

Ian Cockerill
Board Chair

Polymetal's Modern Slavery Act Transparency Statement 2020

This statement provides an update on Polymetal International's progress on implementing the transparency requirements of the UK Modern Slavery Act 2015 during 2020 and our plans for 2021. We reaffirm our zero tolerance position in respect of slavery and human trafficking in our organisation and supply chains.

Polymetal at a Glance

Polymetal International plc ("Polymetal") and its subsidiaries (together the "Group") is one of the leading precious metals producers with a portfolio comprising of nine operational gold and silver mines and two major development projects across Russia and Kazakhstan.

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

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

We are a dynamic and progressive company with a simple objective: delivering sustainable value to all of the stakeholders. Our business model is based on investing in the skills and expertise to support our key competencies. It is underpinned by our commitment to uphold the highest standards of human rights, corporate governance, corporate responsibility and sustainable development.

Our average Polymetal's headcount in 2020 increased by 4% year-on-year to 12,000 employees. Half of our employees work on a fly-in/fly-out basis at remote sites. There were also 5,000 contractors working on Polymetal's territories.

We ensure our employees are fairly compensated, with minimum salaries 100% higher than the regional minimum in Russia and 170% higher than in Kazakhstan. All salaries of both Polymetal's employees and contractors working at our sites exceed the local living wage.

In 2020, we were proud to be ranked 20th out of the 200 best employers in Russia, and awarded first place in the metal and mining sector for gender equality by Forbes Russia.

Approach to Modern Slavery

As a major international mining company, Polymetal has a role to play in global efforts to combat slavery. We recognise that mining activities can affect human rights and apply a comprehensive procedure to mitigate the risk.

Polymetal's approach is aligned with universal principles of human rights. We follow the guidelines of the Universal Declaration of Human Rights, UN Global Compact, ILO Declaration, Responsible Gold Mining Principles, and National Labour Codes.

We have developed and constantly update a range of robust policies that strictly prohibit the use of any type of forced labour, including our [Code of Conduct](#), [Supplier Code of Conduct](#), [Human Rights Policy](#), [Diversity and Inclusion Policy](#), [Employment and Labour Corporate Standard](#), and [Community Engagement Policy](#).

Polymetal's policies and standards guarantee:

- freedom of workers to terminate employment;
- freedom of movement;
- freedom of association;
- access to remedy, compensation and justice for victims of modern slavery.

Polymetal's policies and standards prohibit:

- child labour;
- discrimination;
- compulsory overtime;
- the use of worker-paid recruitment fees;
- any threat of violence, harassment and intimidation;
- confiscation of workers' original identification documents.

The Safety and Sustainability Committee, which includes the Group's CEO, oversees sustainable development, human rights and modern slavery issues on behalf of the Board. The Committee is responsible for setting the strategic direction for

our social, ethical, environmental and safety performance as well as evaluating the effectiveness of our initiatives and managing related risks.

Supply Chain Overview

To run our business, we purchase materials, goods and services from more than 7,000 suppliers diverse in size and geography. Our Supplier Code of Conduct outlines the ethical and sustainability standards we expect from all supply chain partners.

In 2020, we updated the Code to better articulate criteria around safety, labour relations and wider social, environmental and ethical risks. We ensure that all suppliers are familiar with the Code. In addition, in 2020 the Board approved an updated Procurement Policy, which stipulates fair and economically efficient procurement practices across the Group.

We understand our obligations to stakeholders to guarantee that our supplier relationship practices comply with international and our own anti-slavery principles. Therefore, we encourage our suppliers, contractors and clients (off-takers) to improve their anti-slavery practices by implementing our Supplier Code of Conduct and making a commitment to anti-slavery a core condition of our agreements with them.

We have added modern slavery reporting and labour law compliance clauses to our contracts. As per our policy, we expect them to respect human rights and categorically reject the use of any forced labour.

We aim to prioritise local procurement at both site and Group level. Sourcing locally reduces our carbon miles and transport costs, while also adding socio-economic value in our neighbourhoods and having better understanding of the conditions our suppliers operate in. In 2020, we created a new role of Supplier Analyst to monitor the share of local procurement and look at ways to increase it.

Our data showed 37% local purchases in Russia and 82% in Kazakhstan in 2020 (2019: 48% and 84%, respectively). The decrease was mainly due to Covid-19, since we were forced to purchase up to six months' supply of certain goods to secure business continuity. Many of our local suppliers were not able to fulfil these needs due to their own operational difficulties. We also saw local currency rates drop, reducing our local costs compared to those we paid in USD. Overall, local procurement amounted to 43% of our total procurement.

Due Diligence

In our procurement strategy, we commit to long-term planning and transparency and select our partners via an open tender. We assess suppliers with standardised scorecards to guarantee objectivity and fairness.

Polymetal's e-procurement system helps us to enforce the Procurement Policy by applying standards consistently across a large number of contractors.

In 2020, we introduced anti-bribery and human rights clauses in contracts not only with suppliers, but also with our downstream supply partners. Going forward, our contracts state that any violation will mean that we will end the contract.

We constantly monitor and evaluate evolving human rights situation in the jurisdictions where Polymetal operates and update our guiding principles to reflect it.

Steps to address human rights related risks in the supply chain:

1. Security check

New suppliers are subject to mandatory security checks. Existing suppliers are regularly monitored through open sources by the legal and security services. Screening process is a comprehensive desk-based research. Suppliers are checked on any controversies they may be involved in, including human trafficking and modern slavery, delays in paying salaries and other working rights abuses, legal proceedings, and community issues. We also request references from the suppliers' customers.

2. B2B check

At the time of registration in Polymetal's e-procurement system, a prospective supplier is checked by SPARK legal service. SPARK provides an assessment of a company's accountability based on forty different factors, including Consolidated Risk Indicator, Due Diligence Index, Financial Risk Index, Payment Index, and underlines specific risk factors that should be addressed. Existing suppliers can also be checked when necessary, for example if a complaint or conflicting information about the company arises.

3. Pre-qualification check of service providers

Before being allowed to participate in an open tender, a service provider must fill in a questionnaire which includes information on the staff qualifications, regions of presence, company capacities, and financial capabilities. Only those who have been pre-qualified are allowed to participate in Polymetal's open tenders.

4. Site visits

We conduct selective audits to ensure the production process and labor conditions are appropriate. Unfortunately, we had to stop site visits in 2020 due to Covid-19. In 2018 and 2019, there were more than 20 audits. When the situation allows, we will resume site visits.

In 2020, we screened more than 9,000 new and existing suppliers for compliance with our business ethics policies (an increase of 20% since 2019), 460 of whom were deemed non-compliant and removed from the procurement process.

Risks Assessment and Effectiveness

Human rights impacts are fully integrated in our risk assessment procedures. We recognise the importance of regularly identifying, analysing and assessing potential risks of violations of human rights and developing rapid responses to tackle them before they can materialise.

We expect our suppliers, employees and off-takers to report slavery or trafficking issues as soon as they become aware of them.

Our Human Rights Policy establishes a comprehensive grievance mechanism allowing all stakeholders report their concerns. It includes:

- hotlines with the CEO, COO and site managers to ask questions important to employees. The answers are published in the corporate newspaper and the intranet, as well as emailed to the employees concerned;
- helpline for employees, community members and partners to report a concern anonymously, without fear of prejudice or reprisals from the aggrieved person(s);
- feedback boxes at the sites and in communities to make a query;
- employee and community surveys and questionnaires;
- workers 'councils;
- meetings and annual conference calls with the top management, the Group CEO and the Board of Directors;
- performance review meetings with the local communities.

A swift response procedure swings into action as soon as a violation of human rights is detected, including suspicions of slavery and human trafficking. Polymetal will act quickly to resolve any issues.

Every year we inform our stakeholders on the efforts to protect human rights via the sustainability report. **In 2020, we addressed 100% of the enquiries received through various communication channels and did not identify any modern slavery risks in our operations or supply chains.**

We had to postpone the annual employee engagement survey in 2020 due to Covid-19. It is taking place in 2021. In 2019, the survey was completed by more than 5,000 employees.

We are also conducting the second human rights risk assessment across the Group in 2021. The previous assessment was done in 2019. We found that risks were low and the right measures were being taken. Among the risks identified were 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 an online training on identifying human rights violations and risks.

Training and Capacity Building

Each employee is guided by our Code of Conduct and Human Rights Policy, which clearly state our strict prohibition of the use of any forced labour. Every individual within the company is expected to recognise and observe the values they uphold in their interactions with fellow employees at all times.

We communicate the Policy and Codes to all stakeholders and encourage Human Rights awareness training for all staff. All of our employees receive Code of Conduct training at induction. The employees most likely to be involved in human rights issues, including all security personnel, must complete annual refresher courses.

We assign qualified personnel in all operational regions responsible for internal and external communications on any issues related to human rights, ensuring transparent grievance mechanisms for all our stakeholders.

In 2019, we launched an online training on identifying human rights violations and risks. The training was assigned to all employees at managing positions across the Group. In 2019, more than 300 managers working in human resources, security, procurement, health and safety, environmental and other departments completed the online course. In 2020, additional 600 employees completed the course.

Moving Forward

We will continue overseeing the Act's implementation to identify further areas for continuous improvement. This will involve reviewing assessment reports on potential human rights issues and developing recommendation to avoid human rights violations.

There are further steps we will take to ensure that modern slavery will not occur in our operations or supply chain:

- regularly reviewing and refining our policies and procedures to ensure they are in line with the best practice;

- expanding training to employees at all operating sites to increase their awareness of human rights, help them identify human rights risks and instruct about the actions everyone can take to prevent and address violations;
- conducting internal assessments throughout the company to identify the human rights issues requiring the most attention to prevent any risks materialising;
- implementing a self-assessment questionnaire for our suppliers to better understand potential human rights issues that may arise in our supply chain in order to prevent them.

Contacts

We welcome any queries from our stakeholders. Questions regarding the content and application of the Polymetal's Modern Slavery Act Transparency Statement can be forwarded to our specialists in any convenient form, including by phone or via e-mail. Our contact details can be found in the Contacts section on Polymetal's official website.