appropriate controls.

9. Political risk

Risk level: Extreme | Risk exposure trend: 2021 – Increased | Link to strategy: High standards of ESG through impact assessment

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 by the global community on certain sectors of the Russian economy as well as businesses and individuals in Russia since 2014, and most notably the additional sanctions imposed in February 2022, and the counter-measures imposed by Russia against the US, UK and EU, may potentially pose a risk to the Group's operations.

These factors may have a negative impact on the Company's share price, supply arrangements, capital flows and ability of the Group to secure external financing.

Preventive control and mitigation

The Group actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Russia and Kazakhstan is out of management's control.

The Company has implemented appropriate policies and procedures for sanctions compliance within the Group which are now an integral part of our risk management process.

Proactive engagement with existing and potential lenders enables the Company to maintain larger cash balances and extend maturities on existing borrowings.

Principal areas of focus in 2021 and outlook for 2022

Sanctions imposed on Russian business sectors, individuals and businesses, including the additional sanctions in February 2022 described below, have not currently had any direct or significant influence on the Group's operations. Neither the Group nor its major shareholders are targeted by sanctions imposed by the global community. However, sanctions imposed by the global community have significantly affected the macroeconomic situation in Russia and could impact the Group in future.

The rapid and significant deterioration of the situation in Ukraine has led to additional and more severe sanctions on Russia imposed by the global community, as well as the possibility of further sanctions in the future. The sanctions announced to date have not specifically targeted Polymetal or its major shareholders and are not anticipated to have a material impact on the Group. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as mining companies.

Polymetal believes that targeted sanctions on the Company remain unlikely. Contingency planning has been initiated proactively to maintain business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing sales channels.

The violent riots in Kazakhstan in January 2022 have not had any impact on the Group's operations in the country. We are closely monitoring developments in Kazakhstan with a view to minimising any unlikely potential impact.

Political and regulatory risks continued

10. Taxation risk

Risk level: High | Risk exposure trend: 2021 – No change | Link to strategy: High standards of ESG through impact assessment

Risk description and potential effect

Russian and Kazakhstan tax laws are subject to frequent changes and allow for varying 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.

Multinational companies continue to be subject to considerable public scrutiny across the world with the implementation of the Base Erosion and Profit Shifting (BEPS) action plan. As a part of this initiative, the OECD continued reformulating the global corporate taxation system relating to the income of multinational enterprises. Approval of the reform is expected in 2022.

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.

Preventive control and mitigation

Our approach includes constant monitoring and analysis of changes in Russian, Kazakhstan and international tax laws, law-enforcement practice and recommendations of supervisory authorities.

The Group takes due account of the current court practice, including the calculation of contingent mineral extraction tax (MET) liabilities, and applies appropriate methodological guidance and administrative controls.

In order to enhance methodological and administrative control over tax management, the Group introduced a transfer pricing methodology, which complies with the requirements of OECD and local standards. The Group updates the procedure each year to ensure that operations between Group companies are based on commercial terms.

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 provisions for probable tax liabilities.

Principal areas of focus in 2021

As in 2020, in 2021, the global Covid-19 pandemic exerted a significant impact on economic policies globally, which in turn caused a number of measures aimed at tightening fiscal policies and may potentially lead to a revision of incentives measures and tax benefits as well as to an increase in the tax burden.

An example of such measures includes amendments to some double taxation agreements initiated by Russia in 2020, and continued in 2021, aimed at increasing the tax withheld at source for some payments. Russia also pursued an initiative to increase the mineral extraction tax (MET) rates related to certain mineral resources.

Meanwhile, such measures have not lead to a material increase in the Group's tax burden in the reporting period. Russia has amended its tax laws but the MET rate for precious metals mining companies remained unchanged.

As we are aware, in 2022, the Russian government also plans to consider an initiative to increase the income tax rate for companies which are part of multinational enterprises and pay dividends. The specific details of the initiative have not been developed yet.

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.

Risk key

Risk level

- Low
- Medium
- High
- Extreme

Risk exposure trend

- 2021 – No change
- New principal risk
- 2021 – Increased
- 2021 – Decreased

Link to strategy

- Meaningful organic growth
- Capital discipline & sustainable dividends through the cycle
- Global leadership in refractory ore processing
- High standards of ESG through impact assessment

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Financial risks

11. Market risk

Risk level: Risk exposure trend:
Link to strategy:

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. It also has a potentially a significant impact on consistent cash flow generation at operating mines.

Market risks also include the inability to sell a significant amount of concentrate and delays in the delivery of the finished product to buyers due to a disruption in sales channels.

Preventive control and 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.

Short-, medium-, and long-term life-of-mine plans are regularly adjusted to reflect updated commodity prices; however, commodity price volatility is outside of management control.

Principal areas of focus in 2021
In 2021, metal prices maintained their high performance on the back of ongoing uncertainty surrounding the Covid-19 pandemic.

Revenue was flat year-on-year at $2.9 billion on the back of stable GE sales volume. Owing to the timely and effective response to the logistical disruptions triggered by Covid-related restrictions, the Company eliminated any short-term lag between gold and silver concentrate production and sales.

Our stress testing, which focused on adverse changes in market prices of gold and silver, foreign exchange rates and inflation, demonstrates that, under reasonably possible downside assumptions, no large-scale mitigating actions are required to maintain positive cash flow at all operations.

The emerging risk of Chinese concentrate import restrictions has been recognised as a new component of the market risk. In October 2021, China introduced new standard updates to existing regulations relating to impurities of arsenic in imported gold concentrates. Non-compliance will lead to 13% VAT on exported concentrate. Polymetal will be exposed to this new regulation until POX-2 reaches its design capacity. Until then, the Company will take appropriate mitigation measures including physical concentrate blending at the Amursk POX site for further offtake without additional VAT, non-Chinese offtake and flowsheet adjustment at the affected operations to ensure arsenic content below the threshold.

12. Currency risk

Risk level: Risk exposure trend:
Link to strategy:

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.

Growth of consumable prices and inflation given stable metal prices and appreciation 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.

Preventive control and mitigation
Natural hedging is used to reduce 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.

Budget is planned based on the inflation risk. 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 2021
In 2021, mild depreciation of the Russian Rouble and Kazakh Tenge against the US Dollar has had a minor positive impact on the financial performance of our operations, resulting in lower Dollar value of local currency-denominated operating costs.

There is 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 and higher inflation rates in its scenario analysis.

As at 31 December 2021, 93% of the Group's total debt was denominated in US Dollars.

Financial risks continued

13. Liquidity risk

Risk level: Risk exposure trend:
Link to strategy:

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.

Preventive control and 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 2021
Polymetal managed the liquidity risk effectively both in terms of its ability to generate significant cash flow from operations and in terms of raising funds. The Group has a strong liquidity supported by undrawn facilities from a wide range of both Russian and international lenders that allows it to maintain its operational flexibility in the current environment. The ability to raise funds in 2021 has not deteriorated because of Covid-19.

In 2021, the Net debt/Adjusted EBITDA ratio was 1.13, well below the Group's target leverage ratio of 1.5x. The average cost of debt remained low at 2.9% (2.7% last year) supported by lower benchmark interest rates.

As at 31 December 2021, the Group maintained a strong liquidity position with $417 million in cash (enough to cover short-term debt maturities in 2022) and $2.3 billion of undrawn credit lines.

In 2022, interest rates are expected to rise. At the beginning of 2022, the Group refinanced $190 million of short-term debt and increased its cash position by drawing down $260 million of revolving credit facilities.

Risk key

Risk level
Low
Medium
High
Extreme

Risk exposure trend
2021 – No change
New principal risk
2021 – Increased
2021 – Decreased

Link to strategy
Meaningful organic growth
Capital discipline & sustainable dividends through the cycle
Global leadership in refractory ore processing
High standards of ESG through impact assessment

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 risks or combination of risks whose potential impact is not clear at the present time but may develop to become a principal risk in future, as well 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. While the emerging risks tend to be characterised by potentially unknown and far-reaching impact 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.

Emerging risks description and their potential 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 (e.g. potential damage induced by shifts in rainfall patterns, hurricanes, thermokarst processes in permafrost areas, etc.) and transitional risks (such as carbon pricing/quotas, additional environment-related regulatory requirements, taxation, 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 risks and opportunities assessment and mitigation/adaptation plans, as well as setting targets and taking specific steps to improve our resilience to climate change. See details in the Climate Change section on pages 66–81. We have also disclosed climate-related data in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read more on pages 39–51, 264–270. The processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management. In particular, this includes a range of criteria to consider a climate-related risk as a component of the existing principal risk or to introduce a new one provided certain conditions are met. In this way, the transitional emerging risk of restrictions on Chinese concentrate imports has been recognised as a new component of the Market risk owing to the introduction of the new standard on impurities of arsenic in imported gold concentrates in China in October 2021. Read more on the Market risk in the Principal Risk section, page 126.
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.
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 management systems of technological processes, corporate networks, power supply control systems and convergence of corporate and technological networks (within any process). 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 and compliance with requirements of applicable legislation. We constantly monitor current systems, control measures and monitoring procedures, and implement stage-by-stage preparation for obtaining a certificate of compliance with the ISO/IEC 27001 standard. In 2021, Russia tightened regulations related to the safety of critical information infrastructure facilities. Core measures have been implemented in all our operations (being critical information infrastructure facilities). 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 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. All breaches of Information Security Policies and incidents are immediately identified and eliminated. The corporate infrastructure is automatically scanned (critical assets are scanned first). Relevant protection tools are in place to prevent adverse consequences. Remote working from home is conducted in accordance with high cybersecurity standards, the procedures for providing and disabling remote access for employees have been additionally secured and automated. In order to minimise risks related to the engagement of contractors (third parties), model contracts have been amended to include relevant procedures for safe information exchange and Information Security Policies have been enhanced. We raise our employees' awareness of information security and cyber hygiene via the internal corporate network, regular newsletters, employee training and extensive training for targeted groups within the Talent Pool.

Governance

Committed to the highest standards

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

Ian Cockerill N S
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.

Ollie Oliveira R N A
Senior Independent non-executive Director

Appointed: 25 April 2018.
Previous experience: Non-executive Director of Blackrock World Mining Trust, 2020–2021. Non-executive Director and Senior Independent Director at Antofagasta; Chairman of its Project and Audit and Risk Committees, 2011–2021. 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: Independent Non-Executive Director of Vale S.A. and Co-ordinator of the Audit Committee.

Vitaly Nesis S
Group Chief Executive Officer

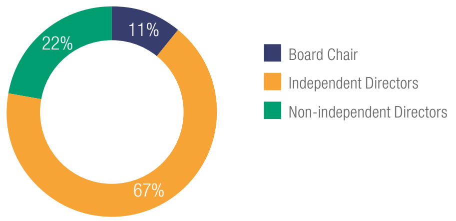
Appointed: 29 September 2011.
Previous experience: Member of JSC Polymetal Board, 2004–2012. CEO of Vostsibugol, 2002–2003. Strategic Development Director at the Ulyanovsk Automobile Plant in 2000. McKinsey in Moscow, 1999–2000. Merrill Lynch in New York, 1997–1999.
Qualifications: BA in Economics from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

11% **ethnic minority directors**[1]

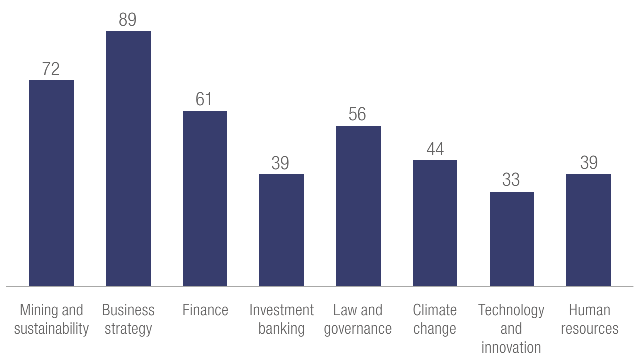
33% **women directors**

1 Victor Flores is a Mexican-born American who identifies himself and has evident heritage from Central America.

Board independence



Board skills
(%)



Tracey Kerr S A
Chair of the Board of Directors

Appointed: 1 January 2018.
Previous experience: 35 years' experience in the international mining industry. From 2020 to 2021 held the role of Group Head of Sustainable Development (previously Group Head of Safety and Sustainable Development, 2015–2020) at Anglo American Plc, with executive responsibility for 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: Independent Non-Executive Director of Hochschild Mining.

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.

Andrea Abt A R
Independent non-executive Director

Appointed: 4 March 2020.
Previous experience: Non-executive director at John Laing Group, 2018–2021; SIG plc, 2015–2020; Brammer plc, 2014–2017. Chief Procurement Officer and Head of Supply Chain Management of Sector Infrastructure and Cities at Siemens, 2011–2014; Since 1989, various international leadership roles at Siemens and Daimler-Benz Group.
Qualifications: MA equivalent in Language and Literature from the University of Bonn. MBA at Rotman School of Management, University of Toronto.
Other roles: Non-executive director at Energy Technology Holdings LLC (Exide Technologies) and Petrofac (Nomination, Remuneration and Ethics and Compliance Committees). Supervisory Board member of Gerresheimer AG (Audit Committee).

Giacomo Baizini A N
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.

Italia Boninelli R
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: HR Executive Consultant to AngloGold Ashanti Limited (one-year consulting contract); Patron of WIMSA (Women in Mining in South Africa).

Victor Flores A S
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 Ventures Canada. Member of the Advisory Committee of the Energy and Earth Resources Graduate Program at the University of Texas at Austin.

Senior management

Delivering exemplary leadership

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.

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.

Daria Goncharova
Chief Sustainability Officer

Appointed: 2015.
Experience: Previous roles in Polymetal: corporate finance and investor relations team, 2010–2013. Business development at GiproShakht 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.

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.

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.

Eugenia Onuschenko
Director, Corporate Finance

Appointed: 2009.
Experience: Previous roles in Polymetal: Head of the Bank Financing department, Head of Corporate Finance and Investor Relations, 2008–2009. Ernst & Young, transaction advisory services.
Qualifications: Graduate of St. Petersburg State University of Economics and Finance. Bachelor's degree in Economics and Management from Grenoble University Pierre-Mendes, France.

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.

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.

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.

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.

Tania Tchedaeva
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.

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.

> We have debated the Group's strategic vision and outlined the steps needed to achieve our goals."

Ian Cockerill
Board Chair

Board meeting attendance

Board member	Board meetings
Ian Cockerill	6/6
Vitaly Nesis	6/6
Konstantin Yanakov	6/6
Tracey Kerr	6/6
Ollie Oliveira	6/6
Giacomo Baizini	6/6
Italia Boninelli	6/6
Victor Flores	6/6
Andrea Abt	6/6

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

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 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.

Board and Committee meetings in 2021

Doing business during the pandemic has been a steep learning curve, but the Board quickly adjusted to this new normal. In 2021, while most Covid-related restrictions were still in place, three Board meetings were held via Zoom. However, the Board believes online meetings are no substitute for in-person meetings and these resumed in Cyprus once restrictions were lifted.

In June, at the first in-person meeting since the start of the Covid-19 pandemic, the Board had its annual in-depth strategic session, which included discussions on:

- The momentum case
- The ideal case
- What are the necessary enabling actions required to support this ideal state?
- Analysis of progress since the previous strategic session.

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.

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.

In 2021, with the easing of Covid restrictions, the Board took the opportunity to visit the Kyzyl operation. The Board was given an in-depth analysis of the project, met with key employees and visited the mine. When travelling, Covid-19 rules were strictly observed.

Board areas of focus in 2021 and link to strategy

Global leadership in refractory ore processing

- Operational update
- Quarterly and annual production results
- Price assumptions for reserve and resource estimates
- Mineral Resources and Ore Reserves update
- Major project review: Mayskoye conveyor system, backfill project
- Productivity increase and cost reduction initiatives
- Supply chain: resilience, cost management and increasing efficiency
- Use of remote machines evaluation

Meaningful organic growth

- Production and Investment Plan 2021
- POX-2 project update
- Pacific POX strategic deep dive. Market developments (concentrates in China, project timelines, new mines in Russia, increased trade barriers)
- Nezhda project deep-dive, operating and capital expenditure assumptions
- Capital projects review, including completion progress as per schedules
- Veduga investment decision approval
- Prognoz fast-tracking approval
- Approval of power line for Albazino financing structure
- Viksha status update (plans, strategic alternatives)
- Tomtor update
- Analysis of copper and pure base metal markets and concentrate market update
- Exploration update: methods, instruments, priorities
- Omolon royalty agreement approval

Capital discipline & sustainable dividends through the cycle

- Strategy review
- Investor relations update. Evolving ESG stakeholder expectations and Group carbon footprint commitments up to 2030
- Market rating/value gap
- Approval of preliminary and annual financial results
- 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, latest forecast costs to completion
- Support for dividend proposal/declaration of solvency

High standards of ESG through impact assessment

- Climate-related risks, carbon accounting, biodiversity and nature conservation
- Climate strategy review and publication of targets (including implementation plans)
- Corporate culture implementation
- Taxation update
- Environmental regulation
- Construction permitting overview
- Covid-19 review and impact on stakeholders
- Indigenous peoples engagement
- Workforce engagement update
- Sanctions: reality and risks
- Review and approval of Group policies and subsidiary governance
  - Climate Policy
  - Fair Competition and Anti-Trust Policy
  - Code of Conduct
  - Mine Closure Policy
- Annual and Sustainability Reports review and approval
- Modern Slavery Statement review
- Approach to Group compliance
- Management response to the results of Board and Committee evaluation
- 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
- Approval of revised LTIP rules
- Convening the AGM, approval of shareholder materials
- 2022 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 2021, 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. Throughout 2021, 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. **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. **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. **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.	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 140, and on stakeholder engagement on page 142. Workforce engagement is a particular focus of attention and includes a Direct Line web-conference for all employees as well as Board engagement with targeted employee groups. More information on page 143. 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 3, and on culture on page 60. 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 pages 28–29. 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 149. The Board ensures ongoing dialogue with all its stakeholders. More information available on pages 19–23, 140, 142–145.

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. **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. **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. **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.	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 130. 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 each Board Director. There is an ongoing improvement programme for Group employees to ensure the consistency of all papers provided to the Board. Information about the Board Directors and their roles is available on page 139. All Directors have sufficient time to devote to the business of Polymetal. Please refer to page 140 for further information. The broad experience of all Directors ensures constructive challenge, strategic guidance and specialist advice. 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 polices 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 **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. **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.	Information on the Board succession programme, skills and tenure is available on pages 138–139 and 152–153. To ensure a robust succession process, independent consultants are used. Directors are selected from a wide pool of candidates. 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. Polymetal undertakes externally facilitated Board evaluation every three years. Results on the outcome and progress made are available on page 140. 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 140.

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 **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 Company has a strong and highly regarded internal audit department. Comprehensive information about the work of the internal audit department is available on page 149. 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. The Board reviews in detail the Company's financial statements. The process of achieving fair, balanced and understandable assessment is described on page 146. 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 116, 118–127.

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. **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. **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 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. Subject to shareholder approval at the 2022 AGM, an ESG metric with a weighting of 20% will be also added to PSP vesting conditions. Further information is available on pages 76, 163, 177. 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 176 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. 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 pages 139, 158.

Our governance framework

The Board
The Board defines business strategy, assesses risks and monitors performance.

Audit and Risk Committee
helps the Board to monitor the integrity of the Group's financial statements; reviews the effectiveness of the Group's system of internal controls and risk management systems; and oversees the TCFD assurance process.
Further details on page 146

Nomination Committee
monitors the balance of skills, knowledge, independence, experience and diversity on the Board and its Committees and ensures orderly succession to both Board and management positions.
Further details on page 152

Safety and Sustainability Committee
monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development issues on behalf of the Board.
Further details on page 156

Remuneration Committee
is responsible for Group remuneration policy, and setting pay levels and bonuses for senior management in line with individual performance. It ensures safety and sustainability KPIs are included in remuneration packages.
Further details on page 158

Group CEO
The Group CEO takes ultimate responsibility for delivering on strategy and operating performance.
See biographies on page 130

Senior Management
Our senior management team provides leadership in specific areas of responsibility

<<<< ESG is integrated in all governance aspects >>>>

Finance
- Ensure effective reporting processes
- Monitor annual budgets for ESG activities
- Ensure funds to develop new projects (including green and sustainability-linked financing)

Exploration/mineral resources
- Enable long-term economic growth through greenfield and brownfield exploration
- Comply with safety and environmental standards at exploration sites

Development/construction
- Use global best practice in design and commission of mining and processing operations
- Increase supply chain efficiency through linking production demand with inventory levels

Operations
- Ensure consistent work at all our mines and production facilities
- Set safety and environmental targets and monitor performance
- Increase resource efficiency and decrease footprint

Marketing/sales
- Work closely with offtakers and buyers of the finished product to ensure liquidity and uninterrupted sales
- Introduce ESG clauses in contracts

Communication and PR
- Identify and engage with the majority of external stakeholders, including government and regional authorities, local communities, suppliers and NGOs
- Foster engagement with employees

HR
- Attract and retain talent by providing decent terms of employment
- Ensure employee training and development
- Provide fair and inclusive work environment and deliver on diversity targets

Legal
- Implement monitoring and compliance-control procedures related to the provisions of applicable laws and requirements
- Ensure implementation of recommendations of regulators, corporate governance standards and the Group's internal policies and procedures

Heads of Operations
at our operating mines and development properties implement and monitor corporate systems, supported by dedicated teams.

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 N S

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 S

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 S A
Giacomo Baizini A N
Italia Boninelli R
Victor Flores A S
Andrea Abt A R

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.

Senior Independent Director
Ollie Oliveira R A N

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 evaluation

In accordance with the UK Code, the next externally facilitated evaluation will take place by the end of 2022. In 2021, the Board conducted in-depth Board and Committee evaluations, which included questionnaires filled in by Directors and relevant senior managers. The Board Chair also conducted individual meetings with each Director, which formed part of that individual Director's Board evaluation. The SID also held an individual meeting with the Board Chair to conduct his evaluation. In addition to individual feedback, general outcomes were circulated via the Company Secretary. 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 Committee work plans for 2022.

The top Board priorities for 2022 were identified as:

- Strategy, including an ongoing review of progress against strategic goals, macroenvironment and peer group analysis and management of the portfolio of existing projects
- ESG, including climate change (progress versus mid-term goals and ongoing long-term planning), increased automation and monitoring, ongoing regulatory changes
- Exploration including focus on growth projects and reserve replacement and expansion
- Production, including focus on cost control and adjusting supply chains
- Talent management, including attracting younger employees, work in remote locations and continued drive on diversity.

Areas for Board development included:

- Continued focus on strategy (strategy sessions)
- Significant progress noted on better reporting back to the Board by Committee Chairs; more proactive interaction with the management and Committee Chairs ahead of meetings
- Keeping up to date with the technical aspects of the business, more interaction between the Board and management, including in-depth technical sessions in Russia and Kazakhstan; more presentations from mid-management
- Development, including more access to outside advisors; regular update for Board members on new trends in critical areas, UK governance and outsider discussion groups, Russian and Kazakh specific legislative background, and tax risks
- Focus on strategic and forward-thinking views (specifically on carbon plan, biodiversity, safety culture) and social risk
- Time management to avoid overloading Board and Committee agendas
- Ongoing cross-Committee cooperation
- Board composition, possible gaps identified: digital space, AI, ESG, general technology.

Detailed information of the Audit and Risk Committee's review is available on page 151.

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 highlighted several forward-looking themes with the most important outstanding themes noted in the table below. 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 2021
Shareholder and stakeholder engagement	Stakeholder engagement:	• Deep-dive sessions on stakeholder engagement • In-depth discussion of the results from employee engagement • First Direct Line web-conference between Directors and all Group subsidiaries
	Shareholder engagement:	• Update to major shareholders and proxy advisors on introduction of ESG remuneration component • Engagement with shareholders and shareholder groups • Quarterly IR updates
Committee meetings	Nomination Committee: • Succession planning • Ensure collaboration with the Remuneration Committee	• Sessions on executive succession (immediate and longer-term) and pipeline development • Joint meetings with Remuneration Committee
	Audit and Risk Committee: • Ensure the critical relationship with the internal auditor is maintained and expanded • Cybersecurity/technology risk	• Regular meetings with the auditors without management present • Cybersecurity risks deep dive added to the annual schedule
	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 to remuneration • Regular joint sessions on risks with the Audit and Risk Committee • Sustainability strategy developed and monitored • TCFD reporting

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 2021

Board	
February:	Russia and Kazakhstan mining and construction regulation
	Environmental regulation
	Tax update
	D&O insurance, market overview
June:	Decarbonisation trends and opportunities, including available technology
	Sanctions update
November:	Supply chain resilience
Audit Committee	
February:	FRC corporate reporting review process and outcomes
March:	Investor and regulator focus areas
August:	TCFD assurance and corporate reporting
	Audit market reform (Deloitte)
December:	Discount rate calculations and application to the Company
	Accounting policies (Revenue recognition, reverse factoring accounting treatment, Exploration and evaluation assets)
	Auditing standards (IFRS 15 Contracts with customers, IAS 16 Property, Plant and Equipment, IFRS 9 Financial instruments, IAS 1 Presentation of financial statements)
	European Single Electronic Format (Deloitte)
	Investor and regulator focus areas (Climate-related risks, assurances over TCFD and GHG disclosure) (Deloitte)
Remuneration Committee	
February:	Rewards structures in Russia and Kazakhstan
	Executive compensation trends
June:	ESG KPI market review
Safety and Sustainability Committee	
February:	International mining organisations – memberships opportunities
March:	H&S regulatory framework
August:	Climate-related risks, carbon accounting, biodiversity and nature conservation

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 Ms Boninelli and Abt, who joined the Board within the past two years, to enable their participation in Board discussions with a sound understanding of the Group's long-term strategy, business model, operations and governance structure. With travel slowly resuming, a site visit to Kyzyl took place in November 2021; the majority of technical meetings were held online. In 2022, a meeting is planned to the St. Petersburg office to visit in-house facilities including Polymetal Engineering, laboratories and the data mining department will be scheduled as soon as travel becomes possible. A technical deep-dive meeting will also take place.

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
Shareholders	Meeting with shareholders as part of the Board engagement programme

Board's stakeholder engagement

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 2021. Polymetal held over 250 online meetings and participated in 158 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 lockdown restrictions, Polymetal organised one hybrid Capital Market Day in April and one virtual in November. In April 2021, the Board Chair and senior management presented updates in Moscow on Polymetal's strategy and mid-term growth outlook, focusing on current operations development projects and brownfield exploration. In November, we organised a virtual broadcast and provided a business update as well as reviewing Polymetal's key development projects: further to success last year, a video on progress to date and drone footage of major operations was shown to investors. We also provided outlook and information on key milestones expected. Over the year, more than 150 analysts and investors visited or watched our Capital Market Days.

In April 2021, our now traditional ESG Day was devoted 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 reinforced Polymetal's commitment to sustainability as one of strategic priorities. We discussed the Company's approach to the climate change challenges, including setting ambitious targets underpinned by capital expenditure estimates to ensure their achievement. We provided GHG intensity reduction targets as well as providing information on the link between ESG KPIs and broader remuneration. Prior the ESG Day we published our first Climate Change Report, setting a strategic goal to reduce GHG emission intensity by 30% by 2030. Further information is available on page 66.

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 2021, we continued to hold a hybrid AGM, enabling shareholders to listen to the proceedings of the meeting. A recording of the meeting is available on Polymetal's website.
- We aim to resume in-person AGMs as soon as practicably possible, leaving the opportunity for virtual participation for shareholders.

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 2021, shareholder consultation was held on changes to the implementation of the Remuneration Policy for 2022 (annual bonus metrics) and on a proposed amendment to the Remuneration Policy: addition of ESG metrics to the LTIP. An update was circulated to major shareholders and proxy advisors; online meetings with Blackrock, Federated Hermes, and Mondrian were arranged following this engagement in addition to responding to emails received. We also solicited and received written feedback to our proposals from Capital Group, Norges, Schroders, Vontobel, LGIM and Glass Lewis.

During the year engagement with Schroders (First Nations), USS, UBS, DWS, SSGA and Danske Bank (general/corporate matters), Nest Pensions (Board and workforce ethnic diversity), Rathbone Investment Management (First Nations, Parker Review) 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 online meetings with institutional shareholders in order to understand their views. In 2022, the Board Chair will continue to facilitate an open dialogue with shareholders.

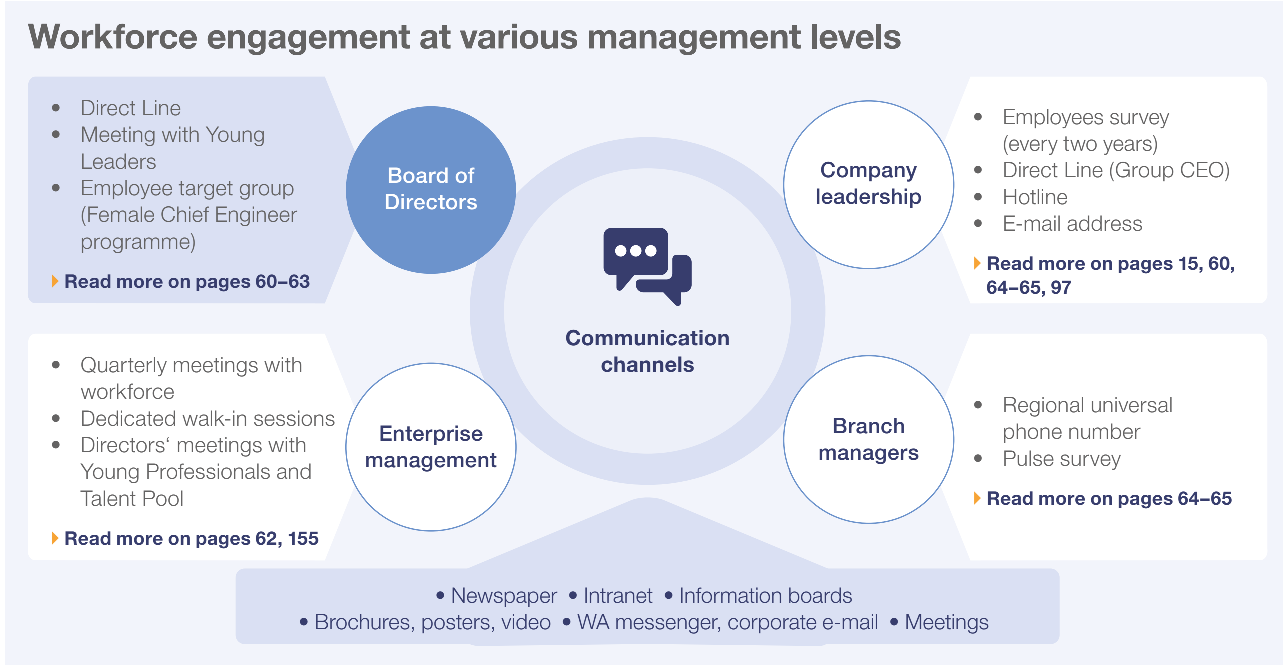
The SID, Mr Oliveira continues to make himself available to all shareholders in order to hear their views and help develop a balanced understanding of their issues and concerns. In 2021, all meetings took place virtually.

All Committee Chairs offer themselves for shareholder meetings on a regular basis. In 2021, 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 enhanced disclosure, including the remuneration section of the Annual Report, and moved to integrated annual reporting to ensure better alignment of our strategy, financial and ESG performance. We sought to further align investors' principled positions on such diverse matters as climate change, waste management, responsible water use, safety, ethnic and gender diversity, inclusiveness, transparency of governance, and personnel recruitment and development with our policies and protocols that govern our day-to-day operations.

Employees



A formalised approach to workforce engagement is a requirement of the UK Code.

Polymetal has in place a comprehensive engagement system with its employees – one of the largest stakeholder groups. It takes account of the Group's wide geographic spread and often extremely remote locations and includes Direct Lines to the Group CEO and departmental heads, large-scale employee engagement surveys once every two years, regular pulse surveys on particular topics, dedicated meetings with employees as well as direct Board engagement.

The Directors' Direct Line is included in the circle of continuous feedback for our employees and comprises: collecting questions from the employees; distributing them between Directors; providing feedback directly to employees and publishing responses on information boards, the intranet and in the corporate newspaper. Matters that require managerial input are directed to the relevant departments.

During the Covid-19 pandemic, additional channels of communication were set up via employee conference calls and mobile group chats. (Feedback received was provided to the Board.) This has resulted in the increased use of online video-engagement channels during 2021. Polymetal added Direct Line via video to the offline tools previously used, which significantly increased interactive communications. The Direct Line had 25 group connections (production sites and offices) with over 500 employees participating online. Those unable to join due to time differences or limited internet had access to a recording of the video conference on the intranet with about 2,000 views. In total, some 2,500 employees listened to the Direct Line, 18.5% of the headcount. Given this year's success, video Direct Line will become an annual event. In addition, a targeted Direct Line on female leadership, led by Tracey Kerr took place in 2021 and is also expected to become an annual event for female members of the Polymetal Board.

In total, Directors received 56 questions, including:

Enquiry topic	Number of enquiries
Corporate results and strategic development	22
Sustainable development	10
Remuneration and social benefits (including C-19 related)	8
Work of the Board	5
Shares and dividends	5
Training and development	2
Work ethics	2
Working and living conditions	2

Analysis of the questions received during this year's workforce engagement was very informative and the increased interaction provided valuable feedback. With the programme in its third year, employees made the most of the opportunity to ask the questions and continued to focus on strategic matters, including the Company's future development, share price movements, ESG practices, benchmarking and programmes on diversity and inclusion.

Employee engagement outcomes

A constructive feedback process allows employees to engage directly with Directors so that they are made aware of any concerns among the workforce. During the reporting period, there were no complaints or grievances relating to discrimination or violation of human rights. The results of both Directors and managerial engagement are disseminated to employees via the intranet and a summary provided to the Nomination Committee.

In 2021, two topics were of particular attention to Directors: remuneration and employment benefits and diversity and inclusion. As a result of the engagement, all subsidiaries will have salaries benchmarked against similar jobs in areas of operation. On the basis of this analysis, the current rewards system will be reviewed (both monetary and non-monetary); employment benefits will also be reviewed to better reflect employees' demands. To prevent any barriers to inclusion, the Company's offices will be assessed to ensure accessible environment for disabled employees. Corporate inclusion programmes will be enhanced. Read more on our diversity and inclusion programme on pages 51, 63.

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Supply chain: resilience, costs and ESG

The Board of Directors performs annual deep-dives into a range of topics that are of significance to the business. In 2021, the Board focused its attention on the Company's suppliers, and cost management and efficiency in particular. Within our supply chain, we identify the following stakeholder sub-groups: internal customers (Polymetal subsidiaries), suppliers and contractors, and engage with them in the following ways.

Close interaction for timely measures

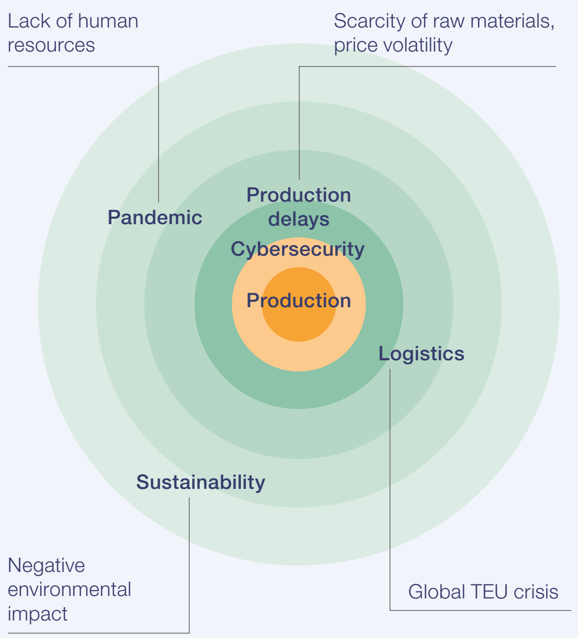
Internal Customers	Suppliers	Contractors
• Category management • Advanced planning • Detailed technical requirements • Fair pre-qualification procedures	• Full downstream transparency • Partnerships with suppliers • Responsible sourcing compliance	• Long-term contracts • Same standards and requirements for own and contractors' employees • Flexible payment policy

Supply chain strategy

We have responded to the challenges thrown up by the ongoing pandemic, such as the logistics crisis and price volatility, by adjusting our medium-term supply strategy. We have learned how to manage a supply chain where there is a high degree of uncertainty and to react quickly to changes in the marketplace.

During 2021, we focused on maintaining a comfortable level of stock by controlling and consolidating our supply chain. Our engagement with suppliers is at all times responsible, flexible and efficient. Further information on the ways in which the Board monitors supply chain risk are available on pages 115, 119.

Supply chain areas of focus



Our response to:

Internal environment

- Advanced planning and ongoing reviewing
- Creating safety stocks for key inventory groups
- Implementing electronics data interchange standards for suppliers and contractors
- Access rights to e-commerce platform

External environment

- Creating and updating a list of critical products and suppliers on a weekly basis
- Implementing pricing formulas in contracts to eliminate price volatility risks
- Reservation of production capacities on the multiple-tier suppliers level
- Agile stocks allocation
- Shift to substitute items where the risk of supply chain interruption is high
- Focus on local contractors
- Monitoring the Covid-19 risks and restrictions
- Sharing additional costs, including paid isolation, personnel rotation, etc.
- Ensuring the accessibility of medical services, testing and vaccination

- Calculating multiple shipment scenarios for critical items
- Involving our own containers in the shipment turnover
- Tracking all shipments, infrastructure outages and inclement weather
- Ongoing monitoring supply chain at all levels
- Focus on service providers and logistics partners
- Attention to stock conditions and turnover of hazardous goods (cyanide, chemicals, etc.)

Working under market pressure

In 2021, our operational procurement continued to be efficient and cost-effective due to Polymetal's implementation of a category management approach. It has allowed us to both soften inflation spikes and mitigate price risks. Our long-term contracts with fixed prices and indexation formulas have also proved effective. We identified 45 strategic groups that include the most expensive goods, including chemical reagents, crushing materials, dump truck tires, explosives, mill lining, mining support and drilling tools.

Logistically, 2021 was a challenging year: the cost of sea transportation more than doubled and the shortfall in container fleets and railway rolling stock worsened. However, having undertaken an analysis of the preconditions for a transport crisis back in 2020, Polymetal had already introduced an extended planning horizon within key logistical areas. This foresight made it possible to deliver some 147,000 tons of cargo – 20% more than last year – on time. We are also in the process of arranging long-term contracts by reserving ships for sea transportation and determining a pool of road transportation contractors for use on predicted routes and for specific volumes of cargo.

Governance tools in supply chain

The Company has developed and consistently reviews a set of tools to increase the transparency and resilience of its supply chain. The Board of Directors is responsible for supervising the drafting and implementation of procurement policies and the Supplier Code of Conduct. The Safety and Sustainability Committee regularly reviews Group policies and standards to ensure that they are up-to-date and in line with leading global practice. Further information on the policies we use is available on page 271.

Polymetal's supply strategy is based on responsible sourcing; the Company adheres to the highest standards in the industry. During 2021, we enhanced our systems with the development of ESG evaluation criteria for suppliers which will be included in Polymetal's general ranking system. This will be used in the supplier selection process along with the price, quality and delivery terms. The Board receives bi-annual supply chain reports; during the pandemic, the frequency of this interaction increased.

We see stakeholder engagement as a key non-monetary aspect of our supply chain management strategy. In 2021, we actively engaged with suppliers and contractors on corporate, social and environmental responsibility issues to help achieve full transparency within the supply chain. A tailored approach, which is adjusted depending on the availability of goods and services within local and global markets, has been implemented for each group.

Responsible sourcing on track

2018	Ensure our suppliers meet all relevant statuary regulations and quality standards	Check for sanctioned suppliers
2019	Check for anti-corruption policies and financial sustainability of all potential contractors	Set the same safety requirements and approach to sustainability for our contractors
2020–2021	Increase our due diligence requirements (labour rights, safety, taxes and legal compliance)	An integrated end-to-end approach, focusing on safety, environmental stewardship and labour practices
2021–2022	Two software tools: pilot operational phase One website page: introductory phase	

Receiving and analysing stakeholder information

Supply chain engagement outcomes

The Board continues to oversee supply chain issues to ensure that there are no business interruptions and works closely with the procurement department in order to understand the challenges for and engagement mechanism with participants of the supply chain.

In response to increases in the cost of supplies, the Board performed a deep-dive session on cost-management, including in-depth analysis of the purchasing cost structure.

Read more on responsible supply chain on pages 98–99.

> Adhering to core values and ethical principles ensures the highest business standards and integrity."

Giacomo Baizini
Chair, Audit and Risk Committee

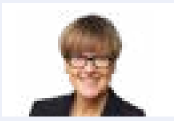
Audit and Risk Committee


Giacomo Baizini


Ollie Oliveira


Victor Flores


Tracey Kerr


Andrea Abt

Meeting attendance

Giacomo Baizini	10/10	Ollie Oliveira	10/10
Victor Flores	10/10	Tracey Kerr	7/7[1]
Andrea Abt	10/10		

1 Tracey Kerr joined from 3 March 2021.

One meeting was held jointly with the Safety and Sustainability Committee. Three further meetings took place with external and internal auditors without the 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 as well as Ms Abt and Kerr.

The Committee is attended (by invitation) on a regular basis by the Board Chair, CFO, Company Secretary, Head of Internal Audit, heads of legal and security departments and the statutory auditor, Deloitte LLP.

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

For further detail on biographies and Board experience: pages 130–131.

Fair, balanced and understandable

The Board and the Audit and Risk Committee are satisfied that the Integrated 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:

- 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.
- Members of all Board Committees review the relevant sections of the Integrated 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.
- The Committee, management and external auditors hold an early-warning conference call to review critical accounting judgements and estimates and to discuss any significant issues related to the consolidated financial statements in advance.
- The Committee reviews the disclosure of Alternative Performance Measures (APMs) to ensure appropriate prominence of APMs and IFRS measures and their presentation throughout the Integrated Annual Report. A guide to APMs can be found in the 'Alternative performance measures' section on pages 248–249.
- The Committee reviews the Integrated 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 Integrated Annual Report is approved by the Board for publication on the Company's website and circulation to its shareholders.

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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 130–131. Mr Flores is also 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.

	Key responsibilities	Focus during 2021
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	• Approved budget for 2021 • Reviewed and recommended for approval financial and risk information included in the Annual Report 2020 and Polymetal's results for the six months to 30 June 2021 • Supervised preparation of the longer-term viability statement, reviewed going concern and Covid-19 impact • Reviewed major assumptions/risks discussion for annual financials (goodwill, PPE and E&E asset impairment, NRV testing of metal inventories, significant transactions, valuation of contingent consideration assets and liabilities, changes in accounting policy) • Reviewed all information in the Annual Report and considered its accuracy/consistency with the financial statements • Deep dive into significant regulatory developments (Restoring Trust in Audit and Corporate Governance) • Overview of corporate transactions for 2021 • Reviewed approach to discount rate calculations and application • Reviewed Financial Reporting Council's (FRC) letter on the 2019 Annual Report and provided response • Reviewed TCFD assurance status
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 legal compliance report, recent tax judgements and other potential exposures • Reviewed security department's incident reports, including whistleblowing and reports to the external hotline • Reviewed reporting from internal auditors on key controls and approved internal audit plan • Performed an in-depth review of several subsidiaries: Dukat, Albazino, Svetloye, Polymetal Engineering • Reviewed sustainability risk management systems at Dukat • Performed deep dive on cybersecurity risks • Monitored the effectiveness of internal audit • Reviewed approach to hedging and interest swaps • 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 scope) and the Group's external audit plan • Reviewed audit planning report for 2021 year end • Reviewed the actual external audit fee in 2021 and compared with the authorised amount • Reviewed the independence and effectiveness of the external auditor • Reviewed non-audit services (including interim review and TCFD reporting) • Noted the FRC's Audit Quality Review report
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 • Performed internal committee evaluation and reviewed terms of reference • Reviewed the work plan for 2022

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 188–197).

Significant issues addressed by the Committee	How the Committee addressed the issues
Change to the Exploration and Evaluation Accounting Policy Starting from 1 January 2021, exploration and evaluation (E&E) expenses costs are capitalised into assets only when mineral resources are published; and before that are expensed as incurred. Previously capitalised E&E assets with no mineral resource estimation were written off via retrospective restatement adjustments to the income statement and balance sheet amounts brought forward. The change to the E&E Accounting Policy required a high level of management judgement, particularly in determining whether this represented a change in accounting policy rather than a change in estimate. Recognition and impairment criteria for E&E are inherently uncertain, as they are based on representation, assessment and judgements made by technical specialists, which might be derived from limited data.	The Committee reviewed management's analysis of IFRS 6 requirements, the existing accounting policy, the proposed amendments that were applied from 1 January 2021 onwards, and the calculation of retrospective restatement adjustments to the financial statements. The analysis also included detailed benchmarking of general practice in the mining sector. The Committee is satisfied that the Group's revised policy for E&E capitalisation is acceptable under the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 6 Exploration for and Evaluation of Mineral Resources. The Committee also concluded that expensing costs as incurred, until resources are estimated, represents a more transparent and less subjective accounting policy. The details of the change to the E&E Accounting Policy are set out on pages 203–208.
Cash generating units for accounting purposes In 2021, the Board of Directors approved the accelerated development of the open-pit mine at Prognoz by utilising the ore processing facilities at the Nezhda concentrator, rather than Prognoz constructing its own concentrator as per the previous plan. Consequently, management has reassessed its cash generating units (CGUs) for the second half of 2021. Prognoz and Nezhda, previously treated as two separate CGUs, are now judged to be a single combined CGU. In accordance with IAS 36 Impairment of assets, identifying CGUs can have a significant impact on the results of an impairment review and test.	The Committee examined the comprehensive analysis prepared by management for the production process, the lowest level of identifiable cash flows, presence of an active market and alignment with internal management reporting. The commercial decision to process ore from Prognoz at Nezhda ensures optimal allocation of human and financial capital within Polymetal. Fast-track development significantly reduces capital expenditure and project execution risks, while bringing cash flows forward and lowering the environmental footprint. Based on the review, the Committee also concluded that Nezhda and Prognoz should be treated as a single combined CGU. The Committee also assessed the identification of impairment indicators based on the life-of-mine model prepared for the combined CGU to challenge the assumptions used and key project parameters. This review did not indicate any concerns with the carrying value of the combined CGU as at 31 December 2021.
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 2021, probable exposures totalled $13 million and predominantly relate to a risk identified in respect of Russian mineral extraction tax. The possible tax exposures (disclosed as contingent liabilities) of $158 million relate to Russian withholding 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 recorded and contingent liability disclosures 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 11 on page 222 and Note 15 on page 223.
Longer-term viability statement The viability statement, scenario analysis process and key risks factored into the analysis are presented on pages 182–184.	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 the realisation of critical risks had been modelled in a stress scenario. See pages 182–184.
Climate change resilience Climate-related risks scenario analysis and key risks factored into the analysis are presented on pages 268–270.	The Committee concluded that the scenario analysis, time horizon and assumptions used were sufficiently severe and feasible, including those related to the potential impact of climate change on the Group's financial and operating performance and future prospects, and aligned well with the Group's budgeting and forecasting processes, strategy and business model. See pages 66–81.

Internal controls and risk management

Risk management

Given the escalation in Ukraine, the Audit and Risk Committee reviewed management's analysis of the Group's exposure to the EU, UK and US imposed and potential sanctions and its resilience over the period of the going concern and longer-term viability. The Group's liquidity position and historical ability to withstand global economic turbulence has been also considered. While the scope and impact of any new potential sanctions is yet unknown, the Group has contingency planning in place to ensure business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing sales channels.

The Committee considered whether the description of strategy, business model, principal risks and uncertainties and future plans were consistent with the understanding of the Board, and whether the controls over the consistency and accuracy of the information presented in the Integrated Annual Report are fair and robust. Given the escalation of geopolitical tensions, the Committee considered whether the potential risks to the business were appropriately and adequately disclosed.

Risk management approach and risk assessment 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 Integrated Annual Report, for identifying, evaluating and managing the principal and emerging risks faced by the Group, as described on page 115.

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 the internal guidelines of key business processes ensure that the procedures are embedded in all of Polymetal's systems and processes, and that the Company's responses to risk remain current and dynamic. The Group enforces a responsible risk-awareness business culture throughout all Group entities to identify, assess and 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 Board and Committee consider 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 114–115.

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.

Assessing the effectiveness of internal audit

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 was performed by Ernst & Young and results were presented to the Audit and Risk Committee in December 2021. EY confirmed that the IA function generally conforms with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and applies the Code of Ethics, issued by the Institute of Internal Auditors.

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 114–115)
- 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.

The Group's Risk Management Framework is considered effective if it complies with the following parameters:

- A special audit procedure proves that all elements of the Risk Management Framework are consistent with the COSO components and are in line with the Group's Risk Management Policy
- At least 75% of the Risk Management Framework's elements are assessed as 'Strong' or 'Good'
- Management's reports on internal controls demonstrate that there are no weaknesses in the controls and Risk Management Framework which might have significant consequences for the Group
- Internal audits carried out in accordance with the approved internal audit plan have revealed no weaknesses in the controls and Risk Management Framework which might have significant consequences for the Group.

If one or more of the Risk Management Framework elements are found to be inadequate, or there is direct evidence of the ineffectiveness of the Risk Management Framework, the Head of Internal Audit function informs the Executive Management, and reports to the Audit and Risk Committee and the Board of Directors, as appropriate. No such reports were made in 2021.

External auditor

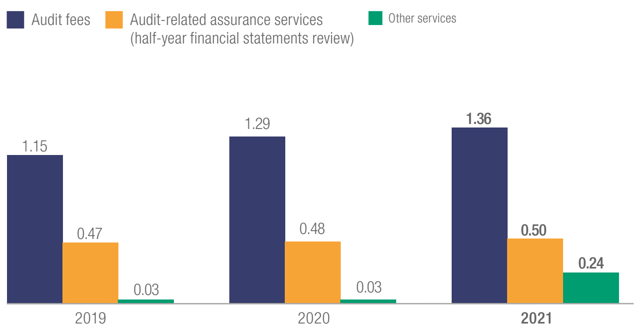
External auditor appointment and audit tender

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 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 previous audit partner. The tendering process was held in compliance with the Competition and Markets Authority regulations, applicable EU requirements and Financial Reporting Council 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. 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.

The Committee assessed the external auditor's performance and independence, and continues to believe that Deloitte LLP shows expertise, has good resources and is committed to delivering high-quality audit services to Polymetal. The Board proposes to shareholders the re-appointment of Deloitte LLP as auditor until the conclusion of the AGM in 2022. Resolutions to authorise the Board to re-appoint and determine the auditor's remuneration will be proposed at the AGM on 25 April 2022.

Statutory auditor's fees
($m)



Non-audit services by the external auditors

Polymetal's Policy on Independence and Provision of Non-Audit Services is based on the provisions of the Revised Ethical Standard, issued by the UK Financial Reporting Council, that 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 2021 is disclosed in Note 13 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 2021, non-audit fees were $0.74 million of which $0.50 million were incurred for audit-related assurance services for the Group's half-year review. Non-audit fees represented 54% of the 2021 audit fee (2020: 42%). Non-audit fees, excluding audit-related services, amounted to $0.24 million, or 11% (2020: 2%) of total fees for the audit and audit-related services.

The significant increase in non-audit fees was due to Deloitte CIS providing TCFD assurance on the 2021 Integrated Annual Report. The Audit Committee considered the following when selecting Deloitte CIS to perform this work:

- Deloitte is involved in standard setting initiatives, including the GRI, SASB, and International Integrated Reporting Council (IIRC)
- Both UK and Russian teams have significant expertise in TCFD and sustainability, including sustainability assurance credentials for other FTSE clients
- Integrated UK and Russian teams allow for the avoidance of overlapping work
- Deloitte understands Polymetal's business processes, including sustainability
- Deloitte CIS will use experts from the UK to provide TCFD subject matter input, insight on emerging best practice.

The Audit and Risk Committee has considered information pertaining to the balance between fees for audit and non-audit work for the Group in 2021 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.

Audit quality

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 formal meetings and questionnaires. 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.

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 Chair and discussed with the external auditors. As a result, management has again clarified and enhanced certain disclosures in this Integrated Annual Report, consistent with the 2020 Annual Report. The Committee was pleased to note the FRC's confirmation, received in February 2021, that it had concluded the correspondence on this matter.

In addition, in December 2021, the Audit Committee received and reviewed the Audit Quality Review Inspection Report on the audit of the financial statements of the Company for the year ended 31 December 2020 by Deloitte LLP (including component audit work by Deloitte Russia). The scope of the review included key audit matters of 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. Other areas of audit focus were journal entry testing. The Audit Quality Assessment was 'Good' relating to the areas of the audit work covered by the scope of the review. There were no key findings arising from the review.

Committee 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 and 2021 is provided on page 140.

In 2021, the Committee carried out a comprehensive self-evaluation of its performance. 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 2021 Committee work plan. All comments received were fairly minor and the areas for further focus included:

- More discussion on issues of substance and importance; more attention paid to internal audit and compliance
- Ensuring the Committee has a clear view of upcoming matters that will require approval
- Continue the practice of circulating any finance-related papers to the Audit Committee prior to the Board review
- Better reporting to the Board on the work performed by the Committee
- More mining-related training
- Enhanced communication between the Committee Chair, the Board, management and internal and external auditors.

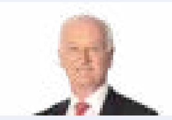
Post year end events

Given the current conflict in Ukraine, the Audit and Risk Committee reviewed management's analysis of the Group's exposure to the sanctions imposed by the global community and potential future sanctions; and its resilience over the period of the going concern assessment and longer-term viability. The Group's liquidity position and historical ability to withstand global economic turbulence has been also considered. The Group has contingency planning in place to maintain business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing sales channels.

The Committee considered whether the description of strategy, business model, principal risks and uncertainties and future plans were consistent with the understanding of the Board, and whether the controls over the consistency and accuracy of the information presented in the Integrated Annual Report are fair and robust. Given the conflict in Ukraine and related economic and political developments, the Committee considered whether the potential risks to the business were appropriately and adequately disclosed. For more information, see pages 182–184.

> Developing our Talent Pool and broadening diversity are key to our focus on executive succession planning for the future."
>
> **Ian Cockerill**
> Chair, Nomination Committee

Nomination Committee


Ian Cockerill


Ollie Oliveira


Giacomo Baizini

Meeting attendance

Ian Cockerill	2/2	Giacomo Baizini	2/2
Ollie Oliveira	2/2		

One further informal meetings took place.

The Nomination Committee comprises two independent non-executive Directors and the Board Chair (independent upon appointment), who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable).

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

For further detail on biographies and Board experience: pages 130–131.

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, Tracey Kerr, Giacomo Baizini and Ollie Oliveira, in 2019, Ian Cockerill and Italia Boninelli and, in 2020, Victor Flores and Andrea Abt became non-executive Directors of the Company. 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 is 4.6 years; the Board still has sufficient historic knowledge about the Company while also drawing on the skills and experience of its newest members.

The Committee continues to review the non-executive needs of the Board to ensure a balance of skills, diversity and experience as well as compliance with various regulatory requirements.

Board Director	Tenure on 1 March 2022 (0–3 years / 3–6 years / 6+ years)
Andrea Abt	1 year 11 months
Victor Flores	2 years 1 month
Italia Boninelli	2 years 3 months
Ian Cockerill	2 year 10 months
Ollie Oliveira	3 years 9 months
Giacomo Baizini	4 years 2 months
Tracey Kerr	4 years 2 months
Vitaly Nesis	10 years 3 months
Konstantin Yanakov	10 years 3 months

Executive succession

The Nomination Committee continues to pay close attention to the matter of executive succession. While there are no current concerns about the need for immediate executive succession, contingency planning is essential. The Committee reviews plans annually to ensure uninterrupted business operations. This includes development programmes for the Company's most senior managers, which provide exceptional opportunities for nominated employees to broaden the scope of their work and future proofing for the Company.

In 2022, the Committee will continue monitoring the executive succession programmes with a particular focus on replenishing the pipeline. Mining is not excluded from the severe staff shortages experienced across all industries globally. The Nomination Committee continues to monitor the human capital development programmes, starting from grassroots initiatives in schools, continuing through apprenticeship programmes, professional colleges and close cooperation with universities, paying attention to attracting and retaining young professionals. The Board believes that a successful executive succession programme starts with the ability to develop professionals within the Company.

	Key responsibilities	Focus during 2021
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 • Introduced a mentoring programme for Young Leaders and Female Engineer programmes • Oversaw Talent Pool development, including the Scientific Conference • Analysed HR system, including attraction, development and retention • Reviewed ways of enhancing employee engagement, including setting up the Direct Line (web-conference in 2021)
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 • 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 2022

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.

Board Diversity Policy – objectives and progress against targets

Polymetal's Diversity and Inclusion Policy includes a section on Board diversity. The objective of the policy is to ensure a fair and unbiased process when recruiting new Board members. Board diversity is addressed as part of the Board succession programme. These include:

Objective	Progress
Consider candidates with little or no previous Board experience in public companies for appointment as non-executive Directors.	Since the official start of the Board succession programme in 2017, three female Directors have been appointed: Andrea Abt, Italia Boninelli and Tracey Kerr; two of these appointees had no previous Board experience.
Ensure that females form at least 1/3 of the Board.	33% of the Board members are female.
Ensure that at least one Director is from an ethnic minority background.	One Director is from the ethnic minority background.
Work with recruitment consultancies that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	Spencer Stuart, an international search firm, is a signatory to the Voluntary Code of Conduct on gender diversity and best practice.
Ensure that the development of a diverse executive pipeline within the Group.	At Nomination Committee meetings, the Directors consider diversity and inclusion within the Group and there is an enhanced focus on diversity within talent development programmes.

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 prohibits 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 2021. The Group is in full compliance with all local legislation in the countries where it operates that prohibit any discrimination in payment and promotion.

As of the date of this report, the Executive Committee of the Company comprised 34% females.

Gender pay

The Nomination and Remuneration Committees undertook an in-depth review of the workforce gender pay gap 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 2021 was 1.22 (2020: 1.25). 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 2022:

- Immersive programmes for HR and heads of structural subdivisions
- Targeted/themed courses for female employees (some in conjunction with Women in Mining Russia)
- Developing a pool of female representatives, role models
- Inviting female change agents to participate in the external stakeholder engagement
- Promoting a female image in the industry: communication, engagement, leadership, recognition
- Implementing tailored programmes for women at different levels within the Company.

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. Further information is available on pages 15, 19, 61, 155.

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 30% in 2021. 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.

Further information on workforce diversity is available on page 63.

The Young Leaders Programme

Our Young Leaders Programme is now well established and ongoing. This programme helps to evaluate the Talent Pool 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. 50% 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 person. This group is divided into two with a common topic to prepare and present to the Board members.

Training is provided on both the particular topic and general presentation skills. Prior to the final presentation, the groups have internal conference calls to discuss the presentations and then practice their presentations in front of their colleagues in St. Petersburg.

In 2021, the Young Leaders visited the head office in Cyprus and, in addition to making their presentations, sat in on a Board strategy session. By providing exposure to the most senior people within the Company, Young Leaders are able to witness first hand the decision-making process beyond the scope of their own roles.

The Board continues to monitor progress of the previous years' cohorts. Graduates of the programme participated in training programmes, received promotions and were rotated to a different area of operation to expand their experience.

In 2022, the Board has started the first mentoring programme with Young Leaders to facilitate their professional development.

Female Chief Engineer Programme

In 2021, Polymetal's started a new programme: Female Chief Engineer. This programme is endorsed by independent non-executive Director Tracey Kerr, who has had an exceptional career in mining, including working at the most remote locations. To kick-off the programme, Ms Kerr held a Direct Line web-conference with female participants from all Group subsidiaries, at which all employees could hear about her career path and the challenges and opportunities presented by the mining industry.

In the second session Ms Kerr attended a workshop for eight programme participants, which included a review of the progress made during the year, listening to the programme plan for 2022 and providing advice on various aspects of the programme. Four of the most experienced participants will be mentored by Ms Kerr in 2022 with a further four joining the mentoring programme in 2023. Participants will be added to the programme each year.

The first appointment of Female Chief Engineer is expected in 2024.

Women in Mining Russia

In 2020 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.

In 2021, the first awards for Talented Woman in Mining took place with three of Polymetal's employees among the winners.

Safety and Sustainability Committee report

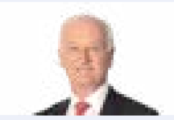
> Our new Climate Change Policy enables us to evaluate the impacts on our operations and the environment."

Tracey Kerr
Chair, Safety and Sustainability Committee

Safety and Sustainability Committee

Tracey Kerr (Chair)

Vitaly Nesis



Ian Cockerill

Victor Flores

Meeting attendance

Tracey Kerr	4/4	Vitaly Nesis	4/4
Ian Cockerill	4/4	Victor Flores	4/4

The Safety and Sustainability Committee comprises four Directors. The Committee is chaired by Ms Kerr and its other members are Messrs Cockerill, Nesis and Flores.

The 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.

Members of the Safety and Sustainability Committee attend the sections of Audit and Risk Committee meetings dealing with risk.

For further detail on biographies and Board experience: pages 130–131.

Overseeing climate strategy

In April 2021, the Committee supervised publication of Polymetal's first Climate Change Report. In the Report, Polymetal commits to targets based on the Paris Agreement principles (in line with a "much less than 2.0 degrees" trajectory). To achieve these goals, Polymetal has developed a comprehensive programme that includes a wide range of projects and allocated sufficient funds to implementation. The Report also contains information on specific carbon footprint reduction projects at the mines, the climate scenarios, and approach to managing climate-related risks and opportunities (including governance and strategy features). The qualitative and quantitative data disclosed in the Report has been prepared in accordance with the recommendations of the Financial Services Board's Task Force on Climate-related Financial Disclosures (TCFD) and accompanies our annual submissions under the Carbon Disclosure Project (CDP).

Additionally, a new Climate Change Policy was approved by the Board. The Climate Change Policy introduces an approach for evaluating the impact caused by the changing climate on the Group's operations, cutting greenhouse gas emissions, and improving energy efficiency wherever the Group operates, taking account of good international practice and the goals of the Paris Agreement.

TCFD disclosure

This Integrated Annual Report contains full disclosure under the TCFD requirements. The report follows the recommendations of the disclosures under 4 pillars: governance, strategy, risk management, and metrics and targets. The Safety and Sustainability Committee, jointly with the Audit and Risk Committee, closely supervised preparation of the report. Full information on our approach to managing climate-related risk and opportunity, and guidance on where to find disclosures aligned to the Financial Stability Board's TCFD recommendations are available in the Task Force on Climate-related Financial Disclosure section on pages 66–81, 261–270.

Risk overview

In 2021, in response to internal evaluation feedback, members of the Safety and Sustainability Committee attended meetings of the Audit and Risk Committee at which risks were discussed. The main focus of attention was on safety and sustainability risks (including identifying emerging risks). This year, the Committee reviewed health and safety and environmental risks, while climate change was identified as an emerging risk.

The Committee will continue the practice of joint meetings with the Audit and Risk Committee to ensure meaningful discussions. Further information on these risks, including risk descriptions and potential effects, mitigation and principal areas of focus in 2021 can be found on pages 118–127.

ESG remuneration components

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. From 2022 the ESG KPI will increase to 15% to align with the Company's Sustainability Strategy.

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.

Subject to shareholder approval, from 2022 the Remuneration Committee will have the flexibility to set the PSP metrics each year with at least 75% of the award being based on financial metrics. For 2022, the Committee is proposing to introduce a GHG emissions intensity metric with a weighting of 20%. The remaining 80% of the LTIP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach. Both metrics will be measured over a four-year period. The ESG metric will be subject to an additional underpin of zero incidents at tailing storage facilities and zero conflicts with local communities during the four-year performance period. Further information is available in the Remuneration Report on pages 158, 171.

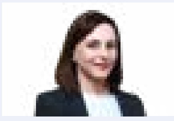
	Key responsibilities	Focus during 2021
Health & Safety	• Receives reports from management on significant safety, health and sustainability issues • Oversees management's interaction with regulatory authorities on safety, health and sustainability matters • Reviews and monitors the safety, health and 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 2021, key risks assessment • H&S report for 2021 • Fatal contractor accident • Safety incidents and accidents • Safety deep dives: – Albazino case study, engagement with suppliers – Introduction of safety protocols at the new Nezhda operation • Covid-19 response
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 2020 • Carbon accounting • Approach to climate strategy: climate risks and their management, carbon footprint and ways of reducing it, TCFD and Paris Agreement • Energy efficiency; ways of reducing energy consumption; green energy • Tailings management, Global Tailings Standard • Mine closure system: principles, assessment • H&S regulatory framework (Russia, Kazakhstan) • Assessment of sustainability risk-management systems efficiency at Dukat • Biodiversity and nature conservation • Social risks
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 • Review of the Committee's performance and its terms of reference • Review of the work plan for 2022

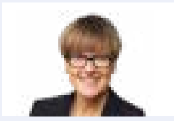
Strategic report
Governance
Financial statements
Appendices

> Aligning remuneration policies with Polymetal's ESG standards was again a major focus."
>
> **Ollie Oliveira**
> Chair, Remuneration Committee

Remuneration Committee


Ollie Oliveira


Italia Boninelli


Andrea Abt

Meeting attendance

Ollie Oliveira	2/2	Italia Boninelli	2/2
Andrea Abt[1]	2/2	Tracey Kerr[2]	0/0

1 Member from 3 March 2021.
2 Member until 3 March 2021.

One meeting was held jointly with the Safety and Sustainability Committee. Three further informal meetings took place, including one jointly with the Safety and Sustainability Committee.

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 Misses Boninelli and Abt.

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

For further detail on biographies and Board experience: pages 130–131.

ESG in remuneration

No shareholder meeting these days passes without addressing ESG in remuneration, and one of the biggest challenges that businesses globally have faced in decades: climate risk. The Board and management team at Polymetal have invested a considerable amount of time into what they believe are comprehensive actions to address this challenge. In April 2021, Polymetal published its Climate Change Report, which set a strategic goal to reduce greenhouse gas emission intensity by 30% by 2030 against a 2019 baseline. This commitment is supported by a detailed action plan, which is integrated into the Company's operating system. Further information about this and a copy of the Climate Change Report are available on the Company's website.

Given the strategic significance of these issues, and the topic of ESG as a whole, it is critical to ensure that Polymetal's overall ESG strategy and its goals as a business are reflected within management's remuneration. With this in mind, the Remuneration Committee has, with support from the Safety and Sustainability Committee, reviewed both the implementation of the Directors' Remuneration Policy and the policy itself. The changes proposed as a result of this review are set out in this section.

Proportionate remuneration

The Remuneration Committee pays special attention to ensure there are no windfall gains that award failure, are not appropriate and do not reflect the underlying performance of the Group. During the times of high share price volatility, it is especially important to ensure there are controls in place and use discretion where applicable. Caps are applied to short-term and long-term remuneration to reduce the risk of potential excessive gains, and malus and clawback provisions are in place. The Committee has discretion to vary the proportion of awards. The following measures are used:

- Annual bonus: there is a cap on the overall maximum bonus outcome – 120% of base salary.
- PSP: 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. No award will vest if absolute TSR is negative, regardless of relative performance.
- PSP: the value that can be received in the year of vesting is limited to twice the face value of the award on grant. Any gains above this will be forfeited before the start of the one-year holding period.

The main features of Polymetal's Remuneration Policy

Polymetal's Remuneration Policy sets out to achieve the following:

- Structured towards long-term corporate performance, taking into consideration the interests of all of our stakeholders as a whole
- Attracts and fairly rewards high-calibre directors and executives in respect of the responsibilities undertaken and comparable pay levels
- Incentivises 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.

	Key responsibilities	Focus during 2021
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 ESG remuneration consultation and Directors' Remuneration • Change to the Remuneration Policy to be voted on by shareholders at the 2022 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 2021 • ESG KPI discussion: 2021 results (preliminary) and 2022 target, rebalance of ESG and H&S KPI • Approval of PSP grant for 2021 • Approval of PSP vesting (award of 2017 grant) • Feedback from employees of how much the share incentive scheme influences their behaviour versus short-term and long-term cash incentives • 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 2021 • Proxy guidance update: impact of Covid-19 on disclosure requirements • Employee remuneration review (workforce engagement on remuneration) • Remuneration benchmarking, introduction of ESG metric to LTIP • Labour regulations. Local rewards structures in Russia and Kazakhstan, including incentives for good performance (below executive management) • Analysis of labour remuneration conditions • Review of the Committee's terms of reference • Internal evaluation • Review of the work plan for 2022

Changes to the implementation of the Remuneration Policy for 2022: annual bonus metrics

Each year the Remuneration Committee gives significant thought to the relevance and applicability of the Remuneration Policy to determine whether any changes in implementation are required in the context of Polymetal's strategy, industry-specific market conditions, and expectations for the following year. Following our review this year, we consider that the implementation of the policy remains broadly fit for purpose. However we do believe that one change is required to the ESG metrics weighting within the annual bonus.

We propose an increase in the weighting of the ESG metric within the bonus from 10% to 15% at target and reduction in the weighting of the H&S metric from 25% to 20% at target. We believe that this will help align the annual bonus with the Group's overall environmental strategy. No changes are proposed to our other measures, including maintaining the 0.5x to 1.2x multiplier on the annual bonus, which is based on fatalities among our employees and contractors' staff. This multiplier ensures that health and safety is fully reflected in bonus outcomes.

This change will not result in a change in the annual bonus opportunity, as this will remain capped at 120% of salary. Details of these changes are set out in the table below.

	Current		Proposed	
KPI	Target weight	Max weight	Target weight	Max weight
Production	20%	30%	20%	30%
Total cash costs	20%	30%	20%	30%
Progress on development projects	25%	27.5%	25%	27.5%
on time	12.5%	12.5%	12.5%	12.5%
within budget	12.5%	15.0%	12.5%	15.0%
H&S	25%	25%	20%	20%
ESG	10%	15%	15%	22.5%
	100%	128%	100%	130%
Additional bonus for zero fatalities and severe cases	0%	20%	0%	20%
	100%	**120%**	**100%**	**120%**

As part of the annual bonus assessment, the Committee will also review any outcomes holistically, considering the overall underlying performance of the business and achievement against KPIs. We intend to start applying the above weighting changes to the annual bonus from 2022 (first payout in March 2023).

This implementation proposal is not a change to our Remuneration Policy or to the maximum annual bonus opportunity and thus does not require shareholder approval. However, we believe it to be appropriate to communicate changes in the application of the policy, along with our rationale, to our shareholders. The proposals will make up part of the implementation of the Remuneration Policy within the 2021 Directors' Remuneration Report, submitted for shareholder vote at the 2022 AGM. We hope that our shareholders will support this.

Proposed amendment to the Remuneration Policy: addition of ESG metrics to the LTIP

The Remuneration Committee has determined that one aspect of our Remuneration Policy requires amendment in order to reflect the changing environment in which Polymetal operates and the corresponding changes in the Company's strategy.

After detailed discussions, the Remuneration Committee is proposing to introduce ESG as a metric for the 2022 PSP. The current Directors' Remuneration Policy limits Polymetal solely to Relative TSR, and we are therefore proposing an amendment to policy such that the Committee can set the metrics annually in advance of the grant of a PSP award to ensure that they remain aligned with the strategic objectives of the Company. At least 75% of the award would be based on financial metrics, and we would consult with shareholders on any significant changes to measures. As this is a relatively minor change, we are proposing that this be put to shareholders as an amendment to the Directors' Remuneration Policy at the 2022 AGM for shareholder approval. Subject to this approval, for the PSP grant in 2022 the Remuneration Committee proposes the introduction of a GHG emissions intensity metric with a weighting of 20%. The remaining 80% of the PSP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach. Both metrics will be measured over a four-year period. A summary of the changes proposed for the implementation in 2022 are set out in the table below.

Vesting criteria	Current	Proposed
Underpins	• No award will vest if absolute TSR is negative, regardless of relative performance	TSR metric: No portion of the relative TSR measure will vest if absolute TSR is negative, regardless of relative performance. ESG metric: Targeted zero incidents at tailings storage facilities Targeted zero community conflicts
Vesting criteria	• Relative TSR, measured against the constituents of the FTSE Gold Mines – 100% weight	Relative TSR, measured against the constituents of the FTSE Gold Mines – 80% weight GHG emissions intensity – 20% weight

The Polymetal Climate Change Report sets out a clear pathway to 2030 and beyond, and we believe this can be used to help set clear and meaningful targets for ESG metrics within incentives. The vesting schedule will be as follows:

% of ESG metric that will vest	GHG intensity reduction versus the trajectory set out in the Company's Climate Change Report in April 2021
0%	2% below
50%	In line
100%	2% above

Vesting occurs on a straight-line basis between the above points.

The ESG metric will be subject to an additional underpin of zero incidents at tailing storage facilities and zero conflicts with local communities during the four-year performance period. In the case of such incidents or conflicts, the Committee has discretion to reduce the vesting of the ESG metric to nil depending on the magnitude of the incident. The detailed vesting criteria is subject to regular Remuneration Committee review in line with any updates to the Company's climate change strategy.

We note that these changes to the incentive metrics refer mainly to environmental metrics, and not the social or governance elements of ESG other than an underpin. Based on Polymetal's industry and strategic priorities, as well as the increased ESG component in the annual bonus (including its deferred part), we believe the use of environmental metrics is appropriate and ensures the continued focus on this key business area for Polymetal. The Committee will keep this under review.

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. • Subject to shareholder approval at the 2022 AGM, the Committee will have the flexibility to set the PSP metrics each year with at least 75% of the award being based on financial metrics. For 2022, the Committee is proposing to introduce a GHG emissions intensity metric with a weighting of 20% will be added to PSP vesting conditions. The ESG metric will be subject to an additional underpin of zero incidents at tailing storage facilities and zero conflicts with local communities during the four-year performance period. The remaining 80% of the LTIP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach. • 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. • The minimum shareholding requirement for the senior management is: 500% of base salary for the Group CEO, 250% for the Group CFO and 100% for other senior managers. The retention of the full shareholding is required for two years post-cessation of employment. Lock-up at the broker level to ensure compliance.
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 and ESG metrics 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 165 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 165.
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 177.	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. For the Group CEO the H&S metric applies as a multiplier to the whole bonus: - 0 fatalities or severe cases: 1.2 x multiplier; – more than 0 fatalities or severe cases, but fewer than 3 fatalities or 6 severe cases: multiplier between 0.5x and 1x; – 3 fatalities or 6 severe cases: 0.5x multiplier. 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 2021, performance metrics (as described in detail on page 171) and associated weightings for each were:

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

No discretion was used in 2021.

Details of the metrics distribution for 2022 are available on page 171.

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 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. Subject to shareholder approval at the AGM 2022, the Committee will have the flexibility to set the PSP metrics each year with at least 75% of the award being based on financial metrics. For 2022, the Committee is proposing to introduce a GHG emissions intensity metric with a weighting of 20% will be added to PSP vesting conditions. The ESG metric will be subject to an additional underpin of zero incidents at tailing storage facilities and zero conflicts with local communities during the four-year performance period. The remaining 80% of the LTIP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach. 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[1]. Post vesting and tax, all shares acquired under PSP and DSA awards must be retained until the shareholding requirement is met.	The minimum shareholding requirement for the senior management is: 500% of base salary for the Group CEO, 250% for the Group CFO and 100% for other senior managers. The retention of the full shareholding is required for two years post-cessation of employment, with lock-up at the broker level to ensure compliance.	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.

1 Shares are valued for these purposes at the average price for the 90-day period ending 31 December of the financial year.

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

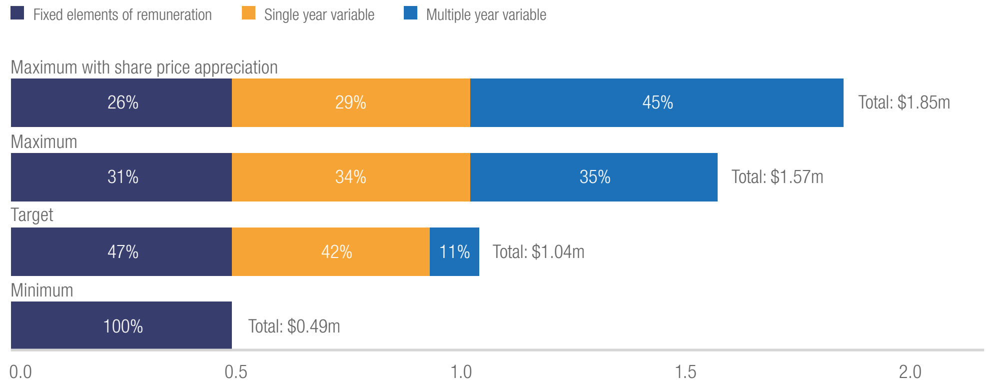
The composition and structure of the remuneration package for the Group CEO under four performance scenarios (minimum performance, target performance, maximum performance and maximum with share price appreciation) are set out in the chart below.

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 75 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.

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 169.

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.

There is a minimum shareholding requirement for senior management: 500% of base salary for the Group CEO, 250% for the Group CFO and 100% for other senior managers. The retention of the full shareholding is required for two years post-cessation of employment. As of 1 March 2022 all employees achieved their minimum shareholding requirement. 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 2021, a 10% increase in compensation was made to the Group CEO in line with the workforce, representing an annual scheduled inflation-based increase of 5% and an additional 5% indexation made for all of the Company's employees on the back of higher competition for the workforce and in order to retain key personnel. Effective from 1 April 2022, a 9% increase will be made in Russia and 12% in Kazakhstan in line with inflation.

Employees up to three levels below the Board (approximately 850 employees throughout the Group) are eligible to participate in the PSP at the discretion of the Remuneration Committee. In 2021, 491 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]	850	30–60%	n/a	Up to 125%
Other employees	12,498	10–30%	n/a	n/a

1 PSP participants (491 of 850) 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 feedback through our formalised workforce engagement programme with the Board. 14% of all questions received by the Board at Direct Line 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. A dedicated page is set up on the intranet to communicate to Group employees how executive remuneration aligns with the wider Company pay policy. For details on workforce engagement refer to page 143.

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

Single total figure of remuneration (audited)

Summary

From 1 April 2021, the approved salary increase for the Group CEO was 9%, which is in line with the average increase for the rest of our workforce. 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 58% of maximum opportunity for the year (which constitutes 69% of his base salary or $291,054), 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 2021 remuneration for the Group CEO. CEO remuneration comprises the remuneration received in his capacity as the Group CEO of Polymetal International and in his capacity as the CEO of JSC Polymetal.

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, $	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
419,472	383,528	**–**	–	**291,054**	433,825	**1,045,265**	905,483	**46,707**	42,652	**1,802,498**	1,765,488

1 The amounts are translated at the average rates of the Russian Rouble to the US Dollar for 2021 and 2020, respectively.
2 50% of the bonus received in 2021 will be deferred into 8,130 shares on 2 March 2022 at $18.22 (RUB 1,322) per share (using the average price for the 90-day period ending 31 December 2021). In line with the policy disclosed on page 163, deferred shares will be released in equal tranches over a period of three years in March 2023, March 2024 and March 2025 and are not subject to further performance conditions.
3 In 2021, further to the vesting of the PSP awards made in 2017, 48,664 shares (2020: 43,491 shares) were issued to Mr Nesis. Further details on PSP vesting are provided on page 173. These shares are subject to a mandatory one-year holding period following vesting.
4 In 2021, $329,672 of the $1,045,265 vesting under the PSP was in relation to share price appreciation, excluding shares accrued relating to dividends.

Non-executive directors fees

Details of total fees paid to non-executive Directors and the Board Chair during 2021 and 2020 are set out in the table below. Non-executive Directors do not receive performance-related pay.

	Total fees $	
Name	**2021**	2020
Andrea Abt	170,797	117,665
Victor Flores	173,000	148,668
Italia Boninelli	140,000	155,180
Ian Cockerill	544,000	483,195
Ollie Oliveira	201,000	213,988
Giacomo Baizini	198,000	208,776
Tracey Kerr	179,000	182,012
Christine Coignard	–	70,608
Total non-executive fees	**1,605,797**	**1,580,091**

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	2021 outcome	Achievement
Achieving production budget, Koz	Global leadership in refractory ore processing	20%	1,422	1,580	1,659	1,677	30%
Total Cash Cost per ounce of gold equivalent produced, $/oz	Global leadership in refractory ore processing	20%	791	719	683.14	730	17%
Completion of new projects, including:	Capital discipline & sustainable dividends through the cycle Meaningful organic growth	25%					19%
On time		12.5%	1 point	10 points	10 points	9.1 points	12%
Within budgets (capital expenditure for investment projects, $m)		12.5%	266	241	229	252	7%
Disability	High standards of ESG through impact assessment	25%	1% decrease year-on-year	>10% decrease year-on-year	>10% decrease year-on-year	10% decrease y-o-y	25%
Sustainability, including:	High standards of ESG through impact assessment	10%					12%
Environment • Developing a detailed programme for greenhouse emissions reduction • Reducing fresh water use for processing by 4% compared to baseline 2018 year		5%	• Construction and launch of a solar plant at Omolon • Reduction by 6% of the Scope 1 + Scope 2 CO_2 emissions per GE oz reduction (comparing with 2019 baseline year) • Fresh water use for processing capped at 2020 levels • Filtration unit start-up at Omolon in October 2021 • Increase in share of dry stacked tailings			• Construction of solar plant at Omolon is complete, see page 73 • GHG emissions per GE oz decreased by 9% vs 2019 baseline year, see page 66 • Fresh water use decreased by 10% year-on-year, see page 84 • The filtration unit at Omolon has been launched, share of dry-stack tailings remained flat comparing to 2020 (11%), see pages 17, 41, 87, 111	6%
Personnel • Implementing the diversification programme		3%	• Local recruitment at Nezhda • Reduced gender gap compared with 2020 – increase in share of female personnel at senior level • Reduced gender gap compared with 2020 – increase in share of female direct report			• The share of local staff at Nezhda is 28%, see page 12 • Share of women in the executive management team increased to 34%, see page 154	4%
Social partnership in host regions • Social projects categorisation and assessing the efficiency of social investments		2%	• Impact assessment of key projects under our long-term Amursk social programme			• Impact assessment for social partnerships in host regions has been successfully completed, see page 20	2%
Total achievement before penalty factor		125%					**103%**
Penalty factor for fatal/severe cases				n/a	n/a	0 fatalities and two severe cases	-33%
Final achievement for the year							**69%**

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 58% of maximum opportunity for the year (which constitutes 69% of his base salary or $291,054).

Deferred Share Awards Plan (audited)

DSA deferred shares granted in 2021

50% of annual bonus for 2021 was deferred into 9,177 shares on 19 March 2021 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 163, 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.

Recipient	Deferred shares under	Date of grant	End of deferral period	Shares granted	Share price period	Share price, $	Face value, $
Group CEO	DSA grant 2021	19 March 2021	March 2024	9,177	Average price for the 90-day period ending 31 December 2020	22.36	205,176

DSA deferred shares vested in 2021

In accordance with the policy, part of the award of deferred shares under the DSA, which was granted in March 2018, March 2019 and March 2020, vested on 19 March 2021 and was transferred to the Group CEO, totalling 10,968 shares (including an additional 1,015 share awards for dividend equivalents).

DSA deferred shares grant proposed for 2022

In addition, further to the bonus approval for the year ended 31 December 2021, 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 2022. Share awards will vest annually over the next three years in equal instalments (in March 2023, 2024 and 2025), 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 1 March 2022

The current number of outstanding deferred shares under the DSA (following 9,177 deferred shares granted in 2021) is represented as follows:

Name	Position	Year of grant	Number of deferred shares granted	Number of shares vested in 2021	Additional share awards for dividend equivalents	Total number of shares vested under DSA grant	Outstanding shares under DSA grant
Vitaly Nesis	Group CEO	2018	10,261	3,421	530	10,791	–
		2019	12,369	4,123	397	8,643	4,123
		2020	7,228	2,409	88	2,497	4,819
		2021	9,177	–	–	–	9,177
		Total	**39,035**	**9,953**	**1,015**	**21,931**	**18,119**

Performance Share Plan (audited)

PSP award made in 2021

Under the PSP, a conditional award of 20,683 ordinary shares (at target grant level of 150% of annual base salary at March 2021) with no par value was made to Mr Nesis in 2021. 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 quintile performance and above). No award will vest if absolute TSR is negative, regardless of relative performance.

Recipient	Award	Grant date	Performance period	Share options granted	Market share price on grant date[1] $	Notional value in case of 100% vesting $
Group CEO	PSP grant 2021	7 April 2021	April 2021–April 2025	20,683	19.81	409,730

1 Closing spot share price at 7 April 2021.

PSP award vested in 2021

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 19 April 2021 for the PSP awards made in 2017. 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 105.0% and outperformed a median TSR of 25.4% of the FTSE Gold Mines Index constituents. Accordingly, the 2017 performance share awards have vested at 103.0% of the total awards granted, which includes 86.9% vesting percentage based on TSR performance and additional share awards for the dividend equivalent during the four-year performance period. Further to the vesting of the PSP awards made in 2017, 48,664 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 2017	19 April 2021	April 2017–April 2021	48,664 (incl. 7,605 shares for dividend equivalent)	21.48	1,045,265 (incl. 329,672 for dividend equivalent)

The value of PSP vested and awarded to the Group CEO in respect of the 2017 PSP grant is included in the single total figure table on page 170.

Summary of PSP share options outstanding as of 1 March 2022

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	2017/2021	47,249	47,249	48,664	–
		2018/2022	55,570	–	–	55,570
		2019/2023	60,740	–	–	60,740
		2020/2024	34,983	–	–	34,983
		2021/2025	20,683	–	–	20,683
Total number of share options outstanding under the PSP			**219,225**	**–**	**–**	**171,976**

Other scheme interests awarded during the financial year

No other share awards were made to the Group CEO in 2021.

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 2021, 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.

Directors' shareholdings (audited)

The Group CEO is required to retain a shareholding equal to five times his base salary, i.e. 122,404 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 2021 of $18.22 per share translated at the closing exchange rate of the US Dollar to the Russian Rouble as at 31 December 2021.

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 2021, refer to page 172.

		Shares held			Options held			
Director	Shareholding requirement (% of salary)	Owned outright	Unvested (subject to performance conditions)	Unvested (not subject to performance conditions)	Vested but unexercised	Exercised in year	Current shareholding (% of salary)	Guideline met
Vitaly Nesis	500%	3,387,400	–	–	–	–	13,837%	yes
Ian Cockerill		33,466	–	–	–	–	–	N/A
Ollie Oliveira[1]		24,300	–	–	–	–	–	N/A
Konstantin Yanakov		2,421	–	–	–	–	–	N/A
Andrea Abt		1,500	–	–	–	–	–	N/A
Italia Boninelli[2]		1,460	–	–	–	–	–	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.

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.

Polymetal vs FTSE Gold Mines
(%)

Group CEO's pay since IPO

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
CEO total remuneration ($)	**1,802,498**	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	**58%**	92%	41%	49%	44%	40%	33%	90%	88%	90%	137%
LTIP award – % of maximum	**87%**	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 2020 to 2021, 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		
	USD	Local currency	USD	Local currency	Taxable benefits
Group CEO	9%	12%	-33%	-31%	n/a
Average employee	11%	14%	6%	8%	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 fewer 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.

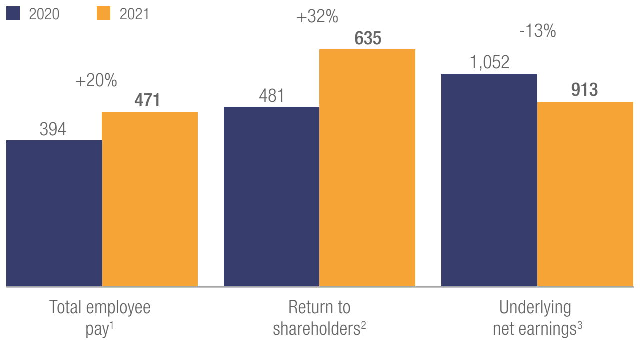
A significant proportion of the Group CEO's remuneration package is performance-related and dependent on the achievement of financial and non-financial KPIs, as well as being dependent on LTIP outcomes based on Polymetal TSR performance. Therefore, the ratio could range significantly from year to year. 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 2021 contained on page 170. Employee pay data was determined for the first nine months of 2021 with a projected calculation of the salary component of pay and benefits for the full financial year.

Year	Method	25th percentile	Median	75th percentile
2021	Option A	123	75	49
2020	Option A	142	83	52

Remuneration data, $	2021	2020
CEO single total figure of remuneration	**1,802,498**	**1,765,488**
Average Group employee remuneration	**32,495**	**29,595**
CEO pay to Group average employee ratio	**55:1**	**60:1**
Median Group employee remuneration	**24,095**	**21,317**
CEO pay to Group median employee ratio	**75:1**	**83:1**

Relative importance of employee pay
($m)



1 Note 12 of consolidated financial statements.
2 Dividends paid during the period, Note 16 of consolidated financial statements.
3 Refer to the "Alternative performance measures" section.

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 2021 other than external assurance services for the Company's Annual Report and tax advisory. Fees paid to PwC in relation to remuneration services provided to the Committee in 2021 totalled $16,752 (2020: $27,900), 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 2021, 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 amendments to the revised Directors' Remuneration Policy. The shareholder consultation period started in October 2021 on the changes to the implementation of the Remuneration Policy for 2022 (annual bonus metrics) and proposed amendment to the Remuneration Policy (addition of ESG metrics to the LTIP). Online meetings with proxy advisors were arranged following this engagement in addition to responding to emails received. The Board Chair, Senior Independent Director/the Remuneration Committee Chair, Health and Safety Committee Chair and Company Secretary participated in several calls requested by shareholders. Their proposals received overall positive feedback and support.

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
2020 Remuneration Committee report (at the 2021 AGM)	316,335,119 (97.93%)	6,679,115 (2.07%)	9,569

Implementation of the Remuneration Policy in 2022

In 2022, 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 9% in 2022 in line with the rest of the workforce. Base salary for the Group CEO for 2022 and 2021 is set out below:

	2022 salary	**2021 salary**	% change
CEO	RUB 33,137,400	**RUB 31,029,600**	+6.8%
	$441,832	**$430,967**	+2.5%

Base salary for 2022 is translated at the budgeted exchange rate of 75 Roubles to the US Dollar for 2022.

Pension and benefits
No pension or benefits plans are in place for 2022, 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 2022 performance period in line with the policy disclosed on page 163.

Performance Share Plan
The Committee intends to make an award under the PSP to the Group CEO in 2022, in line with the policy disclosed on page 163.

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. Subject to shareholder approval at the AGM 2022, the Committee will have the flexibility to set the PSP metrics each year with at least 75% of the award being based on financial metrics. For 2022, the Committee is proposing to introduce a GHG emissions intensity metric with a weighting of 20% which will be added to PSP vesting conditions. The ESG metric will be subject to an additional underpin of zero incidents at tailing storage facilities and zero conflicts with local communities during the four-year performance period. The remaining 80% of the LTIP will be measured based on relative TSR performance against the FTSE Gold Mining Index, in line with the current approach.

Implementation of the Remuneration Policy in 2022 continued

Non-executive Directors

There was no change to the non-executive Directors' fees in 2021. Fee rates for 2022 and 2021 are set out below:

	2022 $	**2021 $**
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

Directors' report

The Directors submit the Integrated Annual Report of Polymetal International plc together with the audited financial statements of Polymetal International plc for the year ended 31 December 2021.

Corporate governance

Refer to pages 138–141 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 1–128 of this Integrated Annual Report provide the information necessary for shareholders to assess the Group'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 CO_2e per Kt of ore processed) is available in the Sustainability section on page 54 of this Integrated 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 Integrated 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 138–139 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 130–131. 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 174.

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.

Business ethics and anti-bribery policies and procedures

The Code of Conduct (the Code) is core to our comprehensive approach for ensuring the highest business standards and integrity. Its main goal is to convey our core values and basic ethical principles to which all users of the Code should adhere. The Code clearly outlines key guidelines for the Group's commitment to internationally recognised standards and how it seeks to interact with its internal and external stakeholders. This includes ethical behaviours and our zero-tolerance stance on conflicts of interest, bribery, bullying, consumption of alcohol or drugs, and improper use of confidential and insider information, as well as other matters of corporate behaviour. The Code has been approved by the Board of Directors and is regularly reviewed by the appropriate Board Committees, according to their remit, along with monitoring management's reporting. The Code's implementation is constantly monitored by relevant executives and is also within the targets of the internal audit function. All users of the Code, where applicable, are required to acknowledge that they have read and understood the Code and to agree to comply with the Code. The Group undertakes a number of initiatives to enhance awareness on the Code and ethical behaviour. In 2021, we provided appropriate training on human rights, diversity and inclusion practices to our employees. The Code is also supported by our policies, which cover a broad range of issues, including the Supplier Code of Conduct and Anti-Bribery and Corruption policies.

Our Supplier Code of Conduct outlines the sustainability and ethical standards we expect of all supply chain partners. It articulates our criteria around safety, labour relations and wider social, environmental and ethical risks. We ensure that all suppliers are familiar with the Supplier Code. Further information on our supply chain is provided on page 98.

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 Anti-Bribery and Corruption set of policies 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. All policies and procedures on the prevention of bribery and corruption are regularly reviewed by the Audit and Risk Committee.

As part of the implementation of internal procedures to comply with the international anti-corruption standards, the Group has a comprehensive Whistleblowing Policy, which defines the processes in place 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. It is prohibited to retaliate against any individual who has reported possible violations in good faith. Management reports twice yearly to the Audit and Risk Committee on the implementation of policies and procedures within the Group's operations, and any instances of corruption or unethical conduct within the Group. 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.

In 2021, we received 101 reports to our dedicated confidential hotline: 19 were validated after a full investigation; all others were found to be either lacking evidence or unrelated to business ethics. As part of raising awareness of bribery and corruption risks and the principles of the Code, in 2021, we delivered 396 seminars to high-risk groups, attended by 19,443 people. Further quantitative indicators on the ethics are provided on page 99.

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

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 2021 (2020: none).

Capital structure

The structure of the Company's share capital is detailed in Note 29 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 276.

Details of employee option schemes are set out in the Remuneration Report on pages 163, 168. There were no acquisitions of the Company's own shares in 2021.

As at 31 December 2021, the Group and its subsidiaries held no treasury shares (31 December 2020: no shares).

At the AGM of the Company held in 2021, the power to allot Equity Securities (as defined in the Articles) was renewed up to an aggregate number of 157,272,666 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 23,590,900 ordinary shares. The Directors are empowered to allot an additional 23,590,900 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 26 July 2022).

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 47,181,800 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 26 October 2022 (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 2022, the total issued share capital of the Company comprises 473,626,239 ordinary shares of no par value, each carrying one vote. During the year, 1,808,239 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 2021 attributable to equity holders of the Company was $904 million (2020: $1,066 million). Underlying net earnings (for details refer to the Financial review section) in 2021 were $913 million (2020: $1,052 million). In August 2021, the Company declared an interim dividend of $0.45 per share (2020: $0.40 per share), which was paid in September 2021.

The Directors have proposed the payment of a final dividend of $0.52 per share (2020: $0.89 per share).

Annual General Meeting

The AGM of shareholders of the Company will take place on Monday 25 April 2022 in London, UK. Notice of AGM and Form of Proxy will be sent out in due course.

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 Integrated 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
1 March 2022

Going concern

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position, sources of cash generation, 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.

To assess the resilience of the Group's going concern assessment in light of the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022, in addition to the potential for further sanctions and Russian counter-sanctions that could impact the Group further, management performed the following "severe sanctions" downside scenarios that are considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible potential risks identified at the date of approving this report.

The Group has already taken precautionary measures to draw down on its facilities in relevant jurisdictions to manage Group liquidity and provide optionality for the future. In addition, it has been assumed that the Kazakhstan operations will continue unaffected and the net cash flows generated will be available for use within the Group. Accordingly, the following downside scenarios were focused on the Russian-based operations.

Scenario one: The Group's income and profits are materially reduced due to restrictions on metal sales arising from operations in Russia, including to relevant customers (such as Russian based financial institutions) who are impacted by recent sanctions and who the Group therefore may no longer transact with. The Group would seek to mitigate this by reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure, reducing or cancelling dividend payments and drawing down further from the $0.8 billion of currently available undrawn committed facilities agreed with Russian and non-Russian banks.

Scenario two: Consistent with scenario one above, with the exception of assuming that a lower amount of $0.5 billion, rather than the entire currently agreed and available $0.8 billion of committed borrowing facilities can be drawn down. This reflects the possibility that additional future sanctions could further restrict the Group's available committed borrowing facilities, and the ability of the lenders to service the contracted facility may decline.

Scenario three: Additional future sanctions and macro-economic impacts further restrict the Group's available committed borrowing facilities and reduce those to nil, but the Group continues to sell the majority of its metal production within Russia via alternative sales routes to permitted Russian banks, albeit in this scenario sales are settled in Rouble currency. The Group would also seek to reduce and defer non-essential and non-committed capital expenditure, and reduce or cancel dividends as reasonable mitigations.

The Group currently holds $0.5 billion of cash, which when combined with the forecast net cashflows under each of the severe sanctions downside scenarios above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes $0.7 billion of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in each of the downside scenarios above. The Group expects to retain the ability to move funds between the jurisdictions in which the Group operates to settle obligations as they fall due but also has mitigating actions available if moving funds to or from operations in Russia becomes more difficult.

The Group has taken legal advice on the implications of the sanctions to date as part of this assessment. None of the Group's entities, nor its significant shareholders are currently subject to any specific sanctions.

The Board is therefore satisfied that the Group's forecasts and projections, including the severe sanctions downside scenarios above, 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 condensed consolidated financial statements for the year ended 31 December 2021.

Longer-term viability

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 lookout period. Despite the impact of Covid-19 on the business, as well as the conflict in Ukraine leading to increased geopolitical tensions and sanctions imposed by the global community on certain Russian companies and individuals, Polymetal's 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 16–17) and covering a period of the average of Polymetal's life-of-mine of 16 years, primarily with reference to the results of the Board-approved strategy (detailed on pages 26–27). Management has also considered the Group's current strong financial position, including the level of cash as at 31 December 2021, and the Group's historical ability to generate free cash flow, as well as the contingency planning in place to restructure the debt portfolio and minimise exposure to liquidity risk.

The overall macroeconomic situation is expected to remain supportive for gold and silver as commodities, due to their role as safe haven assets against the backdrop of political and economic uncertainties. Consideration of Russian focused sanctions and the associated risks is set out in a separate section below.

The strategic planning process is undertaken annually and includes analyses of Polymetal's current position, growth projects pipeline, cash flow, climate change risks and opportunities, capital allocation principles and returns to shareholders. Accordingly, and considering global prospects for gold and gold price, history of exploration success and ability to buy mineral properties at attractive terms, the Board believes the prospects for the Group in the long term 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 2024. This is within the Group's routine medium-term forecasting covering the next three years, performed on the annual basis, and covering strategic and investment planning. The Board is confident 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 2021, taking into account material macroeconomic conditions and geopolitical challenges, including new sanctions as a result of the Ukraine situation in February 2022, and considering the Group's resilience to changes in the external business environment. The detailed assessment of the principal risks and uncertainties facing the Group is set out on pages 118–127 of this Integrated 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 pages 148–149, are taken into account.

Key assumptions

The key assumptions underpinning the Board's assessment of longer-term viability include gold and silver prices, production and sales 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. The impact of new sanctions is also key.

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 most significant risks in terms of their potential financial impact were modelled together as a single stress scenario to understand their combined financial impact.

Scenario	Principal risks factored	Assumptions
Macroeconomic stress	• Market • Currency • Cash and liquidity • Supply chain • Production • Construction and development	• Conservative gold and silver price assumptions 10% below that budgeted • 10% Rouble and Tenge strengthening against US Dollar • Capital expenditure overrun for POX-2, Prognoz and Veduga development projects • 1 year delay in POX-2 launch

The resulting impact on key metrics was considered with particular focus on solvency measures including debt headroom and covenants. Under the macroeconomic stress scenario, there are no financial covenant breaches forecast and no new debt that would need to be raised considering the scheduled debt repayments do not exceed the currently available committed undrawn facilities.

Sanctions

Consistent with the approach taken by the Group to assess going concern described on page 182, the Directors also assessed the resilience of the Group's longer-term viability in light of the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022, along with the possibility of further sanctions and Russian counter-sanctions that could potentially impact the Group in the future. This included taking external legal advice on the implications of the sanctions to date as part of this assessment.

It has been assumed that the Kazakhstan operations will continue unaffected and the cash flows generated will be available for use in the business.

Management therefore extended certain downside factors applied in the 12 month going concern "severe sanctions" downside scenarios. These were to consider the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022 and consider some of the risk of potential further sanctions and Russian counter sanctions that could impact the Group further. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible potential risks identified at the date of approving the Integrated Annual Report and Accounts. These included:

- that the Group's income and profits are materially reduced due to restrictions on metal sales arising from operations in Russia; this includes consideration of the effects of sanctions, currently and potentially in the future, on relevant customers (such as certain Russian based financial institutions), that the Group can no longer transact with;
- reduced access to borrowings both within and outside of Russia as a result of sanctions against financial institutions, and the potential decline in the creditworthiness and/or liquidity of lenders, in addition to the adverse impact of higher interest rates on available borrowings; and
- higher mining operational and capital costs, as a result of inflation and mining equipment supply and logistics uncertainties.

In response to the severe downsides assumed above, management would expect to implement the following mitigating actions where relevant:

- negotiating alternative sales routes for metal and metal concentrate products;
- reducing production volumes if there were sustained restrictions on metal sales, in order to reduce variable mining costs;
- reducing and/or deferring non-essential and uncommitted capital expenditure;
- reducing or cancelling dividend payments;
- seeking to raise further liquidity via borrowings and/or divestments; and
- diversifying suppliers to reduce supply chain risk and costs where possible.

The results of the "severe sanctions" stress scenarios indicated that the Group would be able to withstand the adverse impact of the principal sanctions related risks occurring over the longer-term horizon of the three-year period.

Management also performed 'break-even' sensitivity analysis for the viability period. A c. 30% reduction in metal sales income over the longer term, all other assumptions being equal and before any mitigating actions, would suggest the Group will utilise all of its currently available borrowing facilities. The Group's viability is not sensitive to available borrowings, assuming revenue and operating cash inflows are realised as forecast per the base case and no further dividends are paid.

In assessing the prospects of the Group, the Directors noted that such an assessment in light of existing and potential new sanctions in the future introduces further uncertainty that increases over time and accordingly that future outcomes cannot be guaranteed or predicted with certainty.

Nevertheless the Group considers that the gold and silver metal that it continues to mine will remain sought after and valuable global commodities, for which there will be continued high demand, particularly during times of macroeconomic and political volatility and uncertainty. Therefore whilst there is heightened uncertainty in the viability look out period in particular in respect of possible as yet unknown sanctions, there is an expectation that the Group will continue to be able to access markets for its products.

Liquidity and solvency

The Group is considered to be viable if its financial covenants are maintained within prescribed limits, and if there is available free cash flow and debt facilities to fund operations.

The sources of funding available to the Group are set out in Note 23 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 $761 million as at 1 March 2022 noted above have an average period of maturity of three years. 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 liquidity and therefore would reduce if profits and/or liquidity reduce.

Expectation

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, 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 2024.

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 (IFRS) as adopted by the United Kingdom ('UK'). 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
Chairman of the Board of Directors

Vitaly Nesis
Group Chief Executive Officer
1 March 2022

Financial statements

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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- 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 34.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs 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. The non-audit services provided to the Group for the year are disclosed in note 13 of the financial statements.

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, all of which were newly identified, were: • the impacts of international sanctions on Russia for the going concern assessment; • a change in the Group's Exploration and Evaluation ("E&E") accounting policy; and • the Nezhda and Prognoz cash generating unit ("CGU") determination and impairment assessment.
Materiality	The materiality that we used for the Group financial statements in the current year was US$47 million (2020: US$47 million) which was determined on the basis of profit before tax adjusted for net foreign exchange gains of US$5 million (2020: US$23 million gain) and the net gain on disposal of subsidiaries of US$3 million (2020: US$13 million gain).
Scoping	Our scoping identified 13 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, Kutyn and the Corporate component. This scoping represents a change from our 2020 audit with Kutyn now being subject to audit of specified account balances. Kutyn was a development asset in 2020 and consequently was not within the scope of a component audit. 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 at the Group's head office.
Significant changes in our approach	The audit risks associated with (i) the impacts of international sanctions on Russia for the going concern assessment; (ii) a change in the Group's E&E accounting policy; and (iii) the Nezhda and Prognoz CGU determination and impairment assessment were identified as new key audit matters in 2021. This was due to their complexity, the quantum of the related account balances impacted, the level of judgement involved and the level of involvement from senior members of the audit team. See the key audit matters description below for further information. The prior year key audit matters associated with 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 are no longer considered to be key audit matters for the 2021 audit given they were 2020 transactions. There were no significant complex corporate transactions in 2021.

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 is included in section 5.1.

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. The impacts of international sanctions on Russia for the going concern assessment

Key audit matter description

The situation in Ukraine led to additional sanctions being imposed on certain Russian institutions and individuals by the US, the UK and the EU subsequent to the year ended 31 December 2021.

As described in the going concern section of note 1 of the financial statements on page 202, management has assessed the going concern related impacts on the Group of the currently imposed sanctions, and possible further new sanctions. The latest sanctions situation is currently fast-moving and management's base case assessment reflects the Group's 'best estimate' as to how the sanctions may ultimately impact the Group based on all relevant information currently known.

The going concern assessment required a high level of management judgement and is complex, particularly in analysing the potential impact of sanctions upon the Group's forecast metal sales channels to certain customers; liquidity management including available cash, borrowings and covenant requirements from financial institutions; and its ability to continue mining operations in light of mining equipment supply and logistics uncertainties. The Group engaged an external legal firm to provide further advice in relation to the recent sanctions and potential impact for the Group.

Management has prepared a series of 'severe downside' sanctions scenarios, which assume reasonably possible adverse outcomes for the items described above such as the potential for further sanctions and Russian counter-sanctions. In evaluating the impact of these downside scenarios, management has identified reasonable mitigating actions the Group could take, which include reducing production volumes and mining costs, negotiating new sales channels, deferring and/or reducing the Group's capital expenditure and shareholder dividends and drawing down further on undrawn committed facilities.

The Board is satisfied that the Group's analysis, including the severe sanctions downside scenarios above, supports that it is appropriate to adopt the going concern basis of preparation.

For further details, refer to the Audit and Risk Committee's report on page 151 and other areas of the Annual Report (including the Chairman's statement on page 8, the CEO's statement on 10, Principal risks on page 118 and longer-term viability statement on page 183).

How the scope of our audit responded to the key audit matter

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, having considered the impact of recently announced sanctions, included:

- challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the additional sanctions imposed subsequent to the balance sheet date;
- evaluating the external legal advice received by the Directors addressing the impact of recent US, UK and EU Sanctions on the global operations of the Group;
- assessing for reasonableness the assumptions applied in the going concern period cash flow forecast through evaluating the potential impact of the sanctions on the cash and facilities available to the group, including the location of the cash and facilities available, ability to transfer funds between the jurisdictions in which the group operates, the repayment terms and covenants and the ability to draw down further on the existing facilities;
- challenging whether the Group's mitigating actions are reasonable and within the Group's control;
- independently preparing a series of 'severe downside' sanctions related scenarios, as well as assessing management's downside scenarios and sensitivity analysis;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts; and
- assessing the Group's going concern related financial statement disclosures.

Key observations

We consider that despite the uncertainties in relation to the impact on the Group of currently announced and potential future sanctions, the assumptions made by management in their forecasts and stress tests are reasonable. Based on the forecast liquidity headroom in the base case and downside sensitivities (after the application of mitigating actions) we concur that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate and that there are no material uncertainties related to going concern.

5.2. A change in the Group's E&E accounting policy

Key audit matter description

As described in notes 1 and 32 of the financial statements on pages 202 and 243 respectively, and as discussed in the Audit and Risk Committee's report on page 148, during 2021 management changed the Group's accounting policy for the capitalisation of E&E costs under IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"). US$74 million of E&E costs were capitalised as exploration assets as at 31 December 2021 (31 December 2020: US$62 million, restated).

Commencing 1 January 2021, E&E costs are expensed as incurred until such time as the Group determines that reasonable prospects exist for the eventual economic extraction of minerals, which is evidenced by management's decision to prepare a mineral resource estimation for the relevant field.

Previously, the Group capitalised relevant costs to E&E assets if management concluded that future economic benefits were likely to be realised based on an internal assessment of exploration results and potential mineral resources. E&E capitalised costs were subsequently written off if there was an IFRS 6 impairment indicator present.

The change to the Group's E&E accounting policy required a high level of management judgement and is material and complex, particularly in determining the following items that our key audit matter focussed on:

- whether this decision represented a change in accounting policy or a change in accounting estimate;
- if the former, whether the policy change and the new policy meets the relevant requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 6; and
- whether the required adjustments and disclosures in the financial statements in respect of prior periods are accurate and complete.

How the scope of our audit responded to the key audit matter

- we obtained an understanding of the relevant controls over the change in the Group's E&E accounting policy;
- we assessed whether management's judgement that this represents a change in accounting policy, rather than a change in estimate, under the requirements of IFRS was reasonable;
- we assessed whether the Group's new accounting policy for E&E costs is acceptable under the requirements of IFRS 6, including via relevant peer benchmarking; and whether the E&E costs incurred in 2021 were appropriately accounted for under the new policy;
- we tested, via recalculation, that the retrospective adjustments for the change in accounting policy disclosed as part of the restatements as at 1 January 2020 and 31 December 2020 were complete and accurate to the extent practicable, as required by IAS 8; and
- we assessed the Group's financial statement disclosures, including the description of the change in accounting policy and the restatements, for reasonableness under the relevant IFRS requirements.

Key observations

Based on our audit work, we are satisfied that the change in the Group's E&E accounting policy and the related disclosures, including relevant restatements, are reasonable.

5.3. The Nezhda and Prognoz CGU determination and impairment assessment

Key audit matter description	As described in note 3 of the financial statements on page 215, and as discussed in the Audit and Risk Committee's report on page 148, management judges that the revised mine plans approved in 2021, whereby Prognoz will utilise a portion of Nezhda's existing ore concentrator, creates interdependence between the two mines. Management has therefore reassessed the relevant CGU determinations and judges that Nezhda and Prognoz are one combined CGU (formerly two separate CGUs), which had a carrying value of US$ 944 million as at 31 December 2021. The revision to the CGU determination required a high level of management judgement and is material and complex, particularly in determining the following items that our key audit matter focussed on: • whether Nezhda and Prognoz are able to generate cash inflows largely independently, or are now interdependent (such that the lowest level of identifiable cash inflows that are largely independent of other assets would be Nezhda and Prognoz on a combined basis) given they both plan to utilise the same ore concentrator located at Nezhda, despite the geographical distance between the two mines; • if there is an active market, or not, for Prognoz's silver ore before it is processed at Nezhda's concentrator and sold to third parties, and if the CGU determination is consistent with the Group's internal management reporting; and • whether impairment charges are required or not for Nezhda and/or Prognoz in 2021, and whether the revision in CGUs impacts this impairment assessment.
How the scope of our audit responded to the key audit matter	• we obtained an understanding of the relevant controls over the revision of the CGU determination and the impairment assessment under IAS 36; • we obtained an understanding of the commercial rationale and management's intentions that are reflected in the business plan revisions in 2021, which resulted in management reassessing the Nezhda and Prognoz CGU determination; • we challenged management's accounting analysis for the newly combined CGU determination against the requirements of IAS 36, which assesses the interdependence of Nezhda's and Prognoz's future cash inflows and whether there is an active market for Prognoz's silver ore. We also considered contradictory audit evidence; • we challenged management's impairment assessment methodology and key input assumptions, including: commodity price forecasts, the discount rate applied, the production profile (with input from our technical mining specialists), and the capital and operating costs (including the cost of transporting ore from Prognoz to Nezhda), by developing independent reasonable ranges and assessing third party support where relevant; and • we assessed the Group's financial statement disclosures to determine if they were reasonable under the relevant IFRS requirements.
Key observations	Based on our audit work, we are satisfied that the Nezhda and Prognoz CGU determination and impairment assessment, and the related disclosures, are reasonable.

6. Our application of materiality

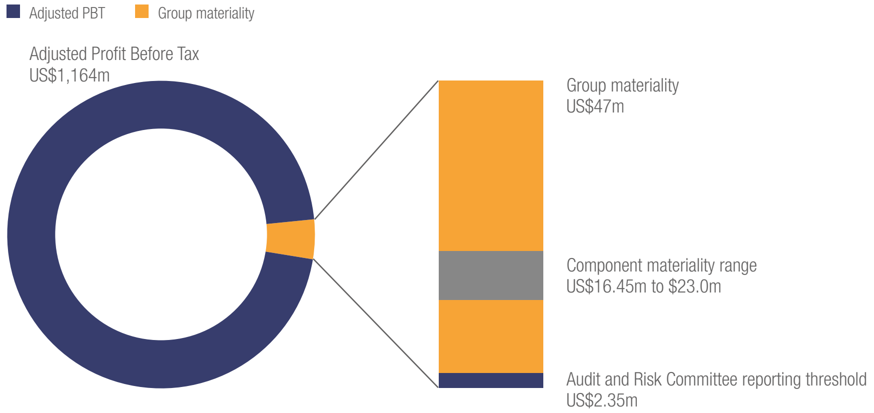
6.1. Materiality

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 (2020: US$47 million)
Basis for determining materiality	We used adjusted profit before tax as the key benchmark. This approach is consistent with our 2020 audit and the determined materiality represents 4.0% of adjusted profit before tax (2020: 3.4%). The relatively higher percentage of adjusted profit before tax applied to determine materiality in 2021, compared to 2020, reflects that the Group's 2020 actual results were higher than was assumed at the planning stage of our 2020 audit, but 2020 audit materiality was held at US$47 million, partly to reflect an overall increased level of uncertainty due to Covid-19 that was less relevant in 2021.
Rationale for the benchmark applied	The use of this metric is consistent with our 2020 audit and has been determined on the basis that adjusted profit before tax is a key benchmark for management and investors to appraise the Group's performance. Profit before tax has been adjusted to remove non-underlying net foreign exchange gains of US$5 million (2020: US$23 million gain) and the net gain on disposal of subsidiaries of US$3 million (2020: US$13 million net gain).

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 70% of Group materiality for the 2021 audit (2020: 60%). 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 observed a lower level of misstatements, both corrected and uncorrected (leading to the higher level of the performance materiality determined in the current year compared to previous years);
d. The degree of centralisation and common processes and controls; and
e. The limited changes in the business that impacted our anticipation of potential misstatements.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of US$2.35 million (2020: US$2.30 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk 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

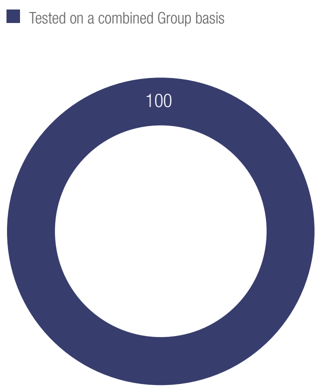
The Group holds various mining assets in Russia and Kazakhstan. Our scoping identified 13 components (Dukat, Omolon, Albazino, Kyzyl, Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz, Kutyn and a single Corporate component comprising of the support function corporate entities).

Our 2021 scoping followed the same approach as in 2020 where the audit team performed central testing over a number of the Group's standardised processes and controls. For these balances that were tested centrally, we have performed substantive audit procedures across all components.

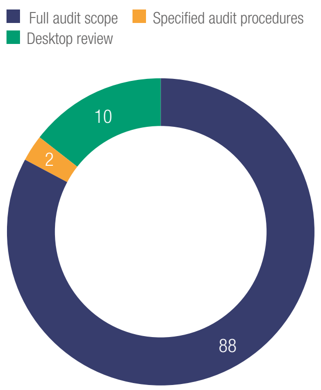
We determined the scope of the audit procedures to be performed at each component on the balances not tested centrally. We have performed full scope audits at Dukat, Omolon, Albazino and Kyzyl. Focused procedures were performed at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz, Kutyn and the Corporate component for specified account balances. This represents a change from our 2020 scoping with Kutyn being subject to audit of specified account balances, whereas Kutyn was a development asset in 2020 and consequently was not within the scope of a component audit.

Our audit work was executed at levels of materiality applicable to each individual component, which were between US$16.4 million and US$23.0 million (2020: US$14.1 million and US$19.7 million). Our audit scoping coverage for key balances is summarised in the charts below.

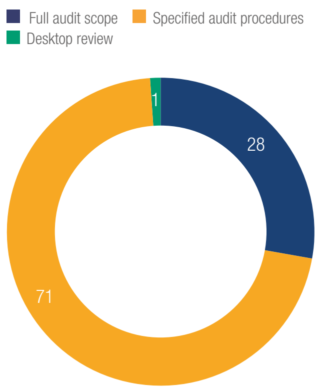
Revenue
%



Profit before tax
%



Property, plant and equipment
%



7.2. Our consideration of the control environment

We evaluated the design and implementation of the internal controls which are relevant to our audit. We also tested operating effectiveness and placed reliance on certain controls over metal inventories and revenue. The approach remains broadly consistent with previous years. We worked with our IT specialists to test general IT controls and these were found to be operating effectively.

7.3. Our consideration of climate-related risks

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements. We reviewed and challenged management's climate-related risk assessment and held discussions with management to understand the Group's process for identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements.

The Group does not mine or extract hydrocarbons such as coal, natural gas or oil but it does emit greenhouse gases directly from, for example, energy used in its mining operations, the processing of metals and minerals, and the transportation of its products. Further information is provided in the Strategic Report on pages 66 to 81 and the Group's Climate Change report on pages 24 to 32. Climate change impacts the long-term outlook of aspects of the mining industry, especially given greenhouse gas intensity in the use of certain of the industry's products (measured under Scope 3 emissions). Whilst the Group has set out its climate change targets, we understand the consequences, in terms of investment, its cost base and impact on cash flows are being continually assessed and incorporated into the Group's decision making.

We designed our audit procedures to specifically consider those assets whose values are determined through modelling future cash flows, which is where we and the Group consider the highest potential climate change impact to be. Most notably, we audited how the group considered climate impacts on the cash flows that support the carrying amount of CGUs, including both longer term physical risks such as thawing permafrost and shorter-term transitional risks such as the introduction of carbon taxes. We also challenged how the Directors considered climate change in their assessment of viability, particularly given the Group's increasing portfolio of sustainability-linked loans. We have involved Environmental, Social and Governance specialists in our review of the Group's disclosures of climate-related information in the annual report and financial statements, and considered whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The group audit team was in active dialogue throughout all stages of the audit process with the component audit partner and team responsible for the audit work. The signing partner and senior members of the Group engagement team were in contact regularly throughout the year and during the final audit procedures in early 2022.

The group audit team assessed the audit risks and key areas of focus at the group level and designed appropriate audit responses that were communicated to the component auditor; and we have overseen the detailed audit risk assessment performed by the component audit team. The group audit team determined whether the work was planned and performed, via direct reviews, in accordance with the overall group audit strategy and the requirements of our group audit instructions communicated to the component audit partner and team.

Consistent with prior year, due to restrictions on overseas travel we did not visit the component team this year. To satisfy ourselves that our oversight and supervision was appropriate we have reviewed component auditor work remotely and had frequent virtual meetings with the component team, utilising a number of collaboration tools.

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.

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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 and Risk 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 technical mining specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- an independent mining industry relevant peer benchmarking study to assess the completeness of potential risks.

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 the Nezhda and Prognoz CGU determination and impairment assessment.

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. The key laws and regulations we considered in this context included Companies (Jersey) Law, 1991; Listing Rules; UK Corporate Governance Code; as well as employment law, pensions legislation, and tax legislation prevailing in each country in which we identified a full-scope component.

In addition, we considered provisions of other relevant 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 the Nezhda and Prognoz CGU determination and impairment assessment 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 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 182;
- 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 182–184;
- the directors' statement on fair, balanced and understandable set out on page 146;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 184–185;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 149, 150; and
- the section describing the work of the audit committee set out on pages 146–151.

14. Matters on which we are required to report by exception

14.1. 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 the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Dean Cook

Dean Cook MA FCA
For and on behalf of Deloitte LLP

Recognised Auditor
London, UK
1 March 2022

Consolidated income statement

	Note	Year ended 31 December 2021 $m	Year ended 31 December 2020 (restated)[1] $m
Revenue	5	2,890	2,865
Cost of sales	6	(1,307)	(1,129)
Gross profit		**1,583**	**1,736**
General, administrative and selling expenses	10	(226)	(184)
Other operating expenses, net	11	(149)	(124)
Reversal of previously recognised impairment	17	–	8
Share of loss of associates and joint ventures	20	–	(2)
Operating profit		**1,208**	**1,434**
Foreign exchange gain, net		5	23
Gain on disposal of subsidiaries, net	17	3	13
Change in fair value of financial instruments	27	4	(23)
Finance expenses, net	14	(59)	(67)
Profit before income tax		**1,161**	**1,380**
Income tax expense	15	(257)	(314)
Profit for the year		**904**	**1,066**
Profit for the financial year attributable to:			
Equity shareholders of the Parent		904	1,066
		904	**1,066**
Earnings per share ($)			
Basic	29	1.91	2.25
Diluted	29	1.88	2.22

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result other operating expenses, net, profit before income tax, income tax expense and profit for the year line items were restated. Refer to Note 1 and Note 32.

Consolidated statement of comprehensive income

	Year ended 31 December 2021 $m	Year ended 31 December 2020 (restated)[1] $m
Profit for the year	**904**	**1,066**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations, net of income tax	(36)	(566)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(6)	34
Total comprehensive income for the year	**862**	**534**
Total comprehensive income for the year attributable to:		
Equity shareholders of the Parent	862	537
Non-controlling interest	–	(3)
	862	**534**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result profit and total comprehensive income for year ended 31 December 2020 were restated as described in Note 1 and Note 32.

Consolidated balance sheet

	Note	31 December 2021 $m	31 December 2020 (restated)[1] $m	1 January 2020 (restated)[1] $m
Assets				
Property, plant and equipment	17	3,314	2,738	2,783
Right-of-use assets	18	33	32	31
Goodwill	19	14	14	16
Investments in associates and joint ventures	20	28	24	2
Non-current VAT receivable		–	19	–
Non-current accounts receivable and other financial instruments	22	57	38	10
Deferred tax asset	15	67	56	73
Non-current inventories	21	96	95	114
Total non-current assets		**3,609**	**3,016**	**3,029**
Assets held for sale		–	–	14
Current inventories	21	781	662	644
Prepayments to suppliers		119	90	149
Income tax prepaid		11	33	48
VAT receivable		123	129	62
Trade receivables and other financial instruments	22	91	75	18
Cash and cash equivalents	33	417	386	253
Total current assets		**1,542**	**1,375**	**1,188**
Total assets		**5,151**	**4,391**	**4,217**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities	25	(223)	(180)	(153)
Current borrowings	23	(446)	(334)	(214)
Advances received	5	(134)	(7)	(5)
Income tax payable		(21)	(13)	(7)
Other taxes payable		(54)	(51)	(41)
Current portion of contingent consideration liability	33	(31)	(41)	(7)
Current lease liabilities	33	(7)	(6)	(3)
Liabilities associated with assets classified as held for sale		–	–	(1)
Total current liabilities		**(916)**	**(632)**	**(431)**
Non-current borrowings	23	(1,618)	(1,403)	(1,518)
Contingent and deferred consideration liabilities	33	(111)	(120)	(59)
Deferred tax liability	15	(206)	(202)	(192)
Environmental obligations	24	(50)	(44)	(57)
Non-current lease liabilities	33	(29)	(27)	(29)
Other non-current liabilities	25	(18)	(3)	(3)
Total non-current liabilities		**(2,032)**	**(1,799)**	**(1,858)**
Total liabilities		**(2,948)**	**(2,431)**	**(2,289)**
Net assets		**2,203**	**1,960**	**1,928**
Stated capital account	29	2,450	2,434	2,424
Share-based compensation reserve	30	31	31	26
Translation reserve		(1,865)	(1,823)	(1,294)
Retained earnings		1,587	1,318	749
Shareholders' equity		**2,203**	**1,960**	**1,905**
Non-controlling interest		–	–	23
Total equity		**2,203**	**1,960**	**1,928**
Total liabilities and shareholders' equity		**(5,151)**	**(4,391)**	**(4,217)**

Notes on pages 202 to 247 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 1 March 2022 and signed on its behalf by:

Vitaly Nesis
Group Chief Executive

Ian Cockerill
Chairman of the Board of Directors

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result, property, plant and equipment, deferred tax liability, translation reserve and retained earnings line items were restated as described in Note 1 and Note 32.

Consolidated financial statements

Consolidated statement of cash flows

	Note	**Year ended 31 December 2021 $m**	Year ended 31 December 2020 (restated)[1] $m
Net cash generated by operating activities	33	**1,195**	**1,167**
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(759)	(558)
Acquisitions of joint venture and associate	20	(5)	(24)
Proceeds from disposal of subsidiaries	17	2	23
Net cash outflow on acquisitions	17	(3)	(7)
Acquisition of shares held at FVTPL		(5)	–
Loans advanced		(36)	(9)
Repayment of loans provided		18	11
Net cash used in investing activities		**(788)**	**(564)**
Cash flows from financing activities			
Borrowings obtained	33	3,360	2,369
Repayments of borrowings	33	(3,080)	(2,366)
Repayments of principal under lease liabilities	33	(4)	(4)
Dividends paid	16	(635)	(481)
Proceeds from shares issued by subsidiary		–	35
Proceeds from royalty arrangement	25	20	–
Contingent consideration paid	33	(33)	(23)
Net cash used in financing activities		**(372)**	**(470)**
Net increase in cash and cash equivalents		35	133
Cash and cash equivalents at the beginning of the period	33	386	253
Effect of foreign exchange rate changes on cash and cash equivalents		(4)	–
Cash and cash equivalents at the end of the financial period	33	**417**	**386**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result net cash generated by operating activities and purchases of property, plant and equipment (cash flows from investing activities) were restated as described in Note 1 and Note 32.

Consolidated financial statements

Consolidated statement of changes in equity

	Note	Number of shares outstanding	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 2020 (restated)[1]		**470,188,201**	**2,424**	**26**	**(1,294)**	**749**	**1,905**	**23**	**1,928**
Profit for the year		–	–	–	–	1,066	1,066	–	1,066
Other comprehensive income, net of income tax		–	–	–	(529)	–	(529)	(3)	(532)
Total comprehensive income		–	–	–	**(529)**	**1,066**	**537**	**(3)**	**534**
Share-based compensation	30	–	–	15	–	–	15	–	15
Shares allotted to employees	30	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 (restated)[1]		**471,818,000**	**2,434**	**31**	**(1,823)**	**1,318**	**1,960**	**–**	**1,960**
Profit for the year		–	–	–	–	904	904	–	904
Other comprehensive loss, net of income tax		–	–	–	(42)	–	(42)	–	(42)
Total comprehensive income		–	–	–	**(42)**	**904**	**862**	**–**	**862**
Share-based compensation	30	–	–	16	–	–	16	–	16
Shares allotted to employees	30	1,808,239	16	(16)	–	–	–	–	–
Dividends	16	–	–	–	–	(635)	(635)	–	(635)
Balance at 31 December 2021		**473,626,239**	**2,450**	**31**	**(1,865)**	**1,587**	**2,203**	**–**	**2,203**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result retained earnings and translation reserves column items and total comprehensive income balances as at 1 January 2020 and 31 December 2020 were restated. Refer to Note 1 and Note 32.

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 and Moscow stock exchanges and Astana International Exchange.

Significant subsidiaries

As of 31 December 2021 the Company held the following significant mining and production subsidiaries:

				Effective interest held, %	
Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	**31 December 2021**	31 December 2020
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
	Lunnoye				
	Arylakh			100	100
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan	Magadan	Russia		
	Tsokol				
	Burgali			100	100
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]	100[1]

1 As of 31 December 2021 and 2020, a 40.6% interest in GRK Amikan LLC is held by VTB Bank (VTB). The Group consolidates 100% of GRK Amikan in accordance with IFRS 10 Consolidated financial statements as Polymetal's call option to acquire the 40.6% interest from VTB represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest.

Going concern

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position, sources of cash generation, 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.

To assess the resilience of the Group's going concern assessment in light of the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022, in addition to the potential for further sanctions and Russian counter-sanctions that could impact the Group further, management performed the following "severe sanctions" downside scenarios that are considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible potential risks identified at the date of approving the Annual Report.

The Group has already taken precautionary measures to draw down on its facilities in relevant jurisdictions to manage Group liquidity and provide optionality for the future. In addition, it has been assumed that the Kazakhstan operations will continue unaffected and the net cash flows generated will be available for use within the Group. Accordingly, the following downside scenarios were focussed on the Russian-based operations.

Scenario one: The Group's income and profits are materially reduced due to restrictions on metal sales arising from operations in Russia, including to relevant customers (such as Russian based financial institutions) who are impacted by recent sanctions and therefore the Group may no longer transact with. The Group would seek to mitigate this by reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure, reducing or cancelling dividend payments and drawing down further from the $0.8 billion of currently available undrawn committed facilities agreed with Russian and non-Russian banks.

Scenario two: Consistent with scenario one above, with the exception of assuming that a lower amount of $0.5 billion, rather than the entire currently agreed and available $0.8 billion of committed borrowing facilities can be drawn down. This reflects the possibility that additional future sanctions could further restrict the Group's available committed borrowing facilities, and the ability of the lenders to service the contracted facility may decline.

Scenario three: Additional future sanctions and macro-economic impacts further restrict the Group's available committed borrowing facilities and reduce those to nil, but the Group continues to sell the majority of its metal production within Russia via alternative sales routes to permitted Russian banks, albeit in this scenario sales are settled in Rouble currency. The Group would also seek to reduce and defer non-essential and non-committed capital expenditure, and reduce or cancel dividends as reasonable mitigations.

The Group currently holds $0.5 billion of cash, which when combined with the forecast net cashflows under each of the severe sanctions downside scenarios above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes $0.7 billion of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in each of the downside scenarios above. The Group expects to retain the ability to move funds between the jurisdictions in which the Group operates to settle obligations as they fall due but also has mitigating actions available if moving funds to or from operations in Russia becomes more difficult.

The Group has taken legal advice on the implications of the sanctions to date as part of this assessment. None of the Group's entities, nor its significant shareholders are currently subject to any specific sanctions.

The Board is therefore satisfied that the Group's forecasts and projections, including the severe sanctions downside scenarios above, 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 condensed consolidated financial statements for the year ended 31 December 2021.

Basis of presentation

The Group's annual consolidated financial statements for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom ('UK') and as issued by the IASB, and the Disclosure and Transparency Rules of the Financial Conduct Authority. 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 2021.

Change in accounting policy

The consolidated financial statements have been prepared on the basis of the retrospective application of a voluntary change in accounting policy related to exploration and evaluation costs, which are a category of the balance sheet property, plant and equipment line item, in accordance with IFRS 6 *Exploration for and evaluation of mineral resources.*

Previously, the Group capitalised mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, into exploration assets if management concluded that future economic benefits were likely to be realised based on current internal assessment of exploration results and identified mineral resources. Costs were subsequently written off if there was an IFRS 6 impairment indicator present.

As a result of this change in accounting policy the Group's exploration and evaluation costs are expensed as incurred, via the Other operating expenses, net line item, until such time as the Group determines that reasonable prospects exist for eventual economic extraction of minerals, which is supported by management's decision to prepare the mineral resource estimation for a certain field. Mineral resource estimation prepared in accordance with JORC is subsequently published on our website.

Exploration assets representing mineral rights which were acquired as a result of a business combination or an asset acquisition in accordance with IFRS 3 *Business Combinations*, are recognised as a result of the purchase price allocation where appropriate; and are carried at deemed cost, being fair value as at the date of acquisition or at cost where a transaction is classified as an asset acquisition. No changes were made in this part of the policy.

Management has determined that this change in accounting policy will result in more relevant and more reliable information as the policy introduces more formalised and less subjective criteria for capitalisation, which is overall more consistent with existing industry and peer group practice.

The voluntary change in the accounting policy has also resulted in a change in presentation of the consolidated statement of cash flows with exploration expenditure included in purchases of property, plant and equipment being reclassified from investing to operating activities. For those exploration and evaluation (E&E) and Development assets capitalised under the historical policy as at 1 January 2020 the retrospective adjustment was calculated as if the new policy had been applied from day one whereas it is not practicable to calculate an adjustment in respect of the E&E and Development assets that were transferred to Mining assets prior to 1 January 2020.

The accumulated effect on E&E and Development assets balances for periods prior to those presented is $27 million with the corresponding decrease in retained earnings of $31 million. For further detail of the restatement effect on the Group financial statements refer to Note 32.

1. General continued

New standards adopted by the Group

There were no new accounting standards that became applicable for annual reporting periods commencing on or after 1 January 2021. There is no material impact on the Group, related to the *Interest Rate Benchmark Reform* (amendments to IFRS 9 *Financial Instruments*) and impact of the initial application of COVID-19-Rent Concessions beyond 30 June 2021 (amendment to IFRS 16 *Leases*), as these amendments are not applicable to the Group.

The Group has elected to early adopt the 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. These amendments did not have a material impact on these consolidated financial statements.

New accounting standards issued but not yet effective

The following amendments to the accounting standards 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 2023;
- 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 period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period 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 material 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.

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.

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 2021 and 2020 the recoverable amount of the relevant cash-generating units 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 and certain resources where a relevant resource-to-reserve conversion ratio can be reasonably applied.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss from disposal.

2. Significant accounting policies continued

Acquisition of mining licenses

The acquisition of mining licenses is often affected through a non-operating corporate entity. As these entities do not represent a business, it is considered that the transactions generally do not meet the definition of a business combination and, accordingly, the transaction is usually 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.

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 (US$), as management believes it is the most useful 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 2021 and 31 December 2020 exchange rates used in the preparation of the consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar
31 December 2021		
Year ended	74.29	431.67
Average	73.65	426.03
31 December 2020		
Year ended	73.88	420.71
Average	72.13	413.26

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.

2. Significant accounting policies continued

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 (a change in accounting policy adopted in 2021, described on page 203)

Mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs are expensed as incurred until such time as the Group determines that reasonable prospects exist for the eventual economic extraction of minerals, which is supported by management's decision to prepare the mineral resource estimation for the relevant field. Mineral resource estimation prepared in accordance with JORC is subsequently published on the Group's website.

Exploration assets representing mineral rights which were acquired as a result of a business combination or an asset acquisition in accordance with IFRS 3 *Business Combinations*, are recognised as a result of the purchase price allocation where appropriate; and are carried at deemed cost, being fair value as at the date of acquisition or at cost where a transaction is classified as an asset acquisition. No changes were made to this part of the Group's policy.

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 licenses 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 the JORC Code and a respective mining plan and model are prepared and approved. At the time of reclassification to development assets, 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.

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 (CGU) to which the asset belongs.

A CGU is defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Assets are combined into a CGU consisting of the assets for which it is impossible to estimate the recoverable amount individually, which is the case when:

- the asset does not generate cash inflows that are largely independent of those from other assets; and
- the asset's value in use cannot be estimated to be close to its fair value less costs of disposal (which is the case when the future cash flows from continuing use of the asset cannot be estimated to be negligible).

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 and certain resources where a relevant resource-to-reserve conversion ratio can be reasonably applied.

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.

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2. Significant accounting policies continued

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.

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

Financial liabilities are initially classified and subsequently measured at amortised cost or FVTPL.

A financial liability is classified as and measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

During year ended 31 December 2021 the Group entered into a royalty arrangement, as described in Note 25, which was designated as at FVTPL upon initial recognition. The royalty arrangement represents a hybrid financial liability contract with an embedded derivative, resulting in future payments that may significantly vary over time based on actual sales.

A derivative is defined as a financial instrument or other contract within the scope of IFRS 9 with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Inclusion of the term 'non-financial variable specific to a party to the contract' is limited to excluding insurance contracts from the definition of a derivative.
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

Borrowings, representing financial contracts for unconditional repayment of principal and interest under a loan agreement, and other financial liabilities, including trade payables, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Supplier financing or reverse factoring arrangements, where a financial institution agrees to pay amounts an entity owes to the entity's suppliers and the entity agrees to pay the financial institution at a date later than suppliers are paid, are classified as borrowings when it is determined that the terms and/or nature of the related balance account, such as accounts payable or advances to suppliers, are substantially changed by the arrangement and therefore represents a financing transaction.

2. Significant accounting policies continued

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 (judged to be one year). 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 (judged to be one year).

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.

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 2021 are disclosed in Note 26.

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 6).

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).

2. Significant accounting policies continued

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 30).

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 30).

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.

Determination of CGUs and Indicators of Impairment and Reversal of Impairment

The Group considers both external and internal sources of information in assessing whether there are any indications that CGUs are impaired or a reversal of impairment is needed (noting the are no impairment reversals available for any of the Group's CGUs in 2021). The external sources of information the Group considers include changes in the market, economic and legal environment in which the Group operates, that are usually not within its control, and are expected to affect the recoverable amount of CGUs. Internal sources of information include the manner in which mining properties, plant and equipment are being used or are expected to be used; and indicators of the economic performance of the assets, historical exploration and operating results. The primary external factors considered are changes in spot and forecast metal prices, market rates of returns that inform discount rates, and changes in laws and regulations. The primary internal factors considered are the Group's current mine performance against expectations, changes in mineral reserves and resources, life of mine plans and exploration results.

Impairment charges and reversals are assessed at the CGU level. Significant management judgement is applied in determining the Group's CGUs, particularly when assets relate to integrated operations, and where changes in CGU determinations could impact the impairment charges and reversals recorded. Nezhda and Prognoz represent relatively adjacent mining operations in Yakutia, Russia (noting the 675 km distance between the mines), which are now planned to share the existing Nezhda concentrator processing facilities. Management judge the Nezhda and Prognoz mines are interdependent, such that the lowest level of identifiable cash inflows that are largely independent of other assets is both mines on a combined basis. From 2021 the two operations are therefore assessed for impairment as a single CGU. The recoverable amount of the CGU, based on a discounted cash flow model prepared as described in the Other sources of estimation uncertainty section below, supports the carrying value of $944 million as of 31 December 2021.

The Nezhda-Prognoz CGU impairment assessment is inherently sensitive to plausible changes in certain economic and operational key input assumptions within the next financial year, which could increase or reduce the CGU's recoverable value estimate. Key recoverable value input assumptions include the long-term gold and silver prices, the discount rate and the projected operating costs. A simultaneous decrease of gold and silver prices to $1,400 and $18 per ounce, respectively, with all other assumptions remaining the same, would reduce the CGU's recoverable value by $216 million, resulting in a $157 million impairment charge. An increase in the projected operating costs by 5%, with all other assumptions remaining the same, would result in an impairment charge of $35 million. An increase in the post-tax real discount rate by 1% with all other assumptions remaining the same, would result in an impairment charge of $13 million.

Albazino power line

In December 2021, the Group entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line that is planned to run, once constructed, from Gorin, 590 km north from Khabarovsk, to the Albazino production site. The power line will be built, owned and operated by AEK LLC, an independent grid management company with completion and the commencement date of the lease scheduled for the 2024 year.

The construction will be funded by a Sberbank 8-year senior loan and Sberbank Investment's 8-year subordinated loan facility. Polymetal will provide guarantees to Sberbank in connection to the senior loan and lease payments to AEK.

The Group applied judgement to determine whether there are indicators of control or significant influence 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 within the lease agreement, as described in Note 26.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Supplier financing (reverse factoring) arrangements

In 2021 the Group entered into supplier financing (reverse factoring) arrangements with several banks, in accordance with the agreements the bank pays the Group's suppliers based on a register of approved invoices provided by the Group to the banks, which includes certain advances to suppliers and payments for the outstanding accounts payable. In determining the appropriate classification and presentation of the arrangement transaction, the Group considered the economic substance of the arrangements and whether the nature and/or terms of the underlying account balances were substantially changed. The Group has determined that the arrangements meet the definition of borrowings as presented in Note 23.

Commencement of commercial production at Nezhda concentrator

Prior to a mine being capable of operating at levels intended by management, relevant capital costs incurred are capitalised as part of the costs of the related mining properties. Recognition of the depletion of capitalised costs for mining properties begins when the mine is capable of operating at levels intended by management, i.e. when it is available for use. Management considers several factors in determining whether a mining property is operating at the levels intended by managements. Amongst other quantitative and qualitative factors, throughput and recoveries are the key metrics assessed to make this determination. A factor of 80% of planned design capacity throughput and recoveries measures are assessed in determining the appropriate timing. The Group determined that the Nezhda flotation facilities were capable of operating at levels intended by management effective 1 December 2021, and depletion commenced at that time.

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 favourable 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, except the Nezhda-Prognoz CGU valuation key estimate described above.

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, mineral reserves and resources assessment and life of mine plans, useful lives of production and other assets, environmental provision, recoverability of deferred tax assets.

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 uses flat real long-term gold and silver prices of $1,500 per ounce (2020: $1,500) and $20 per ounce (2020: $20), respectively. For the year 2022 only, gold and silver prices of $1,800 per ounce (2020: $1,500) and $22 per ounce (2020: $20) are used, respectively, reflecting latest spot and short term forward price forecasts.
- Foreign exchange rates – foreign exchange rates are based on observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. Management have analysed RUB/US$ and KZT/US$ rate movements for the year ended 31 December 2021. The long-term rate RUB/US$ and KZT/US$ exchange rates are estimated at 72 RUB/US$ and 420 KZT/US$, respectively (2020: 72 RUB/US$ and 422 KZT/US$).
- Discount rates – The Group used a post-tax real discount rate of 8.0% (2020: 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 charges for property, plant and equipment was recognised during the year ended 31 December 2021. The sensitivities for goodwill impairment testing are disclosed in Note 19, and in the absence of indicators for impairment and relatively high historical headroom, these are not extended to impairment testing more generally.

The sensitivities of contingent consideration liabilities measured at FVTPL ($63 million at 31 December 2021; $87 million at 31 December 2020) and inventories held at net realisable value ($49 million at 31 December 2021; $52 million at 31 December 2020) to a reasonably possible change in key assumptions described above are not considered material.

The Group has assessed the effect from the climate change which is consistent with identifying a climate change as emerging risk presented on pages 66–81. Based on the analysis, management believe there is no material impact.

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 ($54 million at 31 December 2021; $44 million at 31 December 2020) 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. 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 pages 248–249.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. From 1 January 2021, the segmental amounts of segmental cost of sales and adjusted EBITDA are presented net of unrealised profit, as this presentation is more meaningful from a management perspective. During the year ended 31 December 2021 the Group reclassified several development projects from 'Corporate and other' to 'Magadan', 'Ural' and 'Khabarovsk' segments as this presentation is more meaningful from a management perspective. 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 the segment where the source ore was mined, regardless of 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:

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4. Segment information continued

Period ended 31 December 2021 ($m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total operating segments	Corporate and other	Intersegment operations and balances	**Total**
Revenue from external customers	983	1,103	641	163	–	2,890	–	–	2,890
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	318	456	238	63	–	1,075	–	–	1,075
Cost of sales	396	550	292	69	–	1,307	–	–	1,307
Depreciation included in Cost of sales	(78)	(74)	(48)	(6)	–	(206)	–	–	(206)
Write-down of metal inventory to net realisable value	–	(20)	(5)	–	–	(25)	–	–	(25)
Write-down of non-metal inventory to net realisable value	–	–	1	–	–	1	–	–	1
Rehabilitation expenses	–	–	(2)	–	–	(2)	–	–	(2)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	23	33	29	7	11	103	128	(29)	202
General, administrative and selling expenses	25	34	30	7	11	107	148	(29)	226
Depreciation included in SGA	(2)	(1)	(1)	–	–	(4)	(4)	–	(8)
Share-based compensation	–	–	–	–	–	–	(16)	–	(16)
Other operating expenses excluding additional tax charges, bad debt and expected credit loss allowance	12	56	35	7	7	117	35	(3)	149
Other operating expenses, net	13	57	33	7	7	117	35	(3)	149
Bad debt and expected credit loss allowance	–	(1)	–	–	–	(1)	–	–	(1)
Additional tax charges/fines/penalties	(1)	–	2	–	–	1	–	–	1
Share of loss of associates and joint ventures	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	**630**	**558**	**339**	**86**	**(18)**	**1,595**	**(163)**	**32**	**1,464**
Depreciation expense	80	75	49	6	–	210	4	–	214
Rehabilitation expenses	–	–	2	–	–	2	–	–	2
Write-down of non-metal inventory to net realisable value	–	–	(1)	–	–	(1)	–	–	(1)
Write-down of metal inventory to net realisable value	–	20	5	–	–	25	–	–	25
Share-based compensation	–	–	–	–	–	–	16	–	16
Bad debt and expected credit loss allowance	–	1	–	–	–	1	–	–	1
Additional tax charges/fines/penalties	1	–	(2)	–	–	(1)	–	–	(1)
Operating profit	**549**	**462**	**286**	**80**	**(18)**	**1,359**	**(183)**	**32**	**1,208**
Foreign exchange gain/(loss), net									5
Gain on disposal of subsidiaries, net									3
Change in fair value of contingent consideration liability									4
Finance expenses, net									(59)
Profit before tax									**1,161**
Income tax expense									(257)
Profit for the financial period									**904**
Current metal inventories	108	228	117	50	50	553	–	–	553
Current non-metal inventories	35	92	50	8	17	202	26	–	228
Non-current segment assets:						–			
Property, plant and equipment, net	728	376	1,045	126	938	3,213	101	–	3,314
Goodwill	–	14	–	–	–	14	–	–	14
Non-current inventory	30	25	38	2	1	96	–	–	96
Investments in associates	–	–	–	–	–	–	28	–	28
Total segment assets	**901**	**735**	**1,250**	**186**	**1,006**	**4,078**	**155**	**–**	**4,233**
Additions to non-current assets:									
Property, plant and equipment	93	117	437	67	152	866	5	–	871
Acquisition of subsidiaries	–	–	–	–	–	–	16	–	16

Period ended 31 December 2020 (restated)[1] ($m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total operating segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	940	1,096	681	148	–	2,865	–	–	2,865
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	265	399	218	34	–	916	–	–	916
Cost of sales	338	482	271	38	–	1,129	–	–	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, bad debt and expected credit loss allowance	22	43	23	9	17	114	12	(2)	124
Other operating expenses	22	43	23	9	17	114	12	(2)	124
Bad debt and expected credit loss allowance	–	–	(2)	–	–	(2)	–	–	(2)
Additional tax charges/fines/penalties	–	–	2	–	–	2	–	–	2
Share of loss of associates and joint ventures	–	–	–	–	–	–	2	–	2
Adjusted EBITDA	**635**	**623**	**423**	**99**	**(25)**	**1,755**	**(124)**	**30**	**1,661**
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**	**543**	**369**	**95**	**(25)**	**1,547**	**(143)**	**30**	**1,434**
Foreign exchange gain/(loss), net									23
Gain on disposal of subsidiaries, net									13
Change in fair value of contingent consideration liability									(23)
Finance expenses, net									(67)
Profit before tax									**1,380**
Income tax expense									(314)
Profit for the financial period									**1,066**
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	737	344	689	67	812	2,649	89	–	2,738
Goodwill	–	14	–	–	–	14	–	–	14
Non-current inventory	31	26	36	2	–	95	–	–	95
Investments in associates	–	–	–	–	–	–	24	–	24
Total segment assets	**907**	**694**	**864**	**105**	**830**	**3,400**	**133**	**–**	**3,533**
Additions to non-current assets:									
Property, plant and equipment	83	92	244	35	141	595	12	–	607
Acquisition of subsidiaries	–	–	–	–	–	–	7	–	7

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result other operating expenses, net, profit before income tax, income tax expense and profit for the year line items were restated. Refer to Note 1 and Note 32.

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5. Revenue

	Year ended 31 December 2021			
	Volume shipped (unaudited)	**Volume payable (unaudited)**	**Average price ($ per oz/t payable) (unaudited)**	**$m**
Gold (thousand ounces)	1,421	1,386	1,768	2,450
Silver (thousand ounces)	17,860	17,482	24.0	419
Copper (tonnes)	2,403	2,093	10,032	21
Total				**2,890**

	Year ended 31 December 2020			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	$m
Gold (thousand ounces)	1,428	1,392	1,773	2,467
Silver (thousand ounces)	19,668	19,327	20.1	389
Copper (tonnes)	1,529	1,435	6,273	9
Total				**2,865**

Geographical analysis of revenue by destination is presented below:

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
Sales within the Russian Federation	1,271	1,215
Sales to Kazakhstan	1,008	942
Sales to East Asia	490	539
Sales to Europe	121	169
Total	**2,890**	**2,865**

Included in revenues for the year ended 31 December 2021 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 2021 revenues from such customers amounted to $833 million, $638 million, $369 million and $279 million respectively (2020: $1,120 million, $605 million, $337 million and $264 million, respectively).

Presented below is an analysis per revenue streams as described in Note 2 Significant accounting policies:

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
Bullions	1,341	1,358
Concentrate	897	902
Dore	652	605
Total	**2,890**	**2,865**

The Group enters into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced based on the spot London Bullion Market Association (LBMA) price, prevailing at the date of the respective shipment. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received represent contract liabilities, which are presented on the face of the balance sheet within Advances received (31 December 2021: $113 million; 31 December 2020: nil). As of 31 December 2021 contract obligations related to the concentrate sales amount to $21 million and were also accounted for as Advances received (31 December 2020: $7 million).

6. Cost of sales

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
Cash operating costs		
On-mine costs (Note 7)	516	437
Smelting costs (Note 8)	383	350
Purchase of ore and concentrates from third parties	130	106
Mining tax	152	142
Total cash operating costs	**1,181**	**1,035**
Depreciation and depletion of operating assets (Note 9)	229	206
Rehabilitation expenses (Note 24)	2	(1)
Total costs of production	**1,412**	**1,240**
Increase in metal inventories	(132)	(127)
Write-down of inventories to net realisable value (Note 21)	24	14
Idle capacities and abnormal production costs	3	2
Total	**1,307**	**1,129**

7. On-mine costs

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
Services	254	205
Labour	130	117
Consumables and spare parts	126	112
Other expenses	6	3
Total (Note 6)	**516**	**437**

8. Smelting costs

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
Consumables and spare parts	164	149
Services	145	136
Labour	72	64
Other expenses	2	1
Total (Note 6)	**383**	**350**

9. Depletion and depreciation of operating assets

	Year ended **31 December 2021 $m**	Year ended 31 December 2020 $m
On-mine	161	143
Smelting	68	63
Total in cost of production (Note 6)	**229**	**206**
Less: absorbed into metal inventories	(23)	(6)
Depreciation included in cost of sales	**206**	**200**

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 4), also excludes amounts absorbed into unsold metal inventory balances.

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10. General, administrative and selling expenses

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Labour	171	139
Share-based compensation (Note 30)	16	15
Depreciation	8	7
Services	10	5
Other	21	18
Total	**226**	**184**
including		
Mine site expenses	107	83
Corporate head office expenses	119	101
Total	**226**	**184**

11. Other operating expenses, net

	Year ended 31 December 2021 $m	Year ended 31 December 2020 (restated)[1] $m
Exploration expenses	72	51
Social payments	28	28
Provision for investment in Special Economic Zone	20	18
Taxes, other than income tax	11	15
Additional tax charges/fines/penalties	(1)	(2)
Change in estimate of environmental obligations	2	(3)
Other expenses	17	17
Total	**149**	**124**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the exploration expenses line and corresponding other operating expenses, net items were restated. Refer to Note 1 and Note 32.

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 $20 million in 2021 (2020: $18 million).

In 2021 other expenses include $8 million to COVID-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits and other expenses (2020: $7 million).

Operating cash flow spent on exploration activities amounts to $71 million (2020: $52 million).

12. Employee costs

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Wages and salaries	366	305
Social security costs	89	74
Share-based compensation	16	15
Total employee costs	**471**	**394**
Reconciliation:		
Less: employee costs capitalised	(64)	(47)
Less: employee costs absorbed into unsold metal inventory balances	(13)	(14)
Employee costs included in costs of sales	**394**	**333**

The weighted average number of employees during the year ended 31 December 2021 was 13,589 (year ended 31 December 2020: 12,447).

Compensation of key management personnel is disclosed within Note 31.

13. Auditor's remuneration

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Fees payable to the auditor and their associates for the audit of the Company's Annual Report		
United Kingdom	0.56	0.47
Overseas	0.76	0.73
Audit of the Company's subsidiaries	0.07	0.08
Total audit fees	**1.39**	**1.28**
Audit-related assurance services (half-year financial statements review)	0.50	0.48
Total audit and half-year review fees	**1.89**	**1.76**
Other services	0.34	0.04
Total non-audit fees	**0.34**	**0.04**
Total fees	**2.23**	**1.80**
Non-audit fees as % of audit and half-year review fees	**18%**	**2%**

In 2021 other services are mainly related to assurance over climate-related financial disclosures, included in the 2021 Annual Report.

14. Finance expenses, net

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Interest expense on borrowings	51	59
Unwinding of discount on lease liabilities (Note 18, Note 33)	3	3
Unwinding of discount on environmental obligations (Note 24)	4	3
Unwinding of discount on contingent consideration liability (Note 33)	8	5
Finance income	(7)	(3)
Total	**59**	**67**

During the year ended 31 December 2021 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of $13 million (2020: $10 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 2.91% (2020: 3.39%) to cumulative expenditure on such assets.

15. Income tax

The amount of income tax expense for the years ended 31 December 2021 and 31 December 2020 recognised in profit and loss was as follows:

	Year ended 31 December 2021 $m	Year ended 31 December 2020 (restated)[1] $m
Current income tax	261	271
Deferred income tax	(4)	43
Total	**257**	**314**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the deferred income tax line and corresponding total income tax expense resulting line were restated. Refer to Note 1 and Note 32.

15. Income tax continued

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended 31 December 2021 $m	31 December 2020 (restated) [1] $m
Profit before income tax	**1,161**	**1,380**
Theoretical income tax expense at the tax rate of 20%	232	277
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(33)	(42)
Tax effect of WHT on intercompany dividends	33	39
Effect of different tax rates of subsidiaries operating in other jurisdictions	5	9
Change in fair value of contingent consideration liability	–	5
Losses not recognised and written-off	3	5
Non-deductible interest expense	10	7
Non-taxable consolidation adjustments on disposal of subsidiaries	1	3
Other non-taxable income and non-deductible expenses	10	12
Adjustments in respect of prior periods	(4)	(1)
Total income tax expense	**257**	**314**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the deferred income tax line and corresponding total income tax expense resulting line were restated. Refer to Note 1 and Note 32.

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.

In 2021 Svetloye LLC was subject to tax relief as a Regional Investment Project and was entitled to the statutory income tax rate of 0%, while from 2022 a tax rate of 20% will be applied. 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. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023, a tax rate of 13% in 2024 and a tax rate of 12% during 2025–2028. South-Verkhoyansk Mining Company JSC received tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 10% from 2022 to 2026 and 13.5% from 2027 to 2028.

Tax exposures recognised in income tax

In 2021 and 2020 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 26) (covering taxes and related interest and penalties) of approximately $157 million being uncertain tax positions (31 December 2020: $157 million) which relate to income tax. This is connected largely to the 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. In case of Regional Investment Project in Russian Federation fiscal period remains open to review for five years as well. 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 2021 $m	31 December 2020 $m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	2	4
Deferred tax expense	–	–
Total income tax recognised in other comprehensive income	**2**	**4**

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.

	Mineral rights $m	Exploration in progress $m	Trade and other payables $m	Environmental obligation $m	Tax losses $m	Unremmited earnings $m	Other $m	Total $m
At 1 January 2020 (restated)[1]	**(237)**	**(38)**	**17**	**9**	**133**	**–**	**(3)**	**(119)**
Charge to income statement	15	(10)	4	–	(33)	(15)	(4)	(43)
Exchange differences	33	6	(3)	(1)	(19)	–	–	16
At 31 December 2020 (restated)[1]	**(189)**	**(42)**	**18**	**8**	**81**	**(15)**	**(7)**	**(146)**
Charge to income statement	2	(24)	–	3	19	(7)	11	4
Exchange differences	3	–	–	–	–	–	–	3
At 31 December 2021	**(184)**	**(66)**	**18**	**11**	**100**	**(22)**	**4**	**(139)**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result as at 1 January 2020 line, charge to income statement for 2020 line and corresponding resulting line as at 31 December 2020 were restated. Refer to Note 1 and Note 32.

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:

	Year ended 31 December 2021 $m	31 December 2020 (restated)[2] $m
Deferred tax liabilities	(206)	(202)
Deferred tax assets	67	56
Total	**(139)**	**(146)**

2 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the deferred income tax line and corresponding total income tax expense resulting line were restated. Refer to Note 1 and Note 32.

15. Income tax continued

The Group believes that recoverability of the recognised deferred tax asset (DTA) of $100 million at 31 December 2021 (2020: $81 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 2019 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years through to 2024. From 2025 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.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2021. 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 Prognoz LLC, Polymetal JSC and JSC South-Verkhoyansk Mining Company. 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 $84 million (2020: $58 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2021 the Group paid withholding income tax of $25 million (2020: $24 million) related to intercompany dividends, which were remitted during the year. As of 31 December 2021 the Group has recognised a deferred tax liability of $22 million (31 December 2020: $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 (judged to be one year). 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 (judged to be one year). The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to $3.2 billion (2020: $2.9 billion).

16. Dividends

Dividends recognised during the years ended 31 December 2021 and 31 December 2020 are detailed in the below:

	cents per share	$m	Dividends deducted from the equity during the period	Dividends proposed in relation to the period	Paid in
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
Final dividend for 2020	89	421	2021	2020	May 2021
Interim dividend 2021	45	214	2021	2021	September 2021
Final dividend for 2021	52	246	n/a	2021	n/a

	Total dividends Deducted from the equity $m	Total dividends Proposed for the period $m	Paid in $m
Year ended 31 December 2020	481	610	481
Year ended 31 December 2021	635	456	635

17. 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 1 January 2020 (restated)[1]	**582**	**368**	**2,653**	**64**	**274**	**3,941**
Additions	67	15	149	11	365	607
Transfers	(147)	(255)	447	3	(48)	–
Change in environmental obligations (Note 24)	–	–	(5)	–	3	(2)
Acquisitions	–	7	–	–	–	7
Eliminated on disposal of subsidiaries	(12)	(2)	–	(2)	–	(16)
Disposals and write-offs including fully depreciated items	–	–	(72)	(1)	(1)	(74)
Translation to presentation currency	(72)	(71)	(371)	(10)	(50)	(574)
Balance at 31 December 2020 (restated)[1]	**418**	**62**	**2,801**	**65**	**543**	**3,889**
Additions	65	14	305	10	477	871
Transfers	(98)	(11)	343	1	(235)	–
Change in environmental obligations (Note 24)	–	–	2	–	1	3
Acquisitions	–	16	–	–	–	16
Eliminated on disposal of subsidiaries	–	(6)	–	–	–	(6)
Disposals and write-offs including fully depreciated items	–	–	(64)	(1)	–	(65)
Translation to presentation currency	(1)	(1)	(44)	(1)	(3)	(50)
Balance at 31 December 2021	**384**	**74**	**3,343**	**74**	**783**	**4,658**

	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 1 January 2020 (restated)[1]	**–**	**–**	**(1,125)**	**(33)**	**–**	**(1,158)**
Charge for the period	–	–	(232)	(7)	–	(239)
Impairment reversal	–	–	8	–	–	8
Disposals and write-offs including fully depreciated items	–	–	64	1	–	65
Translation to presentation currency	–	–	167	6	–	173
Balance at 31 December 2020 (restated)[1]	**–**	**–**	**(1,118)**	**(33)**	**–**	**(1,151)**
Charge for the period	–	–	(260)	(7)	–	(267)
Disposals and write-offs including fully depreciated items	–	–	59	–	–	59
Translation to presentation currency	–	–	15	–	–	15
Balance at 31 December 2021	**–**	**–**	**(1,304)**	**(40)**	**–**	**(1,344)**
Net book value						
1 January 2020 (restated)[1]	**582**	**368**	**1,528**	**31**	**274**	**2,783**
31 December 2020 (restated)[1]	**418**	**62**	**1,683**	**32**	**543**	**2,738**
31 December 2021	**384**	**74**	**2,039**	**34**	**783**	**3,314**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the balance as at 1 January 2020, additions for 2020 and the corresponding resulting line items for the balance as at 31 December 2020 were restated. Refer to Note 1 and Note 32.

Mining assets, exploration and development assets at 31 December 2021 included mineral rights with a net book value which amounted to $1,016 million (31 December 2020: $1,045 million) and capitalised stripping costs with a net book value of $249 million (31 December 2020: $141 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. As of 31 December 2021 capital construction in progress includes prepayments made for equipment and construction works amounting to $162 million (2020: $154 million).

Included within the $65 million of assets disposed of and written off were fully depleted items of $19 million (year ended 31 December 2020: $30 million).

No property, plant and equipment was pledged as collateral at 31 December 2021 or at 31 December 2020.

17. Property, plant and equipment continued

Ruskit acquisition

In October 2021, the Group acquired a 100% stake in GPH Ruskit LLC (Ruskit) for a cash consideration of $2 million and deferred consideration valued as of the acquisition date at $10 million. Ruskit owns a license for the Kegali deposit located in the Magadan region. The consideration paid is attributable to the acquired mineral rights of $12 million, classified within property, plant and equipment as an exploration asset.

Other acquisitions of exploration assets during the year ended 31 December 2021 of $4 million in total, relate to consolidation of certain former joint ventures (Note 20); and the acquisition of an exploration interest in Kazakhstan for cash consideration of $2 million.

Levoberezhnoye disposal

In June 2021, the Group sold its 100% interest in a minor subsidiary, Levoberezhnoye, to the third party for $2 million in cash and a contingent consideration estimated at $7 million as of the date of the agreement. Levoberezhnoye's net assets included an exploration asset of $6 million, and accordingly the Group recognised a pre-tax gain on disposal of $3 million.

18. Leases

Movements of the right-of-use assets for the year ended 31 December 2021 are as follow:

	Year ended 31 December 2021 $m	31 December 2020 $m
Right-of-use assets		
At 1 January	**32**	**31**
Additions	9	16
Depreciation charge for the period	(6)	(4)
Disposals	(4)	(4)
Accumulated depreciation of assets disposed	1	1
Translation to presentation currency	1	(8)
At 31 December	**33**	**32**

The most significant leases of the Group are office leases.

Movements of the lease liabilities for the year ended 31 December 2021 are detailed in Note 33. Maturity analysis of lease liabilities is presented in Note 28.

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and recognises the lease payments associated with those leases as expenses on a straight-line basis over the lease term:

- 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 2021 are as follows:

	Year ended 31 December 2021 $m	31 December 2020 $m
Expenses related to lease exemptions	(3)	(3)
Unwinding of discount on lease liabilities	(3)	(3)
Depreciation of right-of-use assets	(6)	(4)
Total lease expenses	**(12)**	**(10)**

19. Goodwill

	Year ended 31 December 2021 $m	31 December 2020 $m
Cost and Accumulated impairment losses		
At 1 January	**14**	**16**
Translation effect	–	(2)
At 31 December	**14**	**14**

Goodwill has been allocated for impairment testing purposes to the following cash generating units:

Mayskoye	11	11
Dukat	3	3
Total	**14**	**14**

The recoverable amount of the relevant cash-generating units 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/US$ 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.

20. Investments in associates and joint ventures

	31 December 2021		31 December 2020	
	Voting power %	Carrying Value $m	Voting power %	Carrying Value $m
Interests in associates and joint ventures				
Tomtor (ThreeArc Mining Ltd)	9.1	20	9.1	20
Other investments		4		4
Total		**24**		**24**
Loans advanced forming part of net investment in joint ventures				
Other investments		4		–
Total		**4**		**–**
Total investments in associates and joint ventures		**28**		**24**

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20. Investments in associates and joint ventures continued

Movement during the reporting periods was as follows:

	Year ended 31 December 2021 $m	31 December 2020 $m
At 1 January	**24**	**2**
Acquisitions	1	24
Consolidated as subsidiaries	(1)	–
Loss from associates and joint ventures	–	(2)
Loans advanced forming part of net investment	4	–
Total at 31 December	**28**	**24**

Tomtor (ThreeArc Mining Ltd)

ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals exploration project (Tomtor). The transaction whereby the Group acquired a 9.1% interest in Three Arc 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.

The Group has determined that it continues to have 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.

During the years ended 31 December 2021 and 31 December 2020, no significant share of profit/(loss) from Tomtor was recognised by the Group.

Other investments

During year ended 31 December 2021 the Group consolidated its interests in Matenvunai and Pekinskaya LLC. In March 2021 the Group acquired an additional stake of 55% in Matenvunai LLC for cash consideration of $1 million, consolidating 80% of the voting rights. In April 2021 the Group acquired an additional stake of 27.7% in Pekinskaya LLC for cash consideration of $1 million, consolidating 62.7% of voting rights. The Group has determined that it controls the investees from the date of state registration of the transactions described above.

During year ended 31 December 2021 the Group entered into two new joint arrangements to explore and develop several deposits in the Magadan and Khabarovsk regions of Russia, for total consideration of $2 million. The Group determined that these arrangements constitute joint ventures in accordance with IFRS 11 *Joint arrangements and the investments* are accounted using the equity method.

Summarised financial position of the investments

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 2021, consistent with 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.

	31 December 2021		31 December 2020	
	Tomtor $m	Non-significant investments $m	Tomtor $m	Non-significant investments $m
Non-current assets	307	10	295	4
Current assets	3	3	8	4
Non-current liabilities	(91)	(5)	(83)	(1)
Current liabilities	(1)	–	(1)	–
Net assets	218	8	220	3
Reconciliation of Tomtor net assets to the investment recognised in the Group balance sheet				
Group interest	9%		9%	
Net assets	218		220	
Group's ownership interest	20		20	
Carrying value of investment	20		20	

21. Inventories

	Year ended 31 December 2021 $m	31 December 2020 $m
Inventories expected to be recovered after twelve months		
Ore stock piles	70	69
Consumables and spare parts	26	26
Total non-current inventories	**96**	**95**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	182	138
Ore stock piles	221	194
Work in-process	115	115
Doré	26	15
Metal for refining	9	10
Total current metal inventories	**553**	**472**
Consumables and spare parts	228	190
Total current inventories	**781**	**662**

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 2021 $m	31 December 2020 $m
Ore stock piles	(28)	(2)
Ore in heap leach piles	3	(4)
Total	**(25)**	**(6)**

The key assumptions used as of 31 December 2021 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 2021 were used: gold and silver prices of $1,836 per ounce (2020: $1,906) and $23.5 per ounce (2020: $26.6), respectively.

During the year ended 31 December 2021 the Group recognised a reversal of previous write-down of consumables and spare parts inventory of $1 million (year ended 31 December 2020: write-down of $8 million).

The amount of inventories held at net realisable value at 31 December 2021 is $49 million (31 December 2020: $52 million).

22. Accounts receivable and other financial assets

	Year ended 31 December 2021 $m	31 December 2020 $m
Non-current accounts receivable and other financial assets		
Contingent consideration receivable	29	25
Loans provided to third parties	12	4
Other long-term assets	16	9
Total	**57**	**38**
Trade receivables and other financial assets		
Receivables from provisional copper, gold and silver concentrate sales	44	46
Other receivables	32	21
Short-term contingent consideration receivable	7	3
Less: Allowance for doubtful debts	(4)	(3)
Total trade and other receivables	**79**	**67**
Shares held at FVTPL	5	2
Short-term loans provided	7	6
Total other short-term financial assets	**12**	**8**
Total	**91**	**75**

The average credit period on sales of copper, gold and silver concentrate at 31 December 2021 was 18 days (2020: 14 days). No interest is charged on trade receivables. The Group's doubtful debt relates to its non-trade receivables, which are fully impaired.

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 27):

	Year ended 31 December 2021 $m	31 December 2020 $m
Opening balance	**28**	**–**
Additions (Note 17)	7	9
Change in fair value, included in profit or loss (Note 27)	1	19
Total contingent consideration	**36**	**28**
Less current portion of contingent consideration liability	(7)	(3)
Total non-current contingent consideration	**29**	**25**

The valuation process for contingent consideration liabilities and related key assumptions is described in Note 27 below.

23. Borrowings

	Actual interest rate at			31 December 2021			31 December 2020		
	Type of rate	31 Dec 2021	31 Dec 2020	**Current $m**	**Non-current $m**	**Total $m**	Current $m	Non-current $m	Total $m
Secured loans from third parties									
U.S. Dollar denominated	floating	n/a	1.95%	–	–	–	–	200	200
U.S. Dollar denominated	fixed	3.04%	4.06%	100	191	291	144	92	236
Total secured loans from third parties				**100**	**191**	**291**	**144**	**292**	**436**
Unsecured loans from third parties									
U.S. Dollar denominated	floating	1.35%	1.86%	298	378	676	80	207	287
U.S. Dollar denominated	fixed	3.52%	3.91%	2	948	950	101	850	951
Euro denominated	floating	0.45%	n/a	–	24	24	–	–	–
Euro denominated	fixed	0.60%	2.85%	2	–	2	9	–	9
RUB denominated	fixed	6.67%	5.00%	44	77	121	–	54	54
Total unsecured loans from third parties				**346**	**1,427**	**1,773**	**190**	**1,111**	**1,301**
Total				**446**	**1,618**	**2,064**	**334**	**1,403**	**1,737**

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.

Factoring arrangements

In 2021 the Group entered into factoring arrangements with several banks, in accordance with the agreements the bank pays the Group's suppliers based on the register of approved invoices provided by the Group to the banks, which includes certain advances to suppliers and payments for the outstanding accounts payable. As of 31 December 2021 the outstanding balance of the factoring liability amounts to $48 million, which have a maturity of 90 days, mainly denominated in Russian Roubles.

The Group determined that the arrangements meet the definition of the borrowings and are presented as loans in the table above. As no cash inflow and cash outflow occur for the Group when an invoice is paid by the banks, the Group does not present those cash flows in its statement of cash flows and presents them as a non-cash transaction (Note 33). Financing cash outflows are recorded by the Group when the Group pays the bank directly.

Movements in borrowings are presented in Note 33.

At 31 December 2021, the Group had undrawn borrowing facilities of $2,254 million (31 December 2020: $2,281 million), of which $1,354 million are considered committed[1] (31 December 2020: $1,392 million). The Group complied with its debt covenants throughout 2021 and 2020.

1 As at 1 March 2022, $0.8 billion of committed facilities are available to be drawn down because $0.5bn was from banks who are now on the SDN list.

The table below summarises maturities of borrowings:

	Year ended 31 December 2021 $m	31 December 2020 $m
Year ended, 31 December 2021	–	334
31 December 2022	446	195
31 December 2023	177	255
31 December 2024	372	334
31 December 2025	220	50
31 December 2026	390	164
31 December 2027	170	133
31 December 2028	139	133
31 December 2029	139	133
31 December 2030	8	6
31 December 2031	3	–
31 December 2032	2	–
Total	**2,064**	**1,737**

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24. Environmental obligations

	Year ended 31 December 2021 $m	31 December 2020 $m
Opening balance	**44**	**57**
Change in estimate of environmental obligations (Note 11)	2	(3)
Decommissioning liabilities recognised as increase in Property plant and equipment (Note 17)	3	(2)
Rehabilitation expenses (Note 6)	2	(1)
Effect of unwinding of discount (Note 14)	4	3
Translation effect	(1)	(10)
Closing balance	**54**	**44**
Less current portion of environmental obligations (Note 25)	(4)	–
Total non-current environmental obligation	**50**	**44**

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:

	2021	2020
Discount rates	**8.18%–10.03%**	5.19%–6.96%
Inflation rates	**2.4%–8%**	2.6%–6.9%
Expected mine closure dates	**1–30 years**	3–29 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.

25. Payables and accrued liabilities

	Year ended 31 December 2021 $m	31 December 2020 $m
Non-current liabilities		
Long-term royalties payable	16	–
Other non-current liabilities	2	3
Total	**18**	**3**
Current liabilities		
Trade payables	121	90
Accrued liabilities	50	45
Short-term royalties payable	5	–
Current portion of environmental obligations (Note 24)	4	–
Labour liabilities	17	14
Provision for investment in Special Economic Zone (Note 11)	19	18
Other payables	7	13
Total	**223**	**180**

During year ended 31 December 2021 the Group entered into royalty arrangement with Maverix Metal Inc (Maverix) selling two perpetual payments (royalties) for total consideration of $20 million. The Group's financial liability that originated represents a royalty payable, which results in future payments that may significantly vary over time depending on future production and sales. Such royalty represents a financial liability contract with an embedded derivative and is designated by the Group as at FVTPL on initial recognition and subsequently (Note 2).

Movements in royalty payable are presented in Note 33.

In 2021 the average credit period for payables was 30 days (2020: 30 days). There was no interest charged on the outstanding trade and other 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.

26. Commitments and contingencies

Commitments

Capital commitments

The Group's contractual expenditure commitments as of 31 December 2021 amounted to $270 million (2020: $250 million).

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 UVES, an independent grid management company with completion and the commencement date of the lease scheduled for the second quarter of 2022.

The total expected amount of the Group's lease commitments is estimated at $151 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of $34 million, which will be expensed as incurred.

Albazino power line

In December 2021, the Group entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line that is planned to run, once constructed, from Gorin, 590 km north from Khabarovsk, to the Albazino production site. The power line will be built, owned and operated by AEK LLC, an independent grid management company with completion and the commencement date of the lease scheduled for the 2024 year.

The construction will be funded by the Sberbank 8-year senior loan and Sberbank Investment's 8-year subordinated loan facility. Polymetal will provide guarantees to Sberbank in connection to the senior loan and lease payments to AEK.

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 the commencement date.

The Group has determined that the guarantee in substance represents a 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 total expected amount of lease commitments is estimated at $235 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of $55 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 2021 the Group paid $5 million (2020: $5 million) under this programme and the total social expense commitment as of 31 December 2021 amounts to $7 million (2020: $12 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 executory contracts as the Group expects to, and has historically, physically delivered into these contracts.

Contingent liabilities

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 transaction and activity of the companies of the Group may be challenged by the relevant regional and federal 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 $158 million in respect of contingent liabilities (2020: $157 million), mainly related to income tax as described in Note 15.

27. Financial instruments

Major categories of financial instruments

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Financial assets		
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales (Note 22)	44	46
Contingent consideration receivable (Note 22)	36	28
Shares held at FVTPL (Note 22)	5	2
Financial assets at amortised cost, including cash and cash equivalents		
Cash and cash equivalents (Note 33)	417	386
Other receivables (Note 22)	35	24
Non-current loans and receivables (Note 22)	12	4
Total financial assets	**549**	**490**
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 33)	63	87
Royalty payable (Note 25, 33)	21	–
Financial liabilities at amortised cost		
Borrowings (Note 23)	2,064	1,737
Deferred consideration (Note 33)	79	74
Trade and other payables (Note 25)	147	121
Total financial liabilities	**2,374**	**2,019**

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.

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 2021, accounts receivable with embedded derivatives recognised at fair value amounted to $44 million (31 December 2020: $46 million) and represented receivables from provisional metal concentrate sales. In 2021 gain recognised on revaluation of these instruments approximates to nil (2020: $1 million) and is recorded within revenue.

Fair value of financial instruments

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 2021 and 31 December 2020, the Group held the following financial instruments:

31 December 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Receivables from provisional copper, gold and silver concentrate sales (Note 22)	–	44	–	**44**
Contingent consideration receivable (Note 22)	–	–	29	**29**
Shares held at FVTPL (Note 22)	5	–	–	**5**
Royalty liabilities payable (Note 25)			(21)	**(21)**
Contingent consideration liability (Note 33)	–	–	(63)	**(63)**
Total	**5**	**44**	**(55)**	**(6)**

31 December 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Receivables from provisional copper, gold and silver concentrate sales (Note 22)	–	46	–	**46**
Contingent consideration receivable (Note 22)	–	–	25	**25**
Shares held at FVTPL (Note 22)	2	–	–	**2**
Contingent consideration liability (Note 33)	–	–	(87)	**(87)**
Total	**2**	**46**	**(62)**	**(14)**

During the reporting year, there were no transfers between Level 1 and Level 2.

The Group recognised the following gains and loss from revaluation of its Level 3 financial instruments:

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Gain on revaluation of contingent consideration receivable	1	19
Gain/(loss) on revaluation of contingent consideration payable	4	(42)
Loss on revaluation of royalty payable	(1)	–
Total	**4**	**(23)**

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 2021, is $1,849 million (2020: $1,546 million), and the carrying value as of 31 December 2021 is $2,064 million (2020: $1,737 million) (see Note 23).

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 22 and 27, respectively.

27. Financial instruments continued

Valuation methodologies used in the measurement of fair value for Level 3 financial assets and financial liabilities

The main level 3 inputs used by the Group in measuring the fair value of contingent consideration assets and liabilities, represented by various royalties and net smelter returns (NSR), are derived and evaluated as follows:

- The relevant valuation model simulates expected production of metals at respective mines and are based on life of mine models prepared using applicable ore reserves and mineral resource estimations;
- Commodity prices – Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. The prices applied are consistent with those described in Note 3.
- Discount rates – The Group used a post-tax real discount rate of 8.0% (2020: 9.0%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 10.7% (2020: 11.7%) is applied.
- Where the percentage of net NSR or royalty receivable or payable depends on commodity prices or foreign exchange rates reaching certain levels, the Group applies the Monte-Carlo modelling to incorporate the volatility measure into the valuation, which is applied to the prevailing market prices/rates as of the valuation date. The Monte-Carlo modelling is applied to Komar and Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

The key assumptions used in the Monte-Carlo calculations are set out below:

	Price as of valuation date per ounce/tonne, $US	Average gold price/ounce for preceding quarter as of valuation date, $US	Volatility, %	Constant correlation to gold, %
Gold	1,820	1,795	13.29%–16.32%	n/a
Silver	23.085	23	26.4%–32.5%	83.74%
Copper	9,692	n/a	20.91%	53.22%
Zinc	3,630	n/a	22.73%	23.33%
RUB rate	74.2926	n/a	12.14%–13.41%	65.15%–65.79%

The Directors consider that a reasonably possible change in a valuation assumption would not have a material impact on the consolidated financial statements for contingent considerations receivables and payable.

28. 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 23 offset by cash and cash equivalents and bank balances as detailed in Note 33) 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.

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 2021 and 31 December 2020 were as follows:

	Assets		Liabilities	
	31 December 2021 $m	31 December 2020 $m	**31 December 2021 $m**	31 December 2020 $m
US Dollar	391	435	498	575
Euro	–	–	12	13
Total	**391**	**435**	**510**	**588**

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 includes external loans as well as loans to foreign operations within the Group where the denomination of the loans is in a currency other than of the lender or the borrower.

	Year ended	
	31 December 2021 $m	31 December 2020 $m
Profit or loss		
RUB to U.S. Dollar	3	33
KZT to U.S. Dollar	(13)	(47)
Other comprehensive income or loss		
RUB to U.S. Dollar	37	36
KZT to U.S. Dollar	(37)	(36)

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 2021 would have decreased/increased by $4 million (2020: $4 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

28. Risk management activities continued

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 2021 and 31 December 2020 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 33 are cash and cash equivalents at 31 December 2021 of $417 million (2020: $386 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 2021 and 31 December 2020:

	31 December 2021				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings (Note 23)	308	194	1,301	491	**2,294**
Accounts payable and accrued expenses (Note 25)	137	10	–	–	**147**
Contingent consideration liabilities (Note 27, 33)	9	23	112	17	**161**
Royalty payable (Note 25)	1	4	18	4	**27**
Lease liabilities (Note 18)	2	5	28	14	**49**
Total	**457**	**236**	**1,459**	**526**	**2,678**

	31 December 2020				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings (Note 23)	154	237	896	692	**1,979**
Accounts payable and accrued expenses (Note 25)	119	2	–	–	**121**
Contingent consideration liabilities (Note 33)	9	32	122	43	**206**
Lease liabilities (Note 18)	2	5	23	19	**49**
Total	**284**	**276**	**1,041**	**754**	**2,355**

29. Stated capital account and retained earnings

As of 31 December 2021, the Company's issued share capital consisted of 473,626,239 ordinary shares (2020: 471,818,000 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2020: 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 no. of shares	Stated capital account $m
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**
Issue of shares in accordance with DSA and LTIP plans	1,808,239	16
Balance at 31 December 2021	**473,626,239**	**2,450**

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 $3.7 billion (2020: $3.2 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 2021	31 December 2020
Weighted average number of outstanding common shares	473,048,821	471,278,987
Dilutive effect of share appreciation plan	6,809,043	6,708,642
Weighted average number of outstanding common shares after dilution	**479,857,864**	**477,987,629**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2021 (year ended 31 December 2020: nil).

At 31 December 2021 the outstanding LTIP awards issued under 2019–2021 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 2020: the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2021 and 31 December 2020 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.

30. Share-based payments

For the year ended 31 December 2021, share-based compensation in the amount of $16 million including $2 million of management bonus deferral award (2020: $15 million and $2 million, respectively) was recognised in general, administrative and selling expenses in the consolidated income statement (Note 10). As of 31 December 2021 total accumulated share-based compensation reserve amounts to $31 million (2020: $31 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 2021			31 December 2020	
	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 2017	2,070,002	–	–	0.3	1
Tranche 2018	2,549,754	0.3	1	1.3	3
Tranche 2019	2,831,753	1.3	4	2.3	7
Tranche 2020	2,497,292	2.3	14	3.3	20
Tranche 2021	1,732,722	3.3	12	–	–
Total			**31**		**31**

During the year ended 31 December 2021 total amount of 1,808,239 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2020: 1,629,799 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	Tranche 2021
Risk free rate	1.60%	2.49%	2.32%	0.35%	0.61%
Expected volatility	41.65%	34.03%	33.87%	35.59%	35.36%
Constant correlation	34.49%	33.70%	39.54%	44.31%	40.78%
Expected life, years	4	4	4	4	4
Share price at the date of grant (USD)	13.3	10.2	11.0	20.6	19.8
Fair value of one award (USD)	6.9	4.0	4.3	9.4	7.1

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.

31. 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 period ended 31 December 2021 transactions with the related parties are represented by miscellaneous purchases of $1.4 million (period ended 31 December 2020: $0.1 million) and various sales to the related parties of $0.7 million (period ended 31 December 2020: $0.5 million).

Outstanding balances with related parties as of 31 December 2021 are represented by accounts receivable of $0.3 million (31 December 2020: $1.0 million).

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2021 $m	31 December 2020 $m
Share-based payments	2	2
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
Total	**7**	**7**

32. Restatement

The following tables summarise the restatements made to the comparative consolidated income statement, consolidated statement of other comprehensive income, the consolidated balance and consolidated statement of cash flows as a result of a voluntary change in accounting policy for exploration and evaluation assets (Note 1). There was no effect on the basic and diluted earnings per share for the comparative period.

Adjustments to the consolidated balance sheet

	1 January 2020 $m	Adjustment for change in accounting policy $m	1 January 2020 (restated) $m
Property, plant and equipment	2,810	(27)	2,783
Deferred tax liability	(196)	4	(192)
Equity shareholders of the Parent	**1,951**	**(23)**	**1,928**
Translation reserve	(1,302)	8	(1,294)
Decrease in retained earnings		**(31)**	

	31 December 2020 $m	Adjustment for change in accounting policy $m	31 December 2020 (restated) $m
Property, plant and equipment	2,787	(49)	2,738
Deferred tax liability	(209)	7	(202)
Equity shareholders of the Parent	**2,002**	**(42)**	**1,960**
Translation reserve	(1,832)	9	(1,823)
Decrease in retained earnings		**(51)**	

32. Restatement continued

Adjustments to the consolidated income statement

	31 December 2020 $m	Year ended Adjustment for change in accounting policy $m	31 December 2020 (restated) $m
Other operating expenses, net	(99)	(25)	(124)
Income tax expense	(319)	5	(314)
Decrease profit for the financial period		**(20)**	

Adjustments to the consolidated statements of comprehensive income

	31 December 2020 $m	Year ended Adjustment for change in accounting policy $m	31 December 2020 (restated) $m
Profit for the period	1,086	(20)	1,066
Translation reserve	(533)	(1)	(532)
Total comprehensive income/(loss) for the period	**553**	**(21)**	**534**

Adjustments to the consolidated statements of cash flows

	31 December 2020 $m	Year ended Adjustment for change in accounting policy $m	31 December 2020 (restated) $m
Profit before income tax	1,405	(25)	1,380
Net cash generated by operating activities	**1,192**	**(25)**	**1,167**

33. Supplementary cash flow information

	Note	**Year ended 31 December 2021 $m**	Year ended 31 December 2020 (restated)[1] $m
Profit before tax		1,161	1,380
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		214	207
Write-down of inventories to net realisable value	21	24	14
Share-based compensation	10, 30	16	15
Finance expenses, net	14	59	67
Change in fair value of financial instruments	27	(4)	23
Foreign exchange gain		(5)	(23)
Reversal of previously recognised impairment		–	(8)
Gain on disposal of subsidiaries, net	17	(3)	(13)
Other non-cash expenses		10	7
		1,472	**1,669**
Movements in working capital			
Increase in inventories		(123)	(127)
Decrease/(Increase) in VAT receivable		3	(26)
Increase in trade and other receivables		(3)	(26)
Increase in prepayments to suppliers		(22)	(43)
Increase in trade and other payables		1	34
Increase in prepayments received		127	–
Increase in other taxes payable		20	28
Cash generated from operations		**1,475**	**1,509**
Interest paid		(60)	(71)
Interest received		6	4
Income tax paid		(226)	(275)
Net cash generated by operating activities		**1,195**	**1,167**

1 Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result deferred profit before tax, other non-cash expenses and the corresponding resulting total line items were restated. Refer to Note 1 and Note 32.

In 2021 significant non-cash transactions include factoring arrangements as described in Note 23 (2020: nil) and share-based compensation of $16 million (Note 30) (2020: share-based compensation of $15 million).

Cash outflows related to exploration amounted to $12 million for the year ended 31 December 2021 (2020: $9 million). During the year ended 31 December 2021, the capital expenditure related to the new projects, increasing the Group's operating capacity amounts to $556 million (2020: $252 million).

Cash and cash equivalents

		31 December 2021 $m	31 December 2020 $m
Bank deposits	– USD	224	180
	– other currencies	58	8
Current bank accounts	– USD	131	193
	– other currencies	4	5
Total		**417**	**386**

Bank deposits as of 31 December 2021 are mainly presented by the US Dollar deposits, bearing an average interest rate of 0.2% per annum (2020: US Dollar deposits, bearing an average interest rate of 0.39% per annum).

33. Supplementary cash flow information continued

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Year ended 31 December 2021				
	Borrowings $m	Contingent consideration payable at fair value $m	Deferred consideration payable at amortised cost $m	Royalty payable $m	Lease liabilities $m
1 January	1,737	87	74	–	33
Cash inflow	3,360	–	–	20	–
Cash outflow	(3,080)	(33)	–	–	(7)
Changes from financing cash flows	**280**	**(33)**	**–**	**20**	**(7)**
Additions as a result of acquisitions	–	10	–	–	–
Factoring arrangement (Note 23)	48	–	–	–	–
Change in fair value, included in profit or loss	–	(4)	–	1	–
Unwind of discount	–	3	5	–	3
Arrangement fee amortisation	–	–	–	–	–
New leases	–	–	–	–	9
Lease termination	–	–	–	–	(3)
Net foreign exchange losses	6	–	–	–	–
Exchange differences on translating foreign operations	(7)	–	–	–	1
Other non-cash changes	**47**	**9**	**5**	**1**	**10**
31 December	**2,064**	**63**	**79**	**21**	**36**
Less current portion	(446)	(31)	–	(5)	(7)
Total non-current liabilities at 31 December	**1,618**	**32**	**79**	**16**	**29**

	31 December 2020			
	Borrowings $m	Contingent consideration payable at fair value $m	Deferred consideration payable at amortised cost $m	Lease liabilities $m
1 January	1,732	66	–	32
Cash inflow	2,369	–	–	–
Cash outflow	(2,366)	(23)	–	(6)
Changes from financing cash flows	**3**	**(23)**	**–**	**(6)**
Additions as a result of acquisitions	–	–	71	–
Change in fair value, included in profit or loss	–	42	–	
Unwind of discount	–	2	3	3
Arrangement fee amortisation	2	–	–	–
New leases	–	–	–	16
Lease termination	–	–	–	(4)
Net foreign exchange losses	86	–	–	–
Exchange differences on translating foreign operations	(86)	–	–	(8)
Other non-cash changes	**2**	**44**	**74**	**7**
31 December	**1,737**	**87**	**74**	**33**
Less current portion	(334)	(41)	–	(6)
Total non-current liabilities	**1,403**	**46**	**74**	**27**

34. Subsequent events

Subsequent to the balance sheet date, the rapid and significant developments related to the conflict in Ukraine has led to additional and more severe sanctions imposed by the US, UK, EU and other countries on certain Russian institutions and individuals. These developments may result in reduced access for Russian businesses to international capital and export markets, weakening of the Russian Rouble, decline in capitals markets and other negative economic consequences.

The full impact of sanctions and consequent political and economic developments in Russia on future operations and the financial position of the Group is difficult to determine at this stage, however the Group believes that the level of political risk has increased considerably as of the date of this report.

Polymetal believes that targeted sanctions on the company remain unlikely, but cannot be ruled out. Contingency planning has been initiated proactively to ensure business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing metal sales channels. The Directors have assessed the going concern related impacts for the Group of the currently imposed, and possible further new sanctions, on Russia as at the date of this report.

Alternative performance measures

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 elements, 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 borrowings[2] • 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/ Adjusted 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 and royalty payments.

Reserves and Resources

Ore Reserves as at 1 January 2022[1]

	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	**10,010**						**5.4**	**1,742**	**–**	**–**	**–**	**–**	**1,742**
Kyzyl[2]	6,120	5.9	–	–	–	–	5.9	1,165	–	–	–	–	1,165
Svetloye	1,930	1.8	–	–	–	–	1.8	111	–	–	–	–	111
Mayskoye	1,960	7.4	–	–	–	–	7.4	466	–	–	–	–	466
Nezhda hub	**15,560**						**3.6**	**1,756**	**13,709**	**–**	**–**	**–**	**1,820**
Nezhda	15,560	3.5	27	–	–	–	3.6	1,756	13,709	–	–	–	1,820
Albazino hub	**8,300**						**3.0**	**803**	**–**	**–**	**–**	**–**	**803**
Albazino	3,760	2.9	–	–	–	–	2.9	354	–	–	–	–	354
Kutyn	4,540	3.1	–	–	–	–	3.1	449	–	–	–	–	449
Dukat hub	**5,820**						**3.6**	**114**	**45,588**	**–**	**5.3**	**5.0**	**673**
Dukat	4,270	0.4	211	–	–	–	3.1	56	28,962	–	–	–	428
Lunnoye	1,200	1.1	251	–	–	–	3.7	42	9,644	–	–	–	142
Perevalnoye	300	–	262	–	1.78	1.68	3.5	–	2,520	–	5.3	5.0	34
Primorskoye	50	9.8	2,864	–	–	–	45.3	15	4,462	–	–	–	71
Varvara hub	**26,750**						**0.9**	**758**	**–**	**30.3**	**–**	**–**	**758**
Varvara[3]	20,110	0.7	–	0.41	–	–	0.7	477	–	30.3	–	–	477
Komar	3,090	1.6	–	–	–	–	1.6	157	–	–	–	–	157
Elevator[4]	3,550	1.1	–	–	–	–	1.1	124	–	–	–	–	124
Omolon hub	**2,870**						**2.8**	**254**	**745**	**–**	**–**	**–**	**262**
Birkachan	2,210	2.0	6	–	–	–	2.1	144	398	–	–	–	148
Tsokol Kubaka	400	4.2	8	–	–	–	4.3	54	109	–	–	–	55
Burgali	260	6.8	29	–	–	–	7.1	57	237	–	–	–	59
Voro hub	**8,190**						**1.9**	**486**	**999**	**3.5**	**1.7**	**–**	**495**
Voro	6,870	1.4	3	–	–	–	1.4	303	629	–	–	–	307
Maminskoye	370	2.3	–	–	–	–	2.3	27	–	–	–	–	27
Saum[6]	260	2.4	45	1.35	0.66	–	2.9	20	371	3.5	1.7	–	24
Pescherny	690	6.2	–	–	–	–	6.2	136	–	–	–	–	136
Development and exploration projects	**1,100**						**3.0**	**106**	**–**	**–**	**–**	**–**	**106**
Veduga[7]	1,100	3.0	–	–	–	–	3.0	106	–	–	–	–	106
Total Proved	**78,600**						**2.6**	**6,018**	**61,042**	**33.8**	**7.0**	**5.0**	**6,659**
Probable													
Standalone mines	**61,280**						**5.3**	**10,410**	**–**	**–**	**–**	**–**	**10,410**
Kyzyl[2]	51,520	5.2	–	–	–	–	5.2	8,604	–	–	–	–	8,604
Svetloye	3,660	2.9	–	–	–	–	2.9	342	–	–	–	–	342
Mayskoye	6,100	7.5	–	–	–	–	7.5	1,463	–	–	–	–	1,463
Nezhda hub	**39,930**						**3.9**	**3,257**	**139,591**	**–**	**–**	**115.5**	**4,988**
Nezhda	31,890	3.2	15	–	–	–	3.2	3,257	14,951	–	–	–	3,326
Prognoz	8,040	–	481	–	–	1.43	6.4	–	124,640	–	–	115.5	1,662
Albazino hub	**16,480**						**3.5**	**1,870**	**–**	**–**	**–**	**–**	**1,870**
Albazino	8,980	4.1	–	–	–	–	4.1	1,182	–	–	–	–	1,182
Kutyn	7,500	2.9	–	–	–	–	2.9	688	–	–	–	–	688
Dukat hub	**3,850**						**3.8**	**87**	**30,206**	**–**	**10.4**	**10.7**	**474**
Dukat	2,530	0.4	209	–	–	–	3.1	35	16,946	–	–	–	252
Lunnoye	650	1.8	186	–	–	–	4.2	38	3,876	–	–	–	87
Perevalnoye	610	–	322	–	1.69	1.74	4.3	–	6,366	–	10.4	10.7	85
Primorskoye	60	7.4	1,657	–	–	–	27.4	13	3,017	–	–	–	50
Varvara hub	**33,870**						**1.4**	**1,562**	**–**	**9.7**	**–**	**–**	**1,562**
Varvara[3]	4,970	1.1	–	0.53	–	–	1.1	174	–	9.7	–	–	174
Komar	21,580	1.6	–	–	–	–	1.6	1,091	–	–	–	–	1,091
Elevator[4]	7,320	1.3	–	–	–	–	1.3	297	–	–	–	–	297
Omolon hub	**1,940**						**8.2**	**452**	**8,194**	**–**	**–**	**–**	**514**
Birkachan	950	5.6	11	–	–	–	5.7	170	324	–	–	–	173
Burgali	470	11.0	37	–	–	–	11.3	167	561	–	–	–	172
Nevenrekan[5]	520	7.0	439	–	–	–	10.2	116	7,309	–	–	–	170
Voro hub	**12,940**						**2.7**	**1,101**	**1,135**	**18.2**	**32.5**	**–**	**1,114**
Voro	140	4.9	11	–	–	–	5.0	23	51	–	–	–	23
Maminskoye	9,930	2.5	–	–	–	–	2.5	788	–	–	–	–	788
Saum[6]	760	2.0	45	2.41	4.29	–	2.5	48	1,084	18.2	32.5	–	61
Pescherny	2,110	3.6	–	–	–	–	3.6	242	–	–	–	–	242
Development and exploration projects	**17,850**						**4.0**	**2,301**	**–**	**–**	**–**	**–**	**2,301**
Veduga[7]	17,850	4.0	–	–	–	–	4.0	2,301	–	–	–	–	2,301
Total Probable	**188,140**						**3.8**	**21,039**	**179,126**	**27.9**	**42.9**	**126.2**	**23,232**
Proved+Probable													
Standalone mines	**71,290**						**5.3**	**12,151**	**–**	**–**	**–**	**–**	**12,151**
Kyzyl[2]	57,640	5.3	–	–	–	–	5.3	9,769	–	–	–	–	9,769
Svetloye	5,590	2.5	–	–	–	–	2.5	453	–	–	–	–	453
Mayskoye	8,060	7.4	–	–	–	–	7.4	1,929	–	–	–	–	1,929
Nezhda hub	**55,490**						**3.8**	**5,013**	**153,300**	**–**	**–**	**115.5**	**6,808**
Nezhda	47,450	3.3	19	–	–	–	3.4	5,013	28,660	–	–	–	5,146
Prognoz	8,040	–	481	–	–	1.43	6.4	–	124,640	–	–	115.5	1,662
Albazino hub	**24,780**						**3.4**	**2,673**	**–**	**–**	**–**	**–**	**2,673**
Albazino	12,740	3.8	–	–	–	–	3.8	1,536	–	–	–	–	1,536
Kutyn	12,040	2.9	–	–	–	–	2.9	1,136	–	–	–	–	1,136
Dukat hub	**9,670**						**3.7**	**200**	**75,793**	**–**	**15.7**	**15.7**	**1,147**
Dukat	6,800	0.4	210	–	–	–	3.1	91	45,907	–	–	–	680
Lunnoye	1,850	1.4	228	–	–	–	3.9	81	13,520	–	–	–	228
Perevalnoye	910	–	303	–	1.72	1.72	4.0	–	8,886	–	15.7	15.7	118
Primorskoye	110	8.5	2,214	–	–	–	35.6	29	7,480	–	–	–	120
Varvara hub	**60,620**						**1.2**	**2,321**	**–**	**40.0**	**–**	**–**	**2,321**
Varvara[3]	25,080	0.8	–	0.43	–	–	0.8	651	–	40.0	–	–	651
Komar	24,670	1.6	–	–	–	–	1.6	1,248	–	–	–	–	1,248
Elevator[4]	10,870	1.2	–	–	–	–	1.2	421	–	–	–	–	421
Omolon hub	**4,810**						**5.0**	**706**	**8,939**	**–**	**–**	**–**	**776**
Birkachan	3,160	3.1	7	–	–	–	3.2	313	723	–	–	–	321
Tsokol Kubaka	400	4.2	8	–	–	–	4.3	54	109	–	–	–	55
Burgali	730	9.5	34	–	–	–	9.8	224	799	–	–	–	231
Nevenrekan[5]	520	7.0	439	–	–	–	10.2	116	7,309	–	–	–	170
Voro hub	**21,130**						**2.4**	**1,586**	**2,135**	**21.7**	**34.2**	**–**	**1,609**
Voro	7,010	1.4	3	–	–	–	1.5	326	680	–	–	–	330
Maminskoye	10,300	2.5	–	–	–	–	2.5	815	–	–	–	–	815
Saum[6]	1,020	2.1	45	2.14	3.37	–	2.6	67	1,455	21.7	34.2	–	85
Pescherny	2,800	4.2	–	–	–	–	4.2	378	–	–	–	–	378
Development and exploration projects	**18,950**						**3.9**	**2,407**	**–**	**–**	**–**	**–**	**2,407**
Veduga[7]	18,950	3.9	–	–	–	–	3.9	2,407	–	–	–	–	2,407
Total Proved+Probable	**266,740**						**3.5**	**27,057**	**240,167**	**61.8**	**49.9**	**131.2**	**29,891**

1 Ore Reserves are reported in accordance with the JORC Code (2012). Gold equivalent (GE) is calculated based on gold and silver only. Discrepancies in calculations are due to rounding.
2 Ore Reserves estimate for Bakyrchik (Zone 1) open-pit was performed by Polymetal as at 01.01.2022. Revised estimate of Ore Reserves for underground mining (Zone 1) was not performed. Initial estimate for East Bakyrchik (Zone 2) was performed as at 01.04.2020. Price: Au = $1,200/oz. Revised estimate was not performed.
3 Copper grade is indicated only for High Grade Copper Ore Reserves. Reserves of high grade ore are 7.4 Mt of the Proved category and 1.8 Mt of the Probable category.
4 Initial estimate was prepared by Polymetal as at 01.03.2022. Price: Au = $1,400/oz. Revised estimate was performed by Polymetal as at 01.01.2022.
5 Initial estimate was prepared by Polymetal as at 01.07.2021. Price: Au = $1,400/oz and Ag = $18/oz. Revised estimate was performed by Polymetal as at 01.01.2022. HL ore was excluded from the estimate as compared to the estimate performed as at 01.07.2021.
6 Initial estimate was prepared by Polymetal as at 01.07.2020. Price: Au = $1,200/oz, Ag = $15/oz, Cu = $5,500/t and Zn = $2,200/t. Revised estimate was performed by Polymetal as at 01.01.2022.
7 Previous estimate prepared by CSA as at 01.02.2021. Revised estimate was not performed due to lack of material changes. Ore Reserves are presented in accordance with the Company's ownership equal to 59.4%.

Mineral Resources as at 1 January 2022[1]

	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	**3,710**						**7.6**	**909**	**–**	**–**	**–**	**–**	**909**
Kyzyl[2]	120	2.2	–	–	–	–	2.2	9	–	–	–	–	9
Svetloye	1,150	1.1	–	–	–	–	1.1	40	–	–	–	–	40
Mayskoye	2,440	11.0	–	–	–	–	11.0	860	–	–	–	–	860
Nezhda hub	**2,900**						**3.1**	**286**	**1,113**	**–**	**–**	**–**	**291**
Nezhda	2,900	3.1	12	–	–	–	3.1	286	1,113	–	–	–	291
Albazino hub	**4,910**						**3.2**	**506**	**–**	**–**	**–**	**–**	**506**
Albazino	4,770	3.2	–	–	–	–	3.2	484	–	–	–	–	484
Kutyn	140	5.0	–	–	–	–	5.0	22	–	–	–	–	22
Dukat hub	**2,290**						**5.3**	**70**	**25,919**	**–**	**1.3**	**1.2**	**387**
Dukat	1,310	0.7	341	–	–	–	5.0	27	14,375	–	–	–	212
Lunnoye	920	1.3	335	–	–	–	5.1	39	9,916	–	–	–	151
Perevalnoye	50	–	418	–	2.65	2.60	5.6	–	642	–	1.3	1.2	9
Primorskoye	10	18.3	4,838	–	–	–	78.8	4	986	–	–	–	16
Varvara hub	**5,320**						**1.0**	**164**	**–**	**4.6**	**–**	**–**	**164**
Varvara[3]	4,780	0.9	–	0.46	–	–	0.9	138	–	4.6	–	–	138
Komar	460	1.6	–	–	–	–	1.6	23	–	–	–	–	23
Elevator	80	1.2	–	–	–	–	1.2	3	–	–	–	–	3
Omolon hub	**1,220**						**2.5**	**95**	**235**	**–**	**–**	**–**	**98**
Birkachan	900	1.7	5	–	–	–	1.7	49	156	–	–	–	51
Tsokol Kubaka	150	8.2	10	–	–	–	8.3	41	49	–	–	–	41
Burgali	170	1.1	6	–	–	–	1.1	6	30	–	–	–	6
Voro hub	**70**						**1.9**	**4**	**4**	**–**	**–**	**–**	**4**
Maminskoye	60	1.7	–	–	–	–	1.7	4	–	–	–	–	4
Saum[5]	10	2.5	21	–	–	–	2.7	0.5	4	–	–	–	1
Development and exploration projects	**290**						**0.9**	**8**	**–**	**–**	**–**	**–**	**8**
Veduga[8]	290	0.9	–	–	–	–	0.9	8	–	–	–	–	8
Total Measured	**20,710**						**3.6**	**2,044**	**27,272**	**4.6**	**1.3**	**1.2**	**2,368**

	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	**7,880**						**4.8**	**1,210**	**–**	**–**	**–**	**–**	**1,210**
Kyzyl[2]	4,430	3.6	–	–	–	–	3.6	506	–	–	–	–	506
Svetloye	880	4.3	–	–	–	–	4.3	120	–	–	–	–	120
Mayskoye	2,570	7.1	–	–	–	–	7.1	584	–	–	–	–	584
Nezhda hub	**8,210**						**4.8**	**712**	**42,876**	**–**	**–**	**26.6**	**1,258**
Nezhda	6,370	3.5	14	–	–	–	3.5	712	2,958	–	–	–	726
Prognoz	1,840	–	676	–	–	1.45	9.0	–	39,918	–	–	26.6	532
Albazino hub	**17,050**						**3.6**	**1,954**	**–**	**–**	**–**	**–**	**1,954**
Albazino	5,320	4.2	–	–	–	–	4.2	722	–	–	–	–	722
Talgiy	10,710	3.0	–	–	–	–	3.0	1,026	–	–	–	–	1,026
Kutyn	1,020	6.3	–	–	–	–	6.3	206	–	–	–	–	206
Dukat hub	**1,080**						**5.2**	**36**	**11,474**	**–**	**1.2**	**1.1**	**179**
Dukat	730	0.6	319	–	–	–	4.7	15	7,457	–	–	–	110
Lunnoye	280	1.8	248	–	–	–	4.6	16	2,235	–	–	–	41
Perevalnoye	40	–	362	–	2.81	2.75	4.8	–	481	–	1.2	1.1	6
Primorskoye	30	5.5	1,479	–	–	–	24.0	5	1,301	–	–	–	21
Varvara hub	**12,680**						**1.3**	**536**	**–**	**8.8**	**–**	**–**	**536**
Varvara[3]	6,080	1.1	–	0.50	–	–	1.1	225	–	8.8	–	–	225
Komar	5,370	1.5	–	–	–	–	1.5	257	–	–	–	–	257
Elevator	1,230	1.4	–	–	–	–	1.4	55	–	–	–	–	55
Omolon hub	**560**						**7.2**	**122**	**934**	**–**	**–**	**–**	**130**
Birkachan	400	5.8	11	–	–	–	5.9	75	146	–	–	–	76
Burgali	120	9.7	32	–	–	–	10.0	39	129	–	–	–	40
Nevenrekan[4]	40	5.7	460	–	–	–	9.1	8	660	–	–	–	13
Voro hub	**6,870**						**3.0**	**645**	**1,009**	**2.8**	**4.6**	**–**	**655**
Maminskoye	2,400	2.1	–	–	–	–	2.1	159	–	–	–	–	159
Saum[5]	170	1.7	40	1.66	2.74	–	2.1	9	214	2.8	4.6	–	12
Pescherny	120	3.7	–	–	–	–	3.7	15	–	–	–	–	15
Tamunier	1,740	3.7	14	–	–	–	3.8	205	795	–	–	–	213
Pavlov[6]	2,440	3.3	–	–	–	–	3.3	257	–	–	–	–	257
Development and exploration projects	**6,130**						**3.8**	**674**	**7,299**	**108.8**	**194.7**	**–**	**739**
Veduga[8]	880	2.8	–	–	–	–	2.8	79	–	–	–	–	79
Novopetrovsky[9]	5,250	3.5	45	2.48	4.25	–	3.9	595	7,299	108.8	194.7	–	661
Total Indicated	**60,460**						**3.4**	**5,892**	**63,593**	**120.4**	**200.4**	**27.8**	**6,663**

Reserves and Resources continued

Mineral Resources as at 1 January 2022[1] 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	**11,590**						**5.7**	**2,120**	**–**	**–**	**–**	**–**	2,120
Kyzyl[2]	4,550	4.6	–	–	–	–	4.6	515	–	–	–	–	515
Svetloye	2,030	2.5	–	–	–	–	2.5	160	–	–	–	–	160
Mayskoye	5,010	9.0	–	–	–	–	9.0	1,445	–	–	–	–	1,445
Nezhda hub	**11,110**						**4.3**	**998**	**43,989**	**–**	**–**	**26.6**	**1,549**
Nezhda	9,270	3.3	14	–	–	–	3.4	998	4,071	–	–	–	1,017
Prognoz	1,840	–	676	–	–	1.45	9.0	–	39,918	–	–	26.6	532.2
Albazino hub	**21,960**						**3.5**	**2,461**	**–**	**–**	**–**	**–**	**2,461**
Albazino	10,090	3.7	–	–	–	–	3.7	1,206	–	–	–	–	1,206
Talgiy	10,710	3.0	–	–	–	–	3.0	1,026	–	–	–	–	1,026
Kutyn	1,160	6.1	–	–	–	–	6.1	229	–	–	–	–	229
Dukat hub	**3,370**						**5.2**	**106**	**37,394**	**–**	**2.4**	**2.4**	**566**
Dukat	2,040	0.6	334	–	–	–	4.9	42	21,832	–	–	–	322
Lunnoye	1,200	1.4	315	–	–	–	5.0	56	12,151	–	–	–	192
Perevalnoye	90	–	392	–	2.72	2.67	5.2	–	1,124	–	2.4	2.4	15
Primorskoye	40	7.9	2,111	–	–	–	34.3	9	2,287	–	–	–	37
Varvara hub	**18,000**						**1.2**	**701**	**–**	**13.4**	**–**	**–**	**701**
Varvara[3]	10,860	1.0	–	0.48	–	–	1.0	362	–	13.4	–	–	362
Komar	5,830	1.5	–	–	–	–	1.5	280	–	–	–	–	280
Elevator	1,310	1.4	–	–	–	–	1.4	58	–	–	–	–	58
Omolon hub	**1,780**						**4.0**	**218**	**1,169**	**–**	**–**	**–**	**228**
Birkachan	1,300	2.9	7	–	–	–	3.0	124	301	–	–	–	127
Tsokol Kubaka	150	8.2	10	–	–	–	8.3	41	49	–	–	–	41
Burgali	290	4.8	17	–	–	–	5.0	45	159	–	–	–	46
Nevenrekan[4]	40	5.7	460	–	–	–	9.1	8	660	–	–	–	13
Voro hub	**6,940**						**3.0**	**649**	**1,013**	**2.8**	**4.6**	**–**	**660**
Maminskoye	2,460	2.0	–	–	–	–	2.0	162	–	–	–	–	162
Saum[5]	180	1.7	39	1.60	2.64	–	2.2	9	218	2.8	4.6	–	12
Pescherny	120	3.7	–	–	–	–	3.7	15	–	–	–	–	15
Tamunier	1,740	3.7	14	–	–	–	3.8	205	795	–	–	–	213
Pavlov[6]	2,440	3.3	–	–	–	–	3.3	257	–	–	–	–	257
Development and exploration projects	**6,420**						**3.6**	**683**	**7,299**	**108.8**	**194.7**	**–**	**748**
Veduga[8]	1,170	2.3	–	–	–	–	2.3	87	–	–	–	–	87
Novopetrovsky[9]	5,250	3.5	45	2.48	4.25	–	3.9	595	7,299	108.8	194.7	–	661
Total Measured+ Indicated	**81,170**						**3.5**	**7,935**	**90,864**	**125.0**	**201.7**	**29.0**	**9,031**

	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	**14,530**						**6.2**	**2,898**	**–**	**–**	**–**	**–**	**2,898**
Kyzyl[2]	8,690	4.1	–	–	–	–	4.1	1,155	–	–	–	–	1,155
Svetloye	210	3.1	–	–	–	–	3.1	21	–	–	–	–	21
Mayskoye	5,630	9.5	–	–	–	–	9.5	1,722	–	–	–	–	1,722
Nezhda hub	**48,930**						**5.3**	**7,481**	**69,417**	**–**	**–**	**46.5**	**8,270**
Nezhda	46,360	5.0	10	–	–	–	5.1	7,481	15,650	–	–	–	7,553
Prognoz	2,570	–	652	–	–	1.81	8.7	–	53,767	–	–	46.5	717
Albazino hub	**8,320**						**4.8**	**1,289**	**–**	**–**	**–**	**–**	**1,289**
Albazino	6,300	5.1	–	–	–	–	5.1	1,022	–	–	–	–	1,022
Talgiy	670	3.8	–	–	–	–	3.8	82	–	–	–	–	82
Kutyn	1,350	4.3	–	–	–	–	4.3	185	–	–	–	–	185
Dukat hub	**2,700**						**5.7**	**78**	**33,460**	**–**	**4.4**	**4.9**	**497**
Dukat	1,750	0.7	408	–	–	–	5.9	39	22,976	–	–	–	334
Lunnoye	780	1.3	300	–	–	–	4.7	32	7,477	–	–	–	118
Perevalnoye	140	–	246	–	3.09	3.48	3.3	–	1,123	–	4.4	4.9	15
Primorskoye	30	6.8	1,741	–	–	–	28.6	7	1,885	–	–	–	31
Varvara hub	**9,830**						**1.7**	**532**	**–**	**4.4**	**–**	**–**	**532**
Varvara[3]	2,360	1.4	–	0.62	–	–	1.4	107	–	4.4	–	–	107
Komar	4,070	1.9	–	–	–	–	1.9	242	–	–	–	–	242
Elevator	3,400	1.7	–	–	–	–	1.7	182	–	–	–	–	182
Omolon hub	**380**						**10.8**	**123**	**1,244**	**–**	**–**	**–**	**132**
Birkachan	40	7.7	16	–	–	–	7.8	9	19	–	–	–	10
Burgali	270	10.0	18	–	–	–	10.2	89	162	–	–	–	90
Nevenrekan[4]	70	12.2	527	–	–	–	16.1	25	1,064	–	–	–	32
Voro hub	**11,040**						**2.4**	**852**	**44**	**–**	**–**	**–**	**852**
Maminskoye	730	3.7	–	–	–	–	3.7	86	–	–	–	–	86
Pescherny	480	6.0	–	–	–	–	6.0	92	–	–	–	–	92
Tamunier	250	3.6	5	–	–	–	3.6	29	44	–	–	–	29
Pavlov[6]	7,240	2.0	–	–	–	–	2.0	471	–	–	–	–	471
Andrei[7]	2,340	2.3	–	–	–	–	2.3	174	–	–	–	–	174
Development and exploration projects	**8,230**						**4.2**	**1,106**	**718**	**20.0**	**21.3**	**–**	**1,113**
Veduga[8]	6,600	4.9	–	–	–	–	4.9	1,033	–	–	–	–	1,033
Novopetrovsky[9]	1,630	1.4	14	1.42	1.45	–	1.5	73	718	20.0	21.3	–	80
Total Inferred	**103,960**						**4.7**	**14,358**	**104,883**	**24.5**	**25.7**	**51.4**	**15,583**

Mineral Resources as at 1 January 2022[1] 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	**26,120**						**6.0**	**5,018**	**–**	**–**	**–**	**–**	**5,018**
Kyzyl[2]	13,240	3.9	–	–	–	–	3.9	1,670	–	–	–	–	1,670
Svetloye	2,240	2.5	–	–	–	–	2.5	182	–	–	–	–	182
Mayskoye	10,640	9.3	–	–	–	–	9.3	3,166	–	–	–	–	3,166
Nezhda hub	**60,040**						**5.1**	**8,479**	**113,406**	**–**	**–**	**73.1**	**9,820**
Nezhda	55,630	4.7	11	–	–	–	4.8	8,479	19,721	–	–	–	8,570
Prognoz	4,410	–	662	–	–	1.66	8.8	–	93,685	–	–	73.1	1,249
Albazino hub	**30,280**						**3.9**	**3,749**	**–**	**–**	**–**	**–**	**3,749**
Albazino	16,390	4.2	–	–	–	–	4.2	2,228	–	–	–	–	2,228
Talgiy	11,380	3.0	–	–	–	–	3.0	1,108	–	–	–	–	1,108
Kutyn	2,510	5.1	–	–	–	–	5.1	414	–	–	–	–	414
Dukat hub	**6,070**						**5.4**	**185**	**70,854**	**–**	**6.8**	**7.3**	**1,063**
Dukat	3,790	0.7	368	–	–	–	5.4	81	44,808	–	–	–	656
Lunnoye	1,980	1.4	309	–	–	–	4.9	87	19,628	–	–	–	309
Perevalnoye	230	–	303	–	2.95	3.16	4.0	–	2,246	–	6.8	7.3	30
Primorskoye	70	7.4	1,926	–	–	–	31.4	16	4,171	–	–	–	68
Varvara hub	**27,830**						**1.4**	**1,232**	**–**	**17.8**	**–**	**–**	**1,232**
Varvara[3]	13,220	1.1	–	0.51	–	–	1.1	470	–	17.8	–	–	470
Komar	9,900	1.6	–	–	–	–	1.6	522	–	–	–	–	522
Elevator	4,710	1.6	–	–	–	–	1.6	240	–	–	–	–	240
Omolon hub	**2,160**						**5.2**	**340**	**2,414**	**–**	**–**	**–**	**360**
Birkachan	1,340	3.1	7	–	–	–	3.2	133	321	–	–	–	136
Tsokol Kubaka	150	8.2	10	–	–	–	8.3	41	49	–	–	–	41
Burgali	560	7.4	18	–	–	–	7.5	134	320	–	–	–	137
Nevenrekan[4]	110	9.5	499	–	–	–	13.2	33	1,724	–	–	–	46
Voro hub	**17,980**						**2.6**	**1,501**	**1,057**	**2.8**	**4.6**	**–**	**1,512**
Maminskoye	3,190	2.4	–	–	–	–	2.4	249	–	–	–	–	249
Saum[6]	180	1.7	39	1.60	2.64	–	2.2	9	218	2.8	4.6	–	12
Pescherny	600	5.5	–	–	–	–	5.5	108	–	–	–	–	108
Tamunier	1,990	3.7	13	–	–	–	3.8	234	838	–	–	–	242
Pavlov[6]	9,680	2.3	–	–	–	–	2.3	727	–	–	–	–	727
Andrei[7]	2,340	2.3	–	–	–	–	2.3	174	–	–	–	–	174
Development and exploration projects	**14,650**						**3.9**	**1,789**	**8,017**	**128.8**	**216.0**	**–**	**1,860**
Veduga[8]	7,770	4.5	–	–	–	–	4.5	1,120	–	–	–	–	1,120
Novopetrovskiy[9]	6,880	3.0	38	2.22	3.57	–	3.3	669	8,017	128.8	216.0	–	740
Measured+Indicated+Inferred	**185,130**						**4.1**	**22,294**	**195,748**	**149.4**	**227.3**	**80.4**	**24,615**

1 Mineral Resources are reported in accordance with the JORC Code (2012). Gold equivalent (GE) is calculated based on gold and silver only. Mineral Resources are additional to Ore Reserves. Discrepancies in calculations are due to rounding.
2 Mineral Resource estimate for Bakyrchik (Zone 1) open-pit was prepared by Polymetal as at 01.01.2022. Mineral Resource estimate for the underground mining at Bakyrchik (Zone 1) was not revised as compared to the estimate performed as at 01.01.2022 due to the lack of material changes. Mineral Resource estimate for East Bakyrchik (Zone 2) was performed as at 01.04.2020. Price: Au = $1,200/oz. Mineral Resources estimate for Bolshevik was prepared by Polymetal as at 01.01.2019. Price: Au = $1,200/oz. Revised estimate was not performed due to lack of material changes.
3 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 0.8 Mt of ore respectively).
4 Initial estimate was prepared by Polymetal as at 01.07.2021. Price: Au = $1,500/oz and Ag = $18/oz. Revised estimate was not performed due to lack of material changes.
5 Initial estimate was prepared by Polymetal as at 01.07.2020. Price: Au = $1,200/oz, Ag = $15/oz, Cu = $5,500/t and Zn = $2,200/t. Revised estimate was performed by Polymetal as at 01.01.2022.
6 Initial estimate was prepared by Polymetal as at 01.10.2021. Revised estimate was not performed due to lack of material changes.
7 Initial estimate was prepared by Polymetal as at 01.10.2021. Revised estimate was not performed due to lack of material changes.
8 Previous estimate was prepared by CSA as at 01.02.2021. Revised estimate was prepared by Polymetal as at 01.01.2022 (revised estimate included additions to the Mineral Resources of the Inferred category). Mineral Resources are presented in accordance with the Company's ownership equal to 59.45%.
9 Initial estimate of Mineral Resources was prepared by Polymetal as at 01.01.2022.
10 Average Cu grade only accounts for tonnage of copper-zinc ore of 5.8 Mt. Average Zn grade only accounts for tonnage of copper-zinc and zinc ore of 5.8 Mt and 0.25 Mt respectively. Average Ag grade only accounts for tonnage of copper-zinc ore and gold sulphide ore of 5.8 Mt and 0.83 Mt respectively. Mineral Resources are presented in accordance with the Company's ownership equal to 75%.

PGM Mineral Resources as at 1 January 2022[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
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 Ore Reserves as at 1 January 2022 (Tomtor project)[1]

	Tonnage	Grade			Content, Kt		
			REO			REO[3]	
	Mt	Nb_2O_5[2], %	Didymium, %	Others, %	Nb_2O_5	Didymium[4]	Others[5]
Stage 1	0.6	6.7	2.5	10.7	42.7	15.7	67.9
Stage 2	0.4	5.0	3.1	13.6	20.0	12.2	55.1
Total Probable	**1.0**	**6.0**	**2.8**	**11.7**	**62.7**	**27.8**	**123.1**

1 Ore Reserves are reported in accordance with the JORC Code (2012). Estimate prepared by SRK as at 31.12.2019 using the following prices: $34.2/kg of Nb_2O_5, $48.5/kg of Pr_6O_{11}, $48.5/kg of Nd_2O_3, $20.80/kg carbonate concentrate of medium and heavy rare earths (Sm, Eu, Gd, Tb, Dy, Ho, Er, Tm, Yb, Lu, Y) and at 7.8% Nb_2O_5 Eq cut-off grade. Ore Reserves are presented in accordance with the Company's ownership equal to 9.1%. Discrepancies in calculations are due to rounding.
2 Nb_2O_5 – Niobium oxide.
3 REO – rare earth oxides.
4 Didymium – Pr_6O_{11} (t)+ Nd_2O_3(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).

The metal of the remaining rare earth oxides is calculated by the formula: Others = La_2O_3 (t) + Ce_2O_3(t) +Sm_2O_3(t) + Eu_2O_3(t) + Gd_2O_3(t) + Tb_2O_3(t) + Dy_2O_3(t) + Ho_2O_3(t) + Er_2O_3(t) + Tm_2O_3(t) + Yb_2O_3(t) + Lu_2O_3(t) + Y_2O_3(t).

Rare Earth Metals Additional Mineral Resources as at 1 January 2022 (Tomtor project)[1]

	Tonnage	Grade			Content, Kt		
			REO			REO[3]	
	Mt	Nb_2O_5[2], %	Didymium, %	Others, %	Nb_2O_5	Didymium[4]	Others[5]
Indicated	0.01	5.9	2.4	10.9	0.4	0.1	0.6
Inferred	0.1	4.7	2.8	12.5	6.2	3.6	16.4
Indicated+Inferred	0.1	4.8	2.8	12.4	6.5	3.7	17.0

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: $23.92/kg of Nb_2O_5, $53.5/kg of Pr_6O_{11}, $48.5/kg of Nd_2O_3, $20.80/kg carbonate concentrate of medium and heavy rare earths (Sm, Eu, Gd, Tb, Dy, Ho, Er, Tm, Yb, Lu, Y) and at 7.8% Nb_2O_5 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 Nb_2O_5 – Niobium oxide.
3 REO – rare earth oxides.
4 Didymium – Pr_6O_{11} (t)+ Nd_2O_3(t).
5 The metal of the remaining rare earth oxides is calculated by the formula: Others = La_2O_3 (t) + Ce_2O_3(t) +Sm_2O_3(t) + Eu_2O_3(t) + Gd_2O_3(t) + Tb_2O_3(t) + Dy_2O_3(t) + Ho_2O_3(t) + Er_2O_3(t) + Tm_2O_3(t) + Yb_2O_3(t) + Lu_2O_3(t) + Y_2O_3(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 21 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 21 years' relevant experience;
- Mining and Ore Reserves – Igor Epshteyn, Head of Mining Process Department, JSC Polymetal Engineering, FIMMM, with 40 years' relevant experience;
- Concentration and Metals – Igor Agapov, Deputy Director of Science and Technology, JSC Polymetal Engineering, MIMMM, with 24 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.

Metals prices used in estimating Mineral Resources and Ore Reserves are listed below (unless otherwise indicated in the footnotes of the above tables):

Au = $1,500/oz
Ag = $20.0/oz
Cu = $7,700/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 01.01.2022 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**
Nezhda	Conventional flotation	215
Prognoz	Conventional flotation	75
Dukat	Conventional flotation	78
Lunnoye (zone 5)	Cyanidation+Merrill Crowe process	136
Lunnoye (zones 6,7,9)	Cyanidation+Merrill Crowe process	80
Perevalnoye	Conventional flotation	75
Primorskoye	Rich ore Kazzink	80
	Cyanidation+Merrill Crowe process	123
	Cyanidation carbon-in-pulp	93
Birkachan	Heap leaching+carbon-in-column	86
	Cyanidation carbon-in-pulp	96
Nizhny Birkachan	Heap leaching+carbon-in-column	86
Tsokol Kubaka	Cyanidation carbon-in-pulp	91
Burgali	Cyanidation+Merrill Crowe process	115
Nevenrekan	Heap leaching+Merrill Crowe process	88
	Cyanidation+Merrill Crowe process	136
Voro	Heap leaching+Merrill Crowe process	325
Voro West (oxide ore)	Cyanidation carbon-in-pulp	152
	Oxide ore: cyanidation carbon-in-pulp	103
Saum	Cu-Zn primary ore: conventional flotation	81
	Cu-Zn loose ore: conventional flotation	61
	Zn: conventional flotation	112
Tamunier	Conventional flotation	103
Novopet	Cu-Zn and Zn: conventional flotation	121
	Au-S: gravity concentration	76

Group production statistics

Consolidated highlights

	FY 2017	FY 2018	FY 2019	FY 2020	**FY 2021**
Waste mined, Kt	114,008	126,696	158,560	166,805	205,888
Underground development, m	115,352	130,000	105,819	90,011	95,549
Ore mined, Kt	12,589	13,979	17,224	15,386	15,647
Open-pit	8,241	9,319	13,022	11,221	11,686
Underground	4,347	4,660	4,202	4,166	3,962
Ore processed, Kt	13,037	15,162	15,024	15,447	15,799
Gold grade processed (incl. by-product copper and zinc), g/t	3.0	3.1	3.4	3.5	3.2
Silver grade processed, g/t	74	60	52	44	45
GE grade processed, g/t	3.7	3.6	3.8	4.1	3.8
TOTAL PRODUCTION					
Gold, Koz	1,075	1,216	1,316	1,402	1,422
Silver, Moz	26.8	25.3	21.6	18.8	20.4
Copper, t	2,715	3,875	2,452	1,544	1,901
Zinc, Kt	4.8	5.4	1.0	2.3	–
Plumbum, Kt	–	–	7.2	5.1	–
Gold equivalent, Koz based on 80:1 Ag/Au ratio, excluding base metals	**1,410**	**1,532**	**1,586**	**1,637**	**1,677**
Gold equivalent, Koz based on 120:1 Ag/Au ratio, excluding base metals	1,299	1,427	1,496	1,559	1,592
Gold equivalent production by mine, GE Koz					
Kyzyl	–	96	343	382	360
Dukat	322	306	287	275	291
Albazino/Amursk	268	308	241	261	249
Mayskoye	124	117	129	139	139
Omolon	202	195	205	213	217
Voro	120	107	107	89	93
Varvara	123	130	137	159	198
Svetloye	106	136	134	120	109
Nezhda	–	–	–	–	21
Okhotsk	111	104	–	–	–
Kapan	34	33	3	–	–
Total	**1,410**	**1,532**	**1,585**	**1,637**	**1,677**

Financial highlights

	FY 2017	FY 2018	FY 2019	FY 2020[1]	**FY 2021**
Revenue, $m	1,815	1,882	2,241	2,865	**2,890**
Adjusted EBITDA, $m[2]	745	780	1,075	1,661	**1,464**
Adjusted EBITDA margin, %	41%	41%	48%	58%	**51%**
Average realised gold price, $/oz[3]	1,247	1,253	1,411	1,797	**1,792**
Average LBMA closing gold price, $/oz	1,258	1,269	1,393	1,771	**1,799**
Average realised silver price, $/oz[3]	16.1	14.8	16.5	20.9	**24.8**
Average LBMA closing silver price, $/oz	17.0	15.7	16.2	20.5	**25.0**
Total cash cost, $/GE oz[2]	658	649	655	638	**730**
All-in sustaining costs, $/GE oz[2]	893	861	866	874	**1,030**
Net earnings/(loss), $m	354	355	483	1,066	**904**
Underlying net earnings, $m[2]	376	447	586	1,052	**913**
Underlying EPS, $/share[2]	0.88	1.00	1.25	2.23	**1.93**
Dividends declared during the period, $/share[4]	0.32	0.47	0.51	1.02	**1.34**
Dividend proposed for the period, $/share[5]	0.44	0.48	0.82	1.29	**0.97**
Operating cash flow, $m	533	513	696	1,166	**1,195**
Capital expenditures, $m	383	344	436	558	**759**
Free cash flow (pre M&A), $m[2]	143	176	256	610	**418**
Free cash flow (post M&A), $m[2]	56	134	299	603	**407**

1 Restated due to a voluntary change in accounting policy. Starting from 1 January 2021, exploration and evaluation (E&E) expenses costs are capitalised into assets only when mineral resources are published; and before that are expensed as incurred. Previously capitalised E&E assets with no mineral resource estimates were written off via retrospective adjustments to the 2020 income statement and balance sheet amounts brought forward.
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 2021, 2020, 2019, 2018, 2017.

Independent limited assurance report

to Polymetal International Plc ('the Company') on their description of activities undertaken in respect of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and selected Greenhouse Gas Statements (GHG) performance indicators, both of which are included in the Annual Report for the year ended 31 December 2021

Use of our report

This report is made solely to the Directors of Polymetal International Plc in accordance with our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of Polymetal International Plc those matters we have agreed to state to them in this report and for no other purpose. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Polymetal International Plc and the Directors of the Polymetal International Plc, we acknowledge that the Directors of the Polymetal International Plc may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Polymetal International Plc and the Directors of Polymetal International Plc as a body, for our work, for this report, or for the conclusions we have formed.

What we looked at: scope of our work

Polymetal International Plc has engaged us to provide independent limited assurance in accordance with the International Standard for Assurance Engagements ("ISAE") 3000 (Revised), ('ISAE 3000') and International Standard for Assurance Engagements ("ISAE") 3410 ('ISAE 3410') on:

1. Their description of activities undertaken in respect of the recommendations of the TCFD as included in the TCFD disclosure ("the TCFD disclosure") presented on pages 66–81 and 264–270 of the Annual report for the year ended 31 December 2021;
2. The following selected GHG performance indicators' ('the TCFD metrics') as listed below and indicated with an asterisk (*) in the TCFD disclosure:

GHG Emissions	Direct GHG emissions (Scope 1) total, thousand tons of CO_2 presented on page 265; Energy indirect GHG emissions (Scope 2), thousand tons of CO_2 presented on page 265; Other indirect GHG emissions (Scope 3), thousand tons of CO_2 presented on page 265; GHG emissions intensity ratio (Scope 1 and Scope 2), tons of CO_2 equivalent/Koz of gold equivalent presented on page 265.
Energy	Energy consumption, GJ total presented on page 266 Energy intensity, GJ/Koz of gold equivalent presented on page 266

What we found: Our limited assurance conclusion

Based on our procedures we have performed as described in this report and evidence we have obtained:

- nothing has come to our attention that causes us to believe that the description included in the TCFD disclosure of activities undertaken in respect of the 'Guidance for all sectors' set out in Section C of the TCFD Annex is materially misstated; and
- nothing has come to our attention that causes us to believe that the TCFD metrics, indicated with an asterisk (*) in the TCFD disclosure and listed above are not prepared, in all material respects, in accordance with the basis of preparation as described below.

The Company's responsibilities

The Directors of the Company are responsible for:

- determining the activities to be undertaken in respect of the TCFD 'Guidance for All Sectors';
- selecting suitable criteria;
- preparation and presentation of the description of the activities and the TCFD metrics; and
- designing, implementing and maintaining internal control over information relevant to the preparation of the TCFD disclosure and the TCFD metrics that is free from material misstatement, whether due to fraud or error.

Independent limited assurance report continued

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the description of activities undertaken in respect of the Recommendations of the TCFD and the TCFD metrics are free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion in the form of an independent limited assurance opinion to the Directors of the Company.

This is the first year in which we have been engaged to provide assurance over the TCFD metrics and therefore we have not given an opinion on comparative information for earlier periods.

Criteria

The criteria relating to the TCFD disclosures are Section C of the TCFD Annex[1] entitled 'Guidance for all sectors'.

In relation to the TCFD metrics, as listed above, the TCFD metrics need to be read and understood together with the criteria which is the Greenhouse Gas Protocol as described on page 80 of the Annual Report.

What we did: key assurance procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the description of activities undertaken in respect of the TCFD and the TCFD metrics is likely to arise. The procedures we performed were based on our professional judgment using a multidisciplinary team of Chartered Accountants with assurance experience and specialists with GHG knowledge. In carrying out our limited assurance engagement on the description of activities undertaken in respect of the TCFD, for both the TCFD disclosures and TCFD metrics, we:

- Evaluated the suitability of the criteria as the basis for preparing the TCFD disclosure and the TCFD metrics;
- Through inquiries of management, obtained an understanding of the Company control environment, processes and information systems relevant to the preparation of the TCFD disclosure and TCFD metrics, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- Considered the risk of material misstatement;
- Reviewed documentation relating to the governance, strategy and financial planning and risk management processes;
- Interviewed those responsible within the organisation to understand:
  - the role of the Board in relation to climate-related risk and opportunities and management's role in assessing and managing climate-related risks and opportunities;
  - the nature of climate-related risk and opportunities identified including time horizons; the impact of climate-related risks and opportunities on the business, strategy and financial planning; and the impact of identified and considered climate scenarios on the strategy; and
  - the process for identifying climate-related risks; the process for managing climate-related risks; and how these processes are integrated into the overall risk management.
- Evaluated and reviewed the draft TCFD disclosure for consistency of knowledge and understanding obtained during course of our work. Making recommendations for improvement where necessary with a focus on underlying systems, processes and controls to gain an understanding of the implementation of activities as described and corroborated with evidence obtained during the course of our work.
- Additionally, in relation to the TCFD metrics only, we also:
  - Interviewed those responsible for metrics including those with responsibility for establishing and defining metrics used to assess climate-related risks and opportunities; data collection and reporting; and establishing, defining and monitoring targets used to assess climate-related risks and opportunities.
  - Analysed and tested, on a non-statistical sample basis, processes relating to the collation, validation and reporting of the selected TCFD metrics including agreeing samples to source data.

Our engagement provides limited assurance as defined in ISAE 3000 and ISAE 3410. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

1 Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures

Given the scope of our engagement, we were not engaged to and did not perform the following procedures as part of our assurance work:

- An assessment as to if the activities undertaken, as described in the TCFD disclosures, fulfil the requirements to comply in full with TCFD.
- An assessment as to the appropriateness of assumptions made including those made in preparation and application of climate scenarios and setting of targets.
- Testing of the design and operating effectiveness of controls.

Inherent limitations of the TCFD

The TCFD as applied by all companies includes information based on climate-related scenarios that are subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

Our independence and competence in providing assurance to the Company

We have complied with the independence and other ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We have applied the International Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Natalya Kaprizina
Engagement partner

AO 'Deloitte & Touche CIS'
(ORNZ No 12006020384)

Moscow, 1 March 2022

TCFD Content Index

In accordance with the FCA's listing rule for premium listed commercial companies LR 9.8.6R(8) the Company made disclosures consistent with the TCFD's recommendations and recommended disclosures in this Annual Report. We transparently publish our approach to managing climate-related risk and opportunity, not only in this report but also in our Climate Change 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.	Integrated Annual Report 2021: • Corporate governance section, pages 134–145. • Climate change section, pages 66–81.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Integrated Annual Report 2021, pages 68–69 and 75–77.
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.	Integrated Annual Report 2021, pages 69–74 and Key Sustainability Figures tables, pages 265–267.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Integrated Annual Report 2021, pages 69–74 and Key Sustainability Figures tables, pages 268–270.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Integrated Annual Report 2021, pages 77–79.
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.	Integrated Annual Report 2021: • Risks and risk management section, page 128. • Climate change section, pages 76–79.
b) Describe the organisation's processes for managing climate-related risks.	Integrated Annual Report 2021: • Risks and risk management section, page 128. • Climate change section, pages 76–79.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Integrated Annual Report 2021: • Risks and risk management section, page 128. • Climate change section, pages 69–70 and 76–79.
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.	Integrated Annual Report 2021, pages 14, 30, 80–81.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Integrated Annual Report 2021, pages 80–81 and Key Sustainability Figures tables, pages 265–267.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Integrated Annual Report 2021, pages 54–55, 66–67, 80–81.

Climate-related data

Key figures

GHG emissions: trailing three-year data

	Units	2021	2020	2019
Scope 1 (direct emissions)*, including:	t of CO_2e	**682,645**	**612,669**	**613,717**
Combustion of fuels in stationary sources, including:	t of CO_2e	302,564	283,912	287,144
Organisation-owned stationary sources	t of CO_2e	301,983	283,415	286,799
Controlled contractor stationary sources	t of CO_2e	581	497	345
Combustion of fuels in mobile combustion sources, including:	t of CO_2e	378,885	327,785	325,719
Organisation-owned mobile sources	t of CO_2e	281,235	254,679	248,718
Controlled contractor mobile sources	t of CO_2e	97,650	73,106	77,001
Emissions resulting from the waste processing	t of CO_2e	1,196	972	854
Scope 2 (energy indirect emissions)*, including:				
Location based	t of CO_2e	612,590	593,143	584,706
Market based[1]	t of CO_2e	452,692	565,924	584,706
Total Scope 1 + Scope 2 (market based)	t of CO_2e	**1,135,337**	**1,178,593**	**1,198,423**
Scope 3 (other indirect emissions)*, including:	t of CO_2e	**546,159**	**625,265**	**610,635**
Upstream	t of CO_2e	**471,097**	**536,510**	**511,321**
Fuel and energy-related activities (not included in Scopes 1 or 2)	t of CO_2e	184,767	192,419	192,517
Purchased goods	t of CO_2e	171,284	222,498	204,701
Capital goods	t of CO_2e	260	108	64
Upstream transportation and distribution[2]	t of CO_2e	97,643	110,205	99,360
Business travel	t of CO_2e	1,445	2,668	4,135
Employee commuting	t of CO_2e	15,698	8,612	10,544
Downstream	t of CO_2e	**75,062**	**88,755**	**99,314**
Downstream transportation and distribution[2]	t of CO_2e	35,573	44,437	40,887
Processing of sold products	t of CO_2e	39,489	44,318	58,427
GHG intensity (Scope 1 + Scope 2)*[3]	kg of CO_2e per oz of GE	677	730	742

GHG emissions in 2021 (Scope 1 and Scope 2): site level, t of CO_2e

	Scope 1	Scope 2[4]
Kyzyl	125,171	81,051
Varvara	12,807	140,286
Komar mine (part of Varvara hub)	58,033	9,305
Voro	10,213	27,608
Mayskoye	37,708	83,170
Omolon	88,591	0
Dukat	84,472	7,497
Primorskoye (part of Dukat hub)	3,914	0
Svetloye	46,160	366
Albazino	120,708	257
Kutyn (part of Albazino hub)	9,502	2
Amursk POX	2,239	96,788
Nezhda	66,164	0
Prognoz	2,339	0
Veduga	14,625	6,361

1 We have begun a transition to a market-based method for calculating indirect emissions and we disclose data based on both market and location based methods strictly according to GHG Protocol guidance.
Since the contractual information and residual mix totals are not available for 2019, location-based results for this period has been used as a proxy for market-based method.
For 2020–2021 data the following assumptions apply:
- At the end of 2021 we not yet have access to a residual mix emission factors for non-renewable grid energy
- We did not calculate our own residual mix emission factors for non-renewable grid energy
- Emissions from non-renewable grid energy are calculated using the location-based method and grid average emission factors.

2 Data on oz of gold equivalent used in the GHG emissions intensity calculation is based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data on GHG emissions intensity for 2019–2020 are restated accordingly (120:1 Au/Ag conversion ratio was used previously). Detailed data on gold equivalent production see on page 260.

3 The new methodology has been applied since 2021 for more precise disclosure of Scope 3 emissions: all transportation of sold product was classified as a downstream transportation. Data for 2019–2020 has been restated accordingly for comparative purposes.

4 Kyzyl, Varvara, Komar mine, Voro and Dukat are calculated taking into account data on current structure of grid energy mix. Since the contractual information and residual mix totals are not available for the other grid connected sites, location-based results for these sites has been used as a proxy for market-based method.

* Independent limited assurance on data marked by symbol (*) provided by AO "Deloitte & Touche CIS". Independent limited assurance report see on pages 261–263.

Key figures continued

Energy consumption by source[1]

	Units	2021	2020	2019
Diesel, including:	GJ	6,568,300	5,972,101	5,832,685
Diesel for transport and mobile machinery	GJ	3,704,632	3,353,157	3,236,542
Diesel for electricity generation	GJ	2,570,299	2,331,857	2,299,403
Diesel for heat	GJ	293,368	287,087	296,740
Electricity purchased	GJ	2,318,344	2,236,462	2,161,367
Coal for heat	GJ	830,873	786,144	856,644
Natural gas for heat	GJ	150,825	145,662	167,911
Petrol	GJ	54,541	49,701	36,836
Waste oils	GJ	26,695	16,776	24,688
Renewable sources (solar/wind)	GJ	3,899	3,586	3,824
Total energy*	GJ	**9,953,476**	**9,210,433**	**9,083,956**
Energy intensity*	GJ per Koz of GE	5,934	5,702	5,627
Energy intensity dynamics	% y-o-y	4%	1%	-1%

Energy consumption by source in 2021: site level, GJ[1]

	Diesel for transport and mobile machinery	Diesel for electricity generation	Diesel for heat	Electricity purchased	Coal for heat	Natural gas for heat	Petrol	Waste oils	Renewable sources (solar/wind)
Kyzyl	1,300,351	0	76,078	403,815	98,882	0	5,605	0	0
Varvara	155,031	283	0	581,053	0	0	8,379	0	16
Komar mine (part of Varvara hub)	680,255	134	0	37,558	0	6,229	3,457	0	0
Voro	17,927	29	0	229,347	0	130,796	4,197	0	0
Mayskoye	193,277	870	46,001	284,074	178,728	0	4,036	3,413	0
Omolon	159,004	703,254	32,911	0	60,535	0	4,843	3,067	42
Dukat	194,053	420,140	27,478	426,783	246,039	0	10,358	6,194	0
Primorskoye (part of Dukat hub)	12,722	32,910	2,310	0	0	0	427	0	0
Svetloye	138,009	120,448	13,401	1,250	187,113	0	1,847	3,566	3,813
Albazino	462,327	943,525	76,459	878	0	0	3,993	8,721	28
Kutyn (part of Albazino hub)	37,982	48,938	1,514	6	0	0	1,706	0	0
Amursk POX	6,028	0	0	330,587	0	13,800	1,157	0	0
Nezhda	288,074	280,185	17,216	0	59,576	0	3,120	1,734	0
Prognoz	4,132	19,008	0	0	0	0	191	0	0
Veduga	55,460	575	0	22,993	0	0	1,225	0	0
Total energy	**3,704,632**	**2,570,299**	**293,368**	**2,318,344**	**830,873**	**150,825**	**54,541**	**26,695**	**3,899**

1 The new methodology has been applied since 2021 for more precise disclosure of energy consumed: according to GRI Standards (302-1), self-generated electricity and heat from a non-renewable fuel source are counted once under fuel consumption. Data related to diesel, petrol, coal, natural gas and waste oils consumption, as well as energy intensity metrics, for 2019–2020 has been restated accordingly for comparative purposes.

* Independent limited assurance on data marked by symbol (*) provided by AO "Deloitte & Touche CIS". Independent limited assurance report see on pages 261–263.

Electricity and heat consumption by source

	Units	2021	2020	2019
Electricity consumption, including:	GJ	**3,325,659**	**3,154,215**	**3,066,154**
Self-generated non-renewable electricity (diesel)	GJ	1,003,416	914,166	900,962
Self-generated renewable electricity (solar & wind)	GJ	3,899	3,586	3,824
Purchased non-renewable electricity	GJ	1,728,421	2,130,843	2,161,367
Purchased renewable electricity	GJ	589,923	105,620	0
Heat consumption, including[1]:	GJ	**1,744,709**	**1,628,330**	**1,773,696**
Self-generated heat (fossil fuels)	GJ	1,301,761	1,235,669	1,345,984
Heat utilisation systems:	GJ	442,948	392,660	427,713
– from diesel power stations	GJ	334,248	280,951	264,999
– from POX	GJ	108,700	111,709	162,713
Renewable electricity share in total electricity consumption	%	18%	3%	0%
Renewable electricity share in self-generation	%	0.4%	0.4%	0.4%
Heat utilisation systems share in total heat consumption	%	25%	24%	24%

Electricity and heat consumption by source in 2021: site level, GJ

	Electricity consumption				Heat consumption[1]		
	Self-generated non-renewable electricity (diesel)	Self-generated renewable electricity (solar & wind)	Purchased non-renewable electricity	Purchased renewable electricity	Self-generated heat (fossil fuels)	Heat utilisation from diesel power stations	Heat utilisation from POX
Kyzyl	0	0	317,502	86,314	174,960	0	0
Varvara	125	16	549,544	31,509	0	0	0
Komar mine (part of Varvara hub)	69	0	36,449	1,109	6,229	0	0
Voro	0	0	159,532	69,815	130,796	0	0
Mayskoye	304	0	284,074	0	228,142	0	0
Omolon	274,556	42	0	0	96,513	76,826	0
Dukat	155,619	0	25,607	401,176	279,711	33,665	0
Primorskoye (part of Dukat hub)	12,323	0	0	0	2,310	2,873	0
Svetloye	46,444	3,814	1,250	0	204,080	32,926	0
Albazino	387,305	28	878	0	85,180	167,384	0
Kutyn (part of Albazino hub)	17,026	0	6	0	1,514	0	0
Amursk POX	0	0	330,587	0	13,800	0	108,700
Nezhda	102,498	0	0	0	78,526	20,574	0
Prognoz	6,960	0	0	0	0	0	0
Veduga	187	0	22,992	0	0	0	0
Total energy	**1,003,416**	**3,899**	**1,728,421**	**589,923**	**1,301,761**	**334,248**	**108,700**

1 The new methodology has been applied since 2021 for more precise disclosure of heat consumed: according to GRI Standards (302-1), self-generated heat from a non-renewable fuel source is counted once under fuel consumption. We also included data on heat utilisation systems in total heat consumption as one of the indicators for our energy efficiency measures. Data related for 2019–2020 has been restated accordingly for comparative purposes.

Climate-related data continued

Key material climate-related risks

Risk key

Risk impact		Likelihood		Risk level (according to risk-matrix for Paris Agreement Scenario and mid-term horizon)
R1 Insignificant	Less than 1% Adjusted EBITDA[1]	L1 Rare	Less than 10%	Low
R2 Minor	1–5% Adjusted EBITDA	L2 Unlikely	10–30%	Medium
R3 Moderate	5–10% Adjusted EBITDA	L3 Possible	30–60%	High
R4 Major	10–20% Adjusted EBITDA	L4 Likely	60–90%	Extreme
R5 Catastrophic	More than 20% Adjusted EBITDA	L5 Almost certain	More than 90%	

		Business-as-Usual scenario			Paris Agreement scenario			Sustainable Development scenario		
Risk factor	Risk description	Short-term	Mid-term	Long-term	Short-term	Mid-term[2]	Long-term	Short-term	Mid-term	Long-term
1. Physical climate-related risks Acute risks										
Permafrost-related risks (thermokarst and permafrost melting)	The thawing of permafrost is considered one of the most critical risks due to its potential impact on our physical infrastructure. 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. The most exposed assets are Dukat and Omolon.	R1 L1	R1 L1	R2 L5	R1 L1	R1 L1	R2 L5	R1 L1	R1 L1	R2 L5
Cold waves	Extreme and severe cold waves can lead to an increase in fuel consumption for mobile fleet and power generators to ensure optimal working conditions, and can cause downtime. The most exposed assets are Dukat and Nezhda.	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5
Hurricanes	Hurricanes can cause damage to power lines, supply disruptions and downtime. The most exposed asset is Kyzyl.	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5
Extreme snowfalls	Extreme snowfall can isolate our remote assets, cause damage to power lines, supply disruptions and downtime. The most exposed assets are Dukat and Kyzyl.	R1 L4	R1 L4	R1 L5	R1 L4	R1 L4	R1 L4	R1 L4	R1 L4	R1 L4

1 Defined in the Alternative performance measures section on page 249.
2 Risks of a high or extreme level (R2L5, R3L3, R3L4, R3L5 and all R4 and R5 risks) in the medium-term horizon of the Paris Agreement scenario falls under review of Corporate Task Force on Climate Change and Audit and Risk Committee, following which they may be included in list of principal risks.

		Business-as-Usual scenario			Paris Agreement scenario			Sustainable Development scenario		
Risk factor	Risk description	Short-term	Mid-term	Long-term	Short-term	Mid-term	Long-term	Short-term	Mid-term	Long-term
1. Physical climate-related risks continued Acute risks										
Change in hydrological cycles (floods)	Seasonal or extreme rainfall flooding can destroy berths and disrupt supply chains. As a result, there may be delays in the supply of consumables and products, food and employees by water. The most exposed assets are Albazino and Amursk POX.	R1 L4	R1 L4	R1 L5	R1 L4	R1 L4	R1 L5	R1 L4	R1 L4	R1 L5
Chronic risks										
Average temperature rises	An increase in average annual temperatures can lead to drought and a lack of water resources for production processes. The most exposed asset is Varvara hub.	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L4	R1 L5	R1 L5	R1 L4
Shifts in rain patterns	An increase in the frequency and intensity of extreme rain can lead to erosion of roads and infrastructure, mudflows. The most exposed assets are Svetloye, Kutyn and Albazino.	R1 L5	R1 L5	R1 L5	R1 L5	R1 L5	R1 L4	R1 L5	R1 L5	R1 L4
2. Transitional climate-related risks Policy and legal risks										
Cross-border carbon tax	There are long-term risks of the spread of CBAM and similar international carbon regulation to the metal and mining industry and our export products.	R1 L1	R1 L1	R1 L1	R1 L1	R1 L1	R2 L4	R1 L1	R2 L4	R2 L5
National carbon regulation	Carbon regulation in Russia and Kazakhstan is actively developing. As of 2022, there are no carbon taxation or quotas in the countries where we operate. However, in the medium term, there are risks of the introduction of such systems for carbon-intensive industries and for all industrial enterprises in the long term.	R1 L1	R1 L1	R1 L1	R1 L1	R2 L3	R2 L5	R2 L3	R2 L5	R2 L5
Implementation of environmental insurance	In the event of the introduction of compulsory insurance for environmental risks, an increase in insurance rates and additional costs is possible.	R1 L1	R1 L1	R1 L1	R1 L1	R1 L3	R1 L4	R1 L3	R1 L4	R1 L5

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Climate-related data continued

Key material climate-related risks continued

Risk factor	Risk description	Business-as-Usual scenario			Paris Agreement scenario			Sustainable Development scenario		
		Short-term	Mid-term	Long-term	Short-term	Mid-term[2]	Long-term	Short-term	Mid-term	Long-term
2. Transitional climate-related risks continued										
Market risks										
Increase in the cost of carbon-intensive resources	The introduction of carbon regulation and changes in the structure of global energy generation could lead to an increase in the cost of carbon-intensive energy resources, such as fossil fuels.	R1 L1	R1 L1	R1 L1	R1 L1	R1 L3	R1 L4	R1 L1	R1 L5	R1 L5
Technology risks										
Requirements for renewables usage	Mandatory use of the best available technologies and renewable energy sources may require additional capital investments for technical re-equipment.	R1 L1	R1 L1	R1 L1	R1 L1	R1 L3	R1 L4	R1 L1	R1 L4	R1 L5
Tightening of construction standards	The tightening of building codes and standards may lead to an additional increase in capital expenditures in development projects.	R1 L1	R1 L3	R1 L4	R1 L1	R1 L1	R1 L3	R1 L1	R1 L1	R1 L3
Reputation risks										
Reputational risks	No material risks identified									
Human capital risk	No material risks identified									

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 Integrated Annual Report. More detailed information is available on the Company's website: www.polymetalinternational.com.

Reporting requirement	Policy and standards	Relevant information
Business model	The International Integrated Reporting <IR> Framework	Business model, pages 16–17; Strategy, pages 26–27.
Universal matters	UN Global Compact EBRD Environmental and Social Policy Responsible Gold Mining Principles Code of Conduct	Our contribution to the UN SDGs, page 53; Our material issues, page 54–55.
Environmental matters	Environmental Policy Code of Conduct Climate Change Policy Tailings and Water Storage Facilities Management Policy Energy Policy Mine Closure Policy Acid Rock Drainage Management Standard ISO 14001 ISO 15001	Climate change, pages 66–81; Water, pages 82–87; Waste and pollutants, pages 85–87; Biodiversity and lands, pages 88–91; Environmental risk, page 122; Full Disclosure on Tailings Storage Facilities 2021, available on the website.
Employees	ILO conventions, national labour codes Code of Conduct ISO 45001 Employment and Labour Standard Health and Safety Policy Diversity and Inclusion Policy Collective agreements	Employees, pages 60–65; Health and safety, pages 56–59; Human capital risk, page 123; Health and safety risk, page 121; Workforce engagement, page 64.
Human rights	Universal Declaration on Human Rights The UN Guiding Principles on Business and Human Rights Human Rights Policy Modern Slavery Act Statement Code of Conduct Supplier Code of Conduct	Human rights, pages 95–97; Modern Slavery Act Transparency Statement 2020, available on the website; Supply Chain, pages 98–99.
Social matters	Community Engagement Policy Political and Charitable Donations Policy Procurement Policy	Communities, pages 92–97.
Anti-corruption and anti-bribery	Code of Conduct Anti-Bribery and Corruption Policy Supplier Code of Conduct 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, page 99.
Principal risks and impact from business activity	Risk Management Policy	Risk management, pages 114–127; Supply chain: resilience, costs and ESG, pages 144–145.
Non-financial key performance indicators	GRI SASB TCFD	Measuring our strategic success, pages 30–31; Climate-related data, pages 265–270; Key sustainability figures, pages 272–275.

Key sustainability figures

Value distribution

Value generated and distributed

	Units	2021	2020	2019
Revenue	$m	2,890	2,865	2,246
Cash operating costs (excluding depreciation, labour costs and mining tax)	$m	722	780	845
Wages and salaries; other payments and benefits for employees	$m	471	394	397
Social benefits	$m	28	28	24
Payments to capital providers	$m	54	67	75
Payments to shareholders	$m	635	481	240
Taxes (excluding payroll taxes included in labour costs)	$m			
Income tax and excess profit tax	$m	257	275	107
Taxes, other than income tax	$m	11	15	11
Mining tax	$m	152	142	115
Undistributed economic value retained	$m	560	683	432

Safety

Polymetal employee health and safety

	Units	2021	2020	2019
Injuries, including:	number	15	13	20
Fatalities	number	0	0	2
Severe injuries	number	2	2	3
Minor injuries	number	13	11	15
LTIFR[1]	rate	0.12	0.12	0.19
Days off work following accidents	number	1,516	1,583	1,760
Occupational diseases and health difficulties	number	5	2	1
Near-misses	number	4,687	3,653	2,684

Contractor employee safety

	Units	2021	2020	2019
Injuries, including:	number	6	12	10
Fatalities	number	1	0	1
Severe injuries	number	0	0	0
Minor injuries	number	5	12	9
LTIFR[1]	rate	0.09	0.24	0.20

1 Lost time injury frequency rate per 200,000 hours worked.

Employees

Workforce composition and turnover

	Units	2021	2020	2019
Employees				
Average headcount	number	**13,392**	**12,065**	**11,611**
Headcount as of 31 Dec	number	14,281	12,679	11,819
Contractors working on Polymetal's territories (average headcount)	number	7,082	5,277	5,336
New employee hires during the reporting period	number	4,722	3,156	N/A
Female	number	962	662	N/A
Male	number	3,760	2,494	N/A
Percentage of employees at operating sites covered by collective bargaining agreements	%	100	100	100
Percentage of employees covered by collective bargaining agreements	%	83	83	86
Voluntary turnover[1]	%	**8.2**	**6.5**	**5.8**
Female	%	8.2	5.8	6.9
Male	%	8.2	6.7	5.5
Involuntary turnover[2]	%	0.3	N/A	N/A
Other turnover[3]	%	14.2	N/A	N/A
Breakdown by gender				
Percentage of female employees	%	**21**	**21**	**21**
Percentage of female managers	%	22	22	22
Percentage of female qualified personnel	%	40	40	39
Percentage of female workers	%	11	11	12
Gender pay gap (average remuneration for men to average remuneration for women)	ratio	1.22	1.25	1.30
Breakdown by age groups				
Employees under 30 years old, including:	number	2,366	2,092	2,083
Female	number	552	500	468
Male	number	1,814	1,592	1,615
Percentage of employees under 30 years old	%	**17**	**16**	**18**
Employees 30–50 years old, including:	number	9,617	8,579	7,815
Female	number	2,065	1,840	1,677
Male	number	7,552	6,739	6,138
Percentage of employees 30–50 years old	%	**67**	**68**	**66**
Employees over 50 years old, including:	number	2,298	2,006	1,918
Female	number	554	480	448
Male	number	1,744	1,526	1,470
Percentage of employees over 50 years old	%	**16**	**16**	**16**
Disabled personnel	number	30	30	23
Taken parental leave, including:	number	149	118	150
Female employees on parental leave	number	139	111	146
Male employees on parental leave	number	10	7	4
Return to work and retention rates after parental leave	%	100	100	100

1 Includes only employees that left the company voluntarily due to dissatisfaction with their job.
2 Includes employees that were dismissed.
3 Includes employees that left the company due to other reasons such as relocation, retirement or enrolment to an educational institution.

Water

Water consumption

	Units	2021	2020	2019
Fresh water withdrawal, including:	thousand m^3	3,480	3,484	4,919
Ground water	thousand m^3	1,452	1,285	1,695
Surface water	thousand m^3	1,028	1,467	2,236
External water supply	thousand m^3	1,000	732	988
Water reused and recycled, including:	thousand m^3	31,636	29,606	32,276
Recycled water	thousand m^3	27,743	26,965	28,222
Waste water	thousand m^3	3,893	2,641	4,053
Total water consumed	thousand m^3	**35,116**	**33,090**	**37,194**
Share of water recycled and reused	%	90	89	87
Fresh water use intensity	m^3/Kt of processed ore	220	226	327
Fresh water use for processing intensity[1]	m^3/Kt of processed ore	155	171	268

Water discharge

	Units	2021	2020	2019
Total water discharge, including:	thousand m^3	**9,553**	**12,367**	**11,910**
To watercourses	thousand m^3	7,756	10,128	10,757
To collecting ponds	thousand m^3	1,443	1,864	857
To landscape	thousand m^3	0	0	0
To sewage	thousand m^3	354	375	297

1 Water use for processing does not include water used for non-technological purposes.

Waste

Waste generation and management

	Units	2021	2020	2019
Total waste generated	t	**210,088,644**	**181,959,017**	**155,923,761**
By composition				
Waste rock	t	196,841,661	169,287,548	143,439,734
Tailings, including	t	13,219,029	12,627,995	12,469,214
Dry tailings	t	1,422,169	1,348,599	1,212,822
Wet tailings	t	11,796,860	11,279,395	11,256,392
Share of dry stacked tailings	%	11	11	10
Other waste (metal, plastic, paper, etc.)	t	27,954	43,474	14,813
By waste hazard classification				
Non-hazardous	t	210,080,143	181,951,432	155,918,075
Hazardous	t	8,502	7,585	5,686
By treatment				
Waste disposed	t	159,015,806	141,217,837	134,518,857
Waste diverted from disposal, including:	t	48,573,139	31,621,854	21,705,608
Waste neutralised	t	1,633	330	274
Waste reused and recycled	t	48,571,506	31,621,525	21,705,334
Percentage of waste reused of total waste generated	%	23	17	14

Air quality

Air emissions

	Units	2021	2020	2019
Sulphur dioxide (SO2)	t	1,064	847	954
Oxides of nitrogen (Nox)	t	3,472	2,789	2,532
Carbon monoxide	t	3,455	2,798	2,818
Solid particles	t	5,703	2,946	4,773
Ozone depleting (CFC-11 equivalents) substances emitted	t	0	0	0
VOCs	t	1,194	1,004	1,081
Mercury (Hg)	t	0	0	0
Lead (Pb)	t	5.12	0.17	0.27

Environmental expenditures

Total environmental expenditures (operational and capital)

	Units	2021	2020	2019
Overall expenditures, including:	$ thousand	46,102	27,853	35,021
Water	$ thousand	2,719	2,847	19,583
Land[1]	$ thousand	17,132	16,798	8,121
Waste	$ thousand	23,810	5,226	4,576
Air quality	$ thousand	1,359	2,103	2,117
Other[2]	$ thousand	1,082	879	624

1 Including rehabilitation activities.
2 Including scientific research and biodiversity protection.

Communities investments and engagement

Community investment

	Units	2021	2020	2019
Sport	$ thousand	4,981	2,282	6,234
Healthcare[1]	$ thousand	5,695	9,177	249
Education	$ thousand	3,074	2,751	1,889
Culture and art	$ thousand	880	847	1,201
Infrastructure of social importance	$ thousand	4,439	2,194	3,470
IMN support	$ thousand	419	315	334
Charitable donations	$ thousand	477	331	1772
Total community investment	$ thousand	**19,966**	**17,897**	**15,148**
Number of partnership agreements	number	37	33	33
Total value of financial contributions to political parties, politicians, and political action committees	$ thousand	0	0	0

Stakeholder engagement

	Units	2021	2020	2019
Employees enquiries	number	1,773	1,092	1,149
Response rate	%	100	100	100
Communities enquiries	number	613	572	588
Response rate	%	100	100	100
Stakeholder meetings, including:	number	**59**	**44**	**77**
Public hearings and community meetings	number	37	38	49
Site visits by external stakeholders	number	7	5	22
Other	number	15	1	6

1 Including $1,298 thousand Covid-related support.

Glossary

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 Organization
ISO	International Organization for Standardization
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
CO_2e	CO_2 equivalent
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)
p.p.	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 an accident and eliminates tailings run-off

Exchange traded fund (ETF)
A type of pooled investment security that operates much like a mutual fund. ETFs track a particular index, sector, commodity, or other asset

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

Minerals extraction tax (MET)
Tax base established as the value of extracted minerals or as a multiple of the quantity of extracted minerals and a certain solid tax rate subject to a coefficient

Net realisable value (NRV)
Valuation method, common in inventory accounting, that considers the total amount of money an asset might generate upon its sale, less a reasonable estimate of the costs, fees, and taxes associated with that sale or disposal

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

TCFD
Task Force on Climate-Related Financial Disclosures. Organisation with the goal of developing a set of voluntary climate-related financial risk disclosures. These disclosures would ideally be adopted by companies which would help inform investors and other members of the public about the risks they face related to climate change.

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 1 March 2022, the Company's issued share capital consisted of 473,626,239 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 1 March 2022

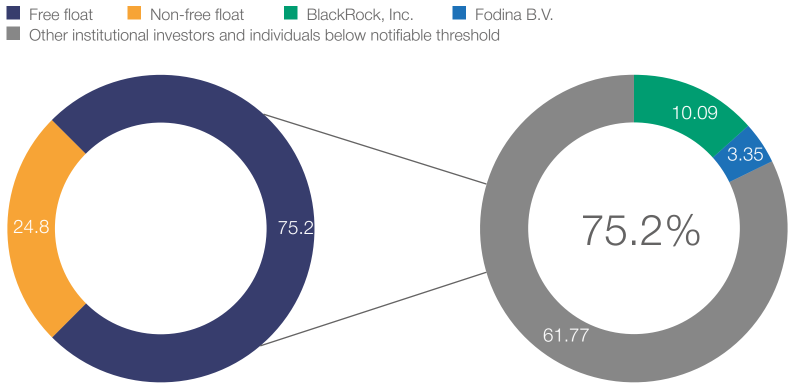
In accordance with the FCA's Disclosure and Transparency Rules (DTR 5), as at 1 March 2022 the Company received notification of the following material interests in voting rights over the Company's issued ordinary share capital (including qualifying financial instruments):

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	23.90%
BlackRock, Inc.	BlackRock, Inc.	47,785,164	10.09%
Fodina B.V.	Petr Kellner	15,846,598	3.35%

Free float

Based on free float restrictions adopted by FTSE Russell[1], 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 1 March 2022 equals 75.2% and includes the following shareholdings:

Free float
%



1 https://research.ftserussell.com/products/downloads/Free_Float_Restrictions.pdf?_ga=2.22689659.1315808839.1614166515-716764096.1614166515

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