

# HIGHLAND GOLD MINING LIMITED

Sustainability Report 2019



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# 01

## At a Glance

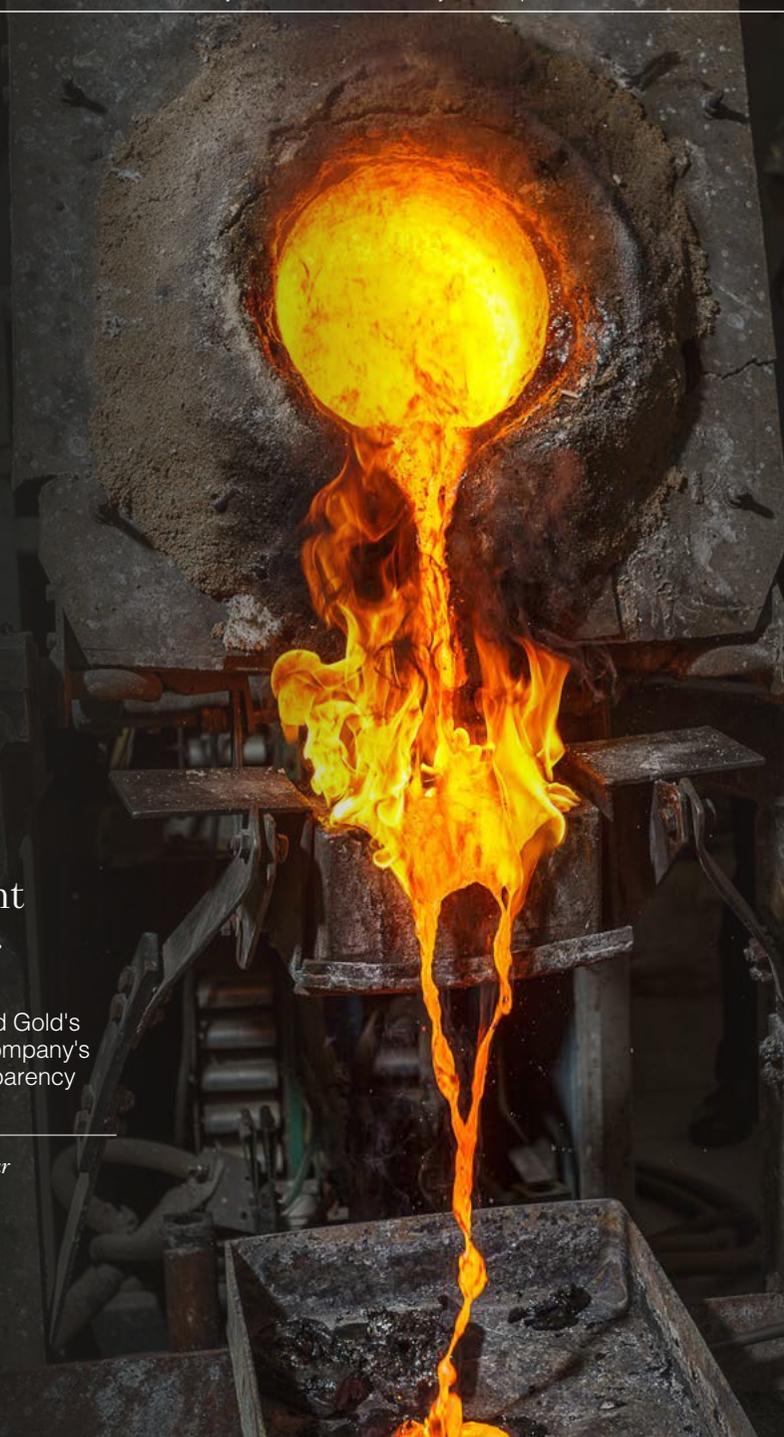
A world-class asset base of production, development and exploration projects.

### About this report

This maiden sustainability report marks Highland Gold's enhanced approach to sustainability, and the Company's commitment to best-in-class practices in transparency and corporate reporting.



*This report should be read in conjunction with our Annual Report and Accounts 2019.*



## About Highland Gold

### Our Vision

Gold holds eternal value on Earth. It is our honour to deliver it to people.

### Our Mission

We unite achievers to carefully and responsibly mine the riches of the land, to develop regions, to improve the well-being of families, and to deliver returns for shareholders.

### Our Operations

Highland Gold's operations are located around three main hubs in the Khabarovsk, Zabaikalsky and Chukotka regions of Russia, as well as in Kyrgyzstan in Central Asia. The Company currently has four operating mines, three development projects, and three exploration properties.

## 2019 in numbers

Production (gold and gold eq. oz)

**300,704** 269,500 +12%

Net profit (US\$m)

**177.8** 56.1 +217%

Earnings per share (US\$)

**0.487** 0.154 +216%

Dividend (p)

**13.5** 13.4 75pbs

## Eugene Shvidler

Executive Chairman



### Dear Stakeholder,

I am pleased to present Highland Gold's maiden Sustainability Report. Although our first, we have for many years published information on how we approach creating long-term value and a sustainable business through a range of channels.

More information can be found on our website [www.highlandgold.com](http://www.highlandgold.com).

For feedback or to report any issues of concern, please contact [sustainability@highlandgold.com](mailto:sustainability@highlandgold.com).

The publication of this report signals a shift in focus for the Company to one that places sustainable development and ESG at the core of its strategy. This shift can be summed up in our corporate mission in which “we unite achievers to carefully and responsibly mine the riches of the land, to develop regions, to improve the well-being of families, and to deliver returns for shareholders”.

This is a priority because the activities we undertake to maintain a sustainable business, support our licence to operate, and therefore should be at the heart of all our decision making.

The Board also recognises the growing need for Highland Gold to align its reporting methods with commonly accepted ESG reporting standards. By doing so, we can help our stakeholders to access the information they need more easily, enabling them to benchmark our performance alongside our peer group and make informed decisions.

To this end, we have adopted the GRI Sustainability Reporting Standards (Core option), including GRI G4 Mining and Metals Sector Disclosures.

In this document, we explore the topics that are of greatest importance to stakeholders and in accordance with GRI standards and guidelines. This includes governance, health and safety, labour relations, environmental stewardship, and social investment. We provide performance data for the year ended 31 December 2019, with comparable data from 2018.

Preparing our debut report has been a huge undertaking involving many within our organisation. However, as our first report, the process has helped us shape our long-term sustainability strategy and reporting systems. I would like to thank all those who have been involved in helping set the basis of comparison for the Company's future as we work towards continuous improvement.

**Eugene Shvidler**  
Executive Chairman

# 02

## *Introduction from the CEO*

## Denis Alexandrov

Chief Executive Officer



Our continued strong operational and financial performance comes from making the right decisions and operating in a sustainable way. To do this, we take into account the needs and expectations of all our stakeholders and invest in our assets, workforce and local communities whilst bringing particular focus to health and safety, and the environment around us.

Although we have published sustainability data for many years, this document lays the foundations for our future reporting. Our goal is to deliver continual improvements in our sustainability performance by setting targets and adopting best practices.

### Health and safety first

The safety and well-being of our employees and contractors is our highest priority, and we continue to pursue zero accident safety targets by minimising operational risks and providing extensive training programmes.

We were pleased that our endeavours resulted in the lost time injury rate reducing substantially, to 2.60 in 2019 compared to 4.01 in 2018. However, while the total number of injuries decreased, we deeply regret that the Group experienced fatalities in the first half of the year.

We take these incidents extremely seriously and, following an external audit, we put in place a 2020 Labour Safety Action Plan based on recommendations to make improvements. This will serve to reinforce our “Cardinal Safety Rules” which were introduced in late 2017, and are now enshrined in all employee and supplier contracts, supported by intensive training to ensure that these rules are understood and adopted in everyday behaviours.

At the heart of this, we are aiming to instil a safety-first culture amongst our workforce and contractors so that they have a strong sense of responsibility towards themselves and others.

Throughout 2020, we will continue the work with all our people to improve the health and safety record through a dedicated communication and engagement programme in order to achieve our target lost time injury rate of below 1.98.

In parallel, we have taken proactive steps to protect employees during the coronavirus pandemic, creating observation centres for people coming into our assets and limiting contact between crew units during shift changeovers. The observation centres have already resulted in the identification of a small number of employees carrying the coronavirus before they reached a production site. The employees were isolated and given proper medical care. Aside from them, the only other confirmed case of COVID-19 infection at Highland Gold was a Moscow employee who was working remotely from home and has since recovered. We will continue to closely monitor the ongoing situation and adapt our approach as necessary.

### Evolving our corporate culture

2019 was marked by a culture-improvement programme centred around our core Company values that were developed in 2018. In addition to promoting a strong health and safety culture, this programme is designed to create greater cohesion amongst the workforce and improve everyday behaviours. The majority of our employees have now received training to enable them to connect with our values and understand how they might be applied in real-life situations. The senior management, myself included, was very active in providing this training to our employees in the head office and on site.

To encourage two-way communication between senior management and our workers, we also conducted our first Company-wide employee engagement survey. The findings have helped to inform our HR strategy, including ensuring greater transparency when it comes to performance related pay aimed at increasing motivation. Another significant outcome was the creation of “Workers’ Councils” in order to provide a forum to gather employee feedback and raise questions for management. I have committed to attending council meetings twice a year so that I can take personal accountability for the outcomes of these forums.

# We are absolutely committed to maintaining the highest standards of environmental stewardship and managing our assets in a way that **protects our land, water and wildlife.**

## Protecting our environment

We are absolutely committed to maintaining the highest standards of environmental stewardship and managing our assets in a way that protects our land, water, and wildlife.

The spotlight on our industry has become all the more focused following the recent ecological accident caused by the thawing of permafrost in the northern parts of Russia. Highland Gold's Valunisty mine and our key development project, Kekura, are both located in permafrost regions.

In addition to regular inspections, we have undertaken further checks to ensure that all our buildings, tailings facilities and storage tanks are in good working order. We are pleased to confirm that no concerns have been raised following these inspections, however we remain vigilant and continue to monitor ground conditions at these assets.

We were very pleased with the recognition received by the World Wildlife Fund (WWF) in 2019, who ranked us as second lowest environmental impact miner amongst the 40 largest metals and mining companies in Russia, in addition to awarding us for the most improved reporting. We believe this prestigious ranking acts as true testament to our ongoing commitment to adhering to best-in-class environmental practices.

However, we do recognise that there are further improvements we can make when it comes to the reporting of greenhouse gas emissions. At present, we publish scope 1 GHG emissions resulting from the use of mining equipment and transport vehicles. We are currently putting in place the systems that will allow us to report on full direct emissions from all our mining and production operations from 2021, ahead of the new federal environmental regulations in Russia that will come into force in 2025.

## Looking forward

In placing sustainable development at the core of our strategy, we are committed to adopting best-in-class practices wherever possible. At development projects such as Kekura, we are adopting the most environmentally friendly solutions, such as dry stack tailings facilities, in order to further minimise our impact and mitigate risks. We have also identified ways in which we can improve our safety practices, minimise our environmental impacts and continue to work with our communities for the benefit of all.

We are delighted with the recent appointment of Roman Khafizov, in the newly created role of Deputy CEO for Sustainable Development, who will be in charge of our sustainability strategy and activities going forward.

In 2019, we laid the foundations for major expansion plans that will, by 2023, see a two-thirds increase in our annual production. With a number of development projects underway, the land we manage along with employee and contractor numbers will increase in the coming years. We are acutely aware that as our business grows, so too does our sphere of influence, bringing ever greater responsibility. We are looking forward to embedding the culture improvement that has been developed over the last two years, building a long-term sustainable business for all our stakeholders.

**Denis Alexandrov**  
Chief Executive Officer

# 03

## *Overview & Highlights*

## Sustainability highlights 2019

# #2

Ranked #2 by World Wildlife Fund\* for lowest environmental impact in Russia

Occupational Health & Safety



Find out more on page 21

# -35%

Lost Time in Injury Frequency Rate (LTIFR) at 2.6 down from 4.0 in 2018

Environment



Find out more on page 40

# 93%

Of water recycled and reused

# +44%

In environmental audits carried out in 2018

# 5,443

Tonnes of plastic collected during a Company-wide environmental initiative

People



Find out more on page 31

# 3,149

Employees received external and internal training in 2019

Communities



Find out more on page 52

# +22%

In environmental protection investments from 2018

\* Among the 40 largest metals and mining companies in Russia

Enhanced approach to sustainable development

**Appointed Deputy CEO for Sustainable Development**

**Carried out extensive external health and safety audit**

**Pioneered culture improvement programme centred around core Company values**

**Conducted first Company-wide employee engagement survey**

**Introduced remuneration linked to HSE KPIs and Cardinal Safety Rules compliance**

**Performed comprehensive analysis of corporate environmental management system**

**Established workers councils at all assets**

# 04

## *Business Model*

Low cost credentials with a firm commitment towards health and safety, the environment, and social responsibility towards employees and communities.



Our assets



What we do



How our strategy delivers value



Delivering stakeholder value

# Business Model

## 1 Our assets

### Responsible leadership

The Chairman sets Highland Gold's direction and ensures that the Board and management are working towards common goals and adhering to best practices.

### People and skills

Continual training is provided to all 3,929 highly skilled employees to support the growth of the Company.

### High-quality assets

A world-class asset base of production, development and exploration projects, and an exciting portfolio of JORC audited resources.

### Financial capital

A strong balance sheet and capital expenditure programme funded through a combination of cash flow and low cost bank debt.

### Relationships

Work with local governments to achieve our aims and offer mutually supportive relationships with local communities, including local employment opportunities.

### Natural resources

Energy and water is used as efficiently as possible with the aim to minimise the impact to the global and local environment.

## 2 What we do



Underpinned by our values

### Responsibility is concern

- » Initiative and commitment
- » People's health and safety
- » Protect the environment
- » Rational use of mineral resources
- » Concern for the Company

### Improve others, improve ourselves

- » Self-awareness and openness
- » Influence and contribution
- » Training and mentoring
- » Developments of the regions of operations

### Teamwork means results

- » Communication and trust
- » Respect and feedback
- » Conflict management
- » Executive discipline
- » Positivity at work

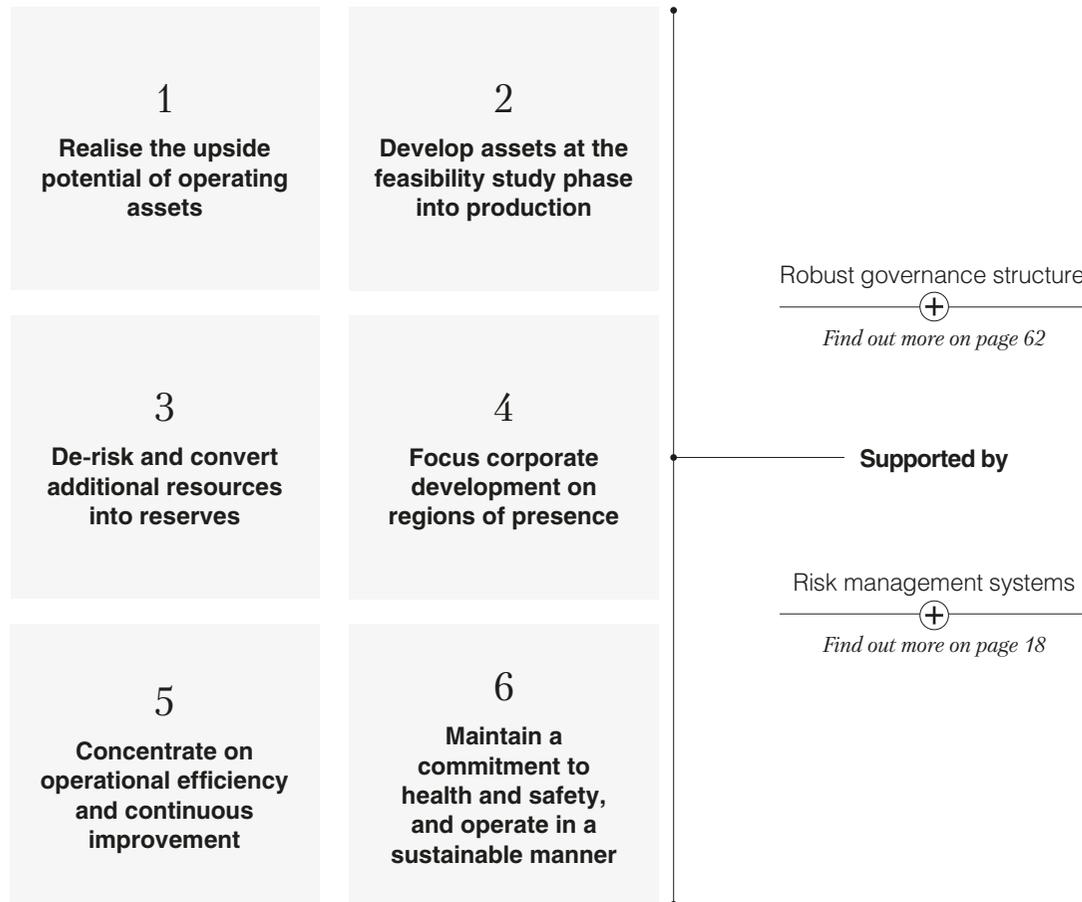
### unAttainable – courage without limits

- » Honesty
- » Ambition
- » Creativity
- » Courage and determination

## Business Model *Continued*

### 3 How our strategy delivers value

Highland Gold's operating strategy is to seek to unlock the value of the assets in its portfolio so as to provide maximum returns to stakeholders.



### 4 Delivering stakeholder value

#### Shareholders

The Board has consistently emphasised the Company's commitment to the return of value to shareholders by way of dividend distribution, underpinned by a dividend policy that aims to distribute a minimum 20% of net operating cash flow before capex.

**US\$345m+**

dividends returned to shareholders in last decade.

#### Employees

The Company's continual investment in its employees enables the Company to achieve its growth ambitions.

**44 hours**

average training hours delivered per employee.

#### Communities

In addition to providing employment opportunities, Highland Gold aims to support local communities with support through charitable donations and community-based projects.

**US\$1.8m**

investment in charitable donations supporting local community projects.

#### Suppliers and contractors

Highland Gold works with a number of suppliers and contractors to provide specialist expertise.

**46%**

of expenditure with local suppliers.

#### Government

Highland Gold's activities support the economic development of the regions in which it operates.

**US\$90m**

paid in respect of local and federal taxes.

# 05

## *Stakeholder Materiality*



## Engaging with our stakeholders

**We engage actively and regularly with all our stakeholders who have a reasonable expectation of being affected by our activities. We set out to **build long-term relationships** and maintain trust with our stakeholders, taking into consideration their **key concerns**, and setting strategies to **mitigate the risks** that are likely to impact them the most.**

## Engaging with our stakeholders *Continued*

Stakeholder	Why they are important	Key concerns	How we engage	Responsibility
Investors	Our investors provide us with the capital to fund our operations and help us grow. In return, we provide returns in the form of dividends and capital growth.	<ul style="list-style-type: none"> <li>» Consistent financial returns</li> <li>» Stable operational performance</li> <li>» Corporate governance</li> <li>» Delivery of strategic projects</li> <li>» Health and safety record</li> </ul>	<ul style="list-style-type: none"> <li>» Half-yearly annual results conference calls</li> <li>» Industry and investment conferences</li> <li>» Regular meetings with institutional and private investors</li> <li>» Quarterly performance updates and regular news announcements</li> <li>» Website</li> </ul>	<ul style="list-style-type: none"> <li>» Executive Chairman</li> <li>» Senior Independent Director</li> <li>» Chief Executive Officer</li> <li>» Head of Communications</li> </ul>
Employees	Our long-term success and growth is synonymous with the retention and development of our people.	<ul style="list-style-type: none"> <li>» Fair and transparent pay and employee benefits</li> <li>» Occupational health and safety</li> <li>» Decent working and living conditions</li> </ul>	<ul style="list-style-type: none"> <li>» Employee benefits packages</li> <li>» Ongoing training and development</li> <li>» Workforce posters and communications</li> <li>» Staff engagement surveys</li> <li>» Workers' councils</li> <li>» Executive site visits and sessions</li> <li>» Business Ethics and Anti-Corruption policy</li> <li>» Group HSE policy</li> <li>» Group Cardinal Safety Rules</li> <li>» Established whistleblowing procedures</li> <li>» Publication of Modern Slavery Statement</li> </ul>	<ul style="list-style-type: none"> <li>» Chief Executive Officer</li> <li>» Director of Human Resources and Administration</li> <li>» Regional Managing Directors</li> <li>» Site managers</li> </ul>
Local communities	It is imperative that we maintain a positive corporate reputation with local communities. We strive to be a good neighbour, and actively engage in important social and infrastructure projects to the mutual benefit of both our employees and local communities.	<ul style="list-style-type: none"> <li>» Local employment opportunities</li> <li>» Investment in local infrastructure and social projects</li> <li>» Environmental stewardship</li> <li>» Open channels of communication</li> </ul>	<ul style="list-style-type: none"> <li>» Community liaison working groups</li> <li>» Dialogue between site managers and local administration</li> <li>» Dialogue between the Regional Managing Directors and the regional administration</li> <li>» Sponsorship and support of "Day of the Metallurgist" and other events in local villages</li> </ul>	<ul style="list-style-type: none"> <li>» Deputy CEO for Sustainable Development</li> <li>» Regional Managing Directors</li> <li>» Site managers</li> </ul>

## Engaging with our stakeholders *Continued*

Stakeholder	Why they are important	Key concerns	How we engage	Responsibility
<b>Government and regulatory bodies</b>	Sustaining good relationships with, federal and regional governments, maintaining legal compliance, and upholding operating standards and regulations is critical to our ability to operate.	<ul style="list-style-type: none"> <li>» Regulatory licencing and compliance</li> <li>» Socio-economic development of the regions of presence</li> <li>» Tax payment</li> <li>» Health and safety</li> <li>» Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>» Social investment via social contracts with municipal administrations</li> <li>» Regulatory audits</li> <li>» Direct contact with regulators</li> <li>» Industry conferences</li> </ul>	<ul style="list-style-type: none"> <li>» Chief Executive Officer</li> <li>» Deputy CEO for Sustainable Development</li> <li>» Deputy CEO for Capital Projects</li> <li>» Head of Health and Safety</li> <li>» Deputy CEO for Corporate Development</li> <li>» Head of Legal</li> <li>» Deputy CEO for Geology</li> <li>» Regional Managing Directors</li> <li>» Site managers</li> </ul>
<b>Suppliers and contractors</b>	We rely on suppliers and contractors for products and services we cannot provide ourselves and they support us in delivering our goals. We apply the same standards and compliance requirements to our suppliers and contractors as we do to ourselves.	<ul style="list-style-type: none"> <li>» Health and safety</li> <li>» Transparent and fair tender process</li> <li>» Fulfillment of contractual obligations</li> <li>» Long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>» Contractual relationships</li> <li>» Training</li> <li>» Meetings</li> <li>» Compliance audits</li> <li>» Daily dialogue with contractors on site and through management team</li> </ul>	<ul style="list-style-type: none"> <li>» Head of Procurement</li> <li>» Deputy CEO for Sustainable Development</li> <li>» Head of Health and Safety</li> <li>» Chief Financial Officer</li> <li>» Head of Legal</li> </ul>
<b>Media and analysts</b>	As influencers to other stakeholders, it is important that we maintain open and balanced dialogue with the media and analysts, enabling other stakeholders to make well-informed decisions.	<ul style="list-style-type: none"> <li>» Issues and topics impacting all other stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>» Press releases</li> <li>» Interviews and briefings around key announcements and events</li> <li>» Presentations</li> <li>» Site visits</li> </ul>	<ul style="list-style-type: none"> <li>» Chief Executive Officer</li> <li>» Head of Communications</li> </ul>

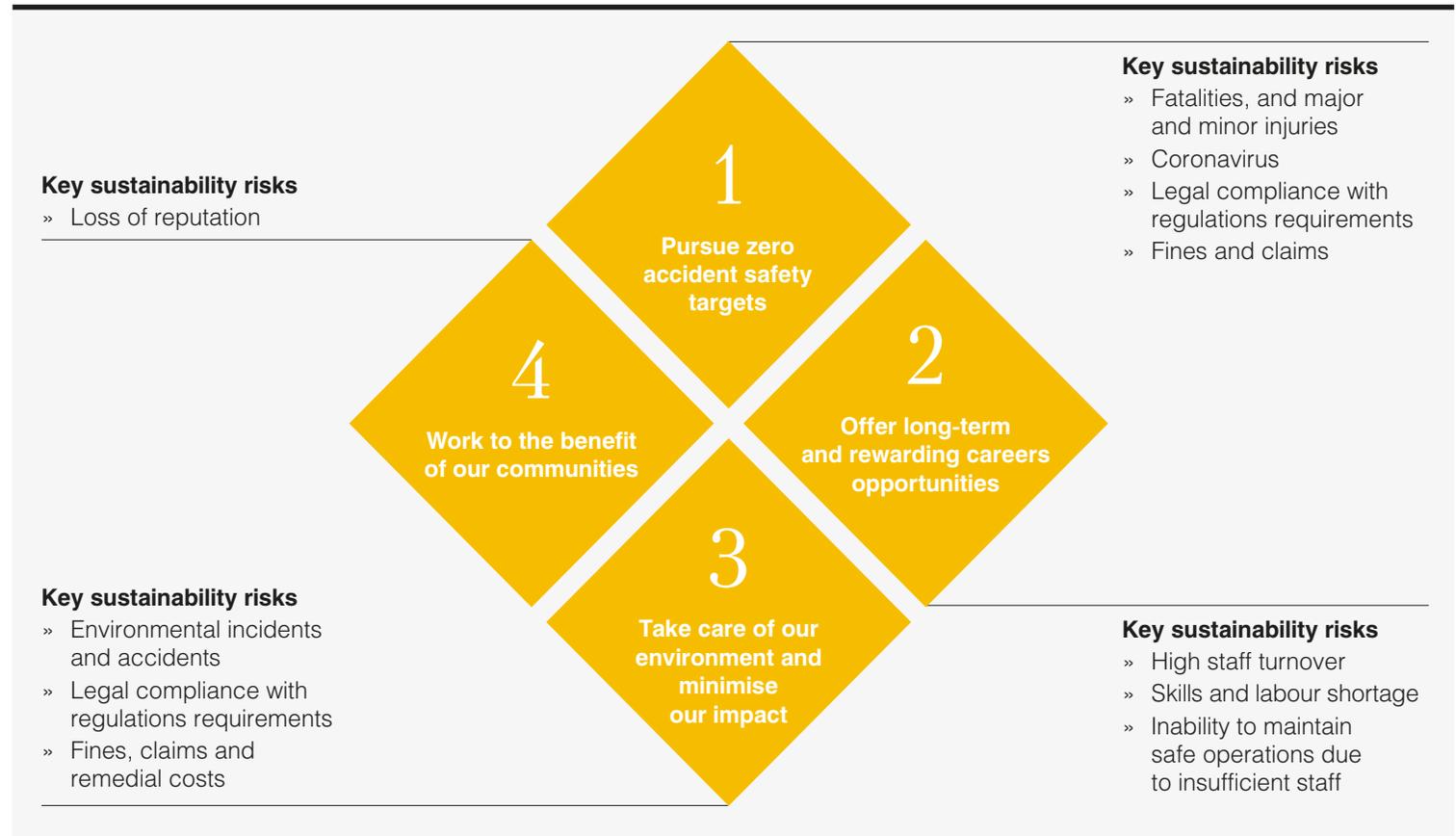
## Focusing on what matters most

Based on our engagement with key stakeholders, we identified four top priorities, in addition to setting a high standard of corporate governance. These priorities help us to define the material topics we cover, reporting on what concerns our stakeholders the most, and in accordance with the GRI Standards process and guidelines.

1	2	3	4
<b>Pursue zero accident safety targets</b>	<b>Offer long-term and rewarding career opportunities</b>	<b>Take care of our environment and minimise our impact</b>	<b>Work to the benefit of our communities</b>
The safety and well-being of our employees is our highest priority. Guaranteeing the safety and occupational health of all employees and contractors is a legal requirement and our duty as a responsible employer.	Our employees are the most valuable asset we have, and it is only with them and through them that we can unlock the value of our assets.	We are unequivocally committed to the pursuit of responsible practices and continuously work towards reducing our environmental impact.	Our wider economic and social contribution is an important focus for us. We believe that businesses can, and should, take the initiative when it comes to delivering social projects to local communities.
<b>Material topics</b>	<b>Material topics</b>	<b>Material topics</b>	<b>Material topics</b>
<ul style="list-style-type: none"> <li>» Legal compliance</li> <li>» Occupational health and safety management</li> <li>» Occupational health and safety training</li> </ul>	<ul style="list-style-type: none"> <li>» Employee engagement and labour relations</li> <li>» Talent attraction and retention</li> <li>» Good work practices and fair labour</li> </ul>	<ul style="list-style-type: none"> <li>» Legal compliance</li> <li>» Greenhouse gas emissions</li> <li>» Materials and waste management</li> <li>» Water management</li> <li>» Biodiversity and land management</li> </ul>	<ul style="list-style-type: none"> <li>» Social investment</li> <li>» Socio-economic benefits</li> </ul>
<b>Topic boundary</b>	<b>Topic boundary</b>	<b>Topic boundary</b>	<b>Topic boundary</b>
<ul style="list-style-type: none"> <li>» The Company</li> </ul>	<ul style="list-style-type: none"> <li>» The Company and local communities</li> </ul>	<ul style="list-style-type: none"> <li>» The Company, local communities and regional areas of operation</li> </ul>	<ul style="list-style-type: none"> <li>» The Company, local communities and country and regional areas of operation</li> </ul>
<i>Read more on page 21</i>	<i>Read more on page 31</i>	<i>Read more on page 41</i>	<i>Read more on page 52</i>
<p>⊕</p> <p><i>Read more on page 62 for more information on Corporate Governance.</i></p>			

## Identifying and managing risks

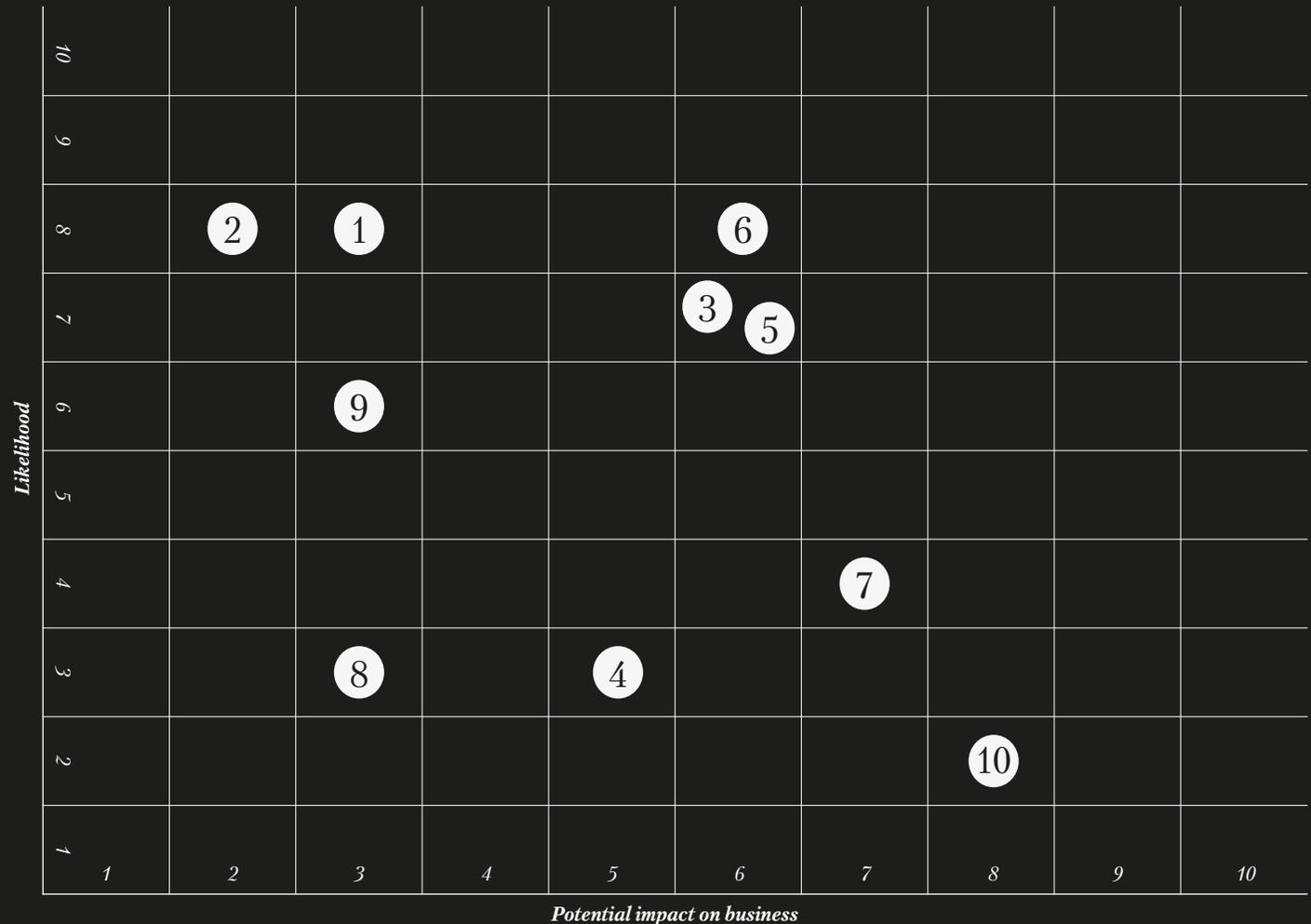
Highland Gold's risk management system is designed to provide a consistent and clear framework for managing and reporting the most significant strategic, market and financial, as well as operating risks to the Board of Directors. These are the key risks associated with each of our four sustainability priorities.



## Identifying and managing risk *Continued*

### Monitoring sustainability risk levels

1. Fatalities, and major and minor injuries
2. Coronavirus
3. Legal compliance with H&S regulations and requirements
4. Fines and claims relating to the H&S
5. Skills shortage
6. Inability to maintain safe operations due to lack of staff
7. Environmental incidents and accidents
8. Legal compliance environmental regulations and requirements
9. Fines, claims, and remedial costs relating to environmental incidents
10. Loss of reputation



Further details on risk management can be found on page 66, and financial and operational risks can be found on page 26 in the Company's 2019 Annual Report and Accounts.

## Identifying and managing risk *Continued*

We link our material topics to the United Nation's Sustainable Development Goals ("SDGs") to align our activities in the world's shared plan to end extreme poverty, reduce inequality, and protect the planet by 2030.

### Material topics

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
<b>Corporate governance</b>								●				●					
<b>Legal compliance</b>			●		●							●		●	●		
<b>Health and safety management</b>			●					●									
<b>Health and safety training</b>			●	●													
<b>Employee engagement and labour relations</b>			●					●				●					●
<b>Talent attraction and retention</b>					●			●									
<b>Good work practices and fair labour</b>					●			●		●							
<b>Greenhouse gas emissions</b>							●					●	●				
<b>Materials and waste management</b>												●		●	●		
<b>Water management</b>						●						●		●	●		
<b>Biodiversity and land management</b>												●		●	●		
<b>Social investment</b>	●			●					●		●						
<b>Socio-economic benefits</b>	●							●			●						●

# 06

## Occupational Health & Safety

Pursue zero accident safety targets.

LTIFR (Lost Time Incident Frequency Rate)

**2.60**

(2018: 4.01)

Employee training

**1,656**

employees attended H&S training sessions (2018: 1,455)

## Overview



### Actions in 2019

- » Commissioned external consultants to conduct an extensive audit of the Group's H&S practices.
- » Appointed a new senior executive to oversee our HSE (health, safety and environmental) operations.
- » Incorporated Cardinal Safety Rules into all labour contracts.
- » Developed a system of material encouragement linked to HSE KPIs, values and compliance with Cardinal Safety Rules.

### Key challenges

- » Fatal incidents, despite continual improvements to H&S policies and processes, and the introduction of Group-wide standards.
- » Embedding the same high safety culture that exists at management level into the operational level.
- » The majority of safety incidents continue to be the result of safety violations, inattention or complacency.

### 2020 targets

- » Pursue a target of zero fatalities and accidents.
- » Continue to foster a safety-first culture.
- » Implement the "2020 Labour Safety Action Plan".
- » Roll out the Cardinal Safety Rules communication and engagement programme to improve the safety record at operational level.
- » Reduce LTIFR to below 1.98.

### Group policies and standards

We operate within:

- » Group-wide Cardinal Safety Rules
- » Group labour safety management system
- » Group standard for internal investigation of incidents
- » The Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor) provides governance monitoring of industrial safety, and undertakes regular site inspections

## Overview *Continued*

### Why it matters

The safety and well-being of our employees is of the highest priority for Highland Gold. We continue to pursue zero accident safety targets by minimising operational risks and providing extensive training programmes.

Guaranteeing the safety and occupational health of all employees and contractors is our duty as a responsible employer. Not only is it a legal requirement, it also ensures the smooth running of our operations by minimising lost time due to injury.

#### Our strategy

Maintaining and acting on our commitment to health and safety (“H&S”) forms a key part of the Group’s strategy. Our overall success depends on our ability to maintain safe and healthy operations, which we achieve through continual improvement and the dedication and involvement of staff at all levels.

As part of our adherence to national laws, operating standards and regulations, we have clear H&S policies, management systems and lines of communication in place.

The occupational H&S management system we have incorporated is fully aligned with international certification standards, and undergoes internal audits annually, plus external audits as appropriate.

The system is aimed at fostering a safety-first culture, and is based on an extensive framework of matrices and strict parameters that must be followed.

In order to build and sustain a culture of safety, we engage actively with all our employees to ensure they comply with the Group’s H&S standards. All of our sites, encompassing the entire workforce, are equipped with occupational H&S management systems complete with appropriate standards and regulations.

Regular management-level HSE Committee and Board HSE Committee meetings are held during the course of the year, covering strategy, risk assessment, incidents and issues relating to the ongoing implementation and improvement of the Group’s H&S strategy.

#### Link UN Sustainable Development Goals



## Overview *Continued*

### How safety is managed

#### Board of Directors

#### CEO, Deputy CEO for Sustainable Development, Head of Health and Safety Regional Managing Directors

#### Managing Director on site, Head of Health and Safety on site

#### Board of Directors Health, Safety and Environmental (HSE) Committee

#### Executive HSE Committee (Group)

#### Executive HSE Committee (Site)

### Managing risk

Operating in a hazardous industry, we recognise the risks our employees face in the working environment and when handling machinery and materials. We aim to minimise these risks by seeking to understand their causes, and addressing them through mitigating actions and a process of continual improvement.

Most commonly, safety incidents are the result of mishandling of equipment and machinery, mistakes, violation of safety procedures, and accidents resulting from a loss of concentration or complacency. To mitigate incidents, we seek to foster a culture whereby our staff are always alert to risk, so that they take the correct actions to reduce risk, as well as taking responsibility for their colleagues' and their own safety.

We respond to risk through strong leadership, clear H&S policies, regular scheduled and unscheduled safety assessments and audits, as well as briefings and continuous training of our staff.

#### Third-party risk

Highland Gold has a standard management system in place for contractors, which sets out the corporate H&S standards they must adhere to and their minimum requirements for managing subcontractors.

The Cardinal Safety Rules that all of our employees must comply with also have to be strictly followed by all contractors. Contractors receive instructions and training in the rules, and we closely monitor and control their compliance with internal requirements.

All contracting organisations sign a Supplementary Agreement with us, which obliges them to comply with our H&S requirements. This formalises their commitment to labour safety, procedures, rules and instructions, with the aim of eliminating or minimising possible damage to the health of workers.

The agreement sets out requirements to, for example:

- » allow Highland Gold to carry out audits and control inspections;
- » maintain a safe environment at facilities, and a safe level of work or services;
- » immediately report all incidents during the performance of work or provision of services;
- » implement in practice the Highland Gold Labour Safety Standards System;
- » immediately withdraw from work any employee who violates the HSE rules, or who appears in a state of intoxication;
- » ensure all employees undergo an introductory briefing on labour protection before starting work;
- » conduct preliminary training in safe methods and techniques for performing work at Highland Gold's facilities;
- » ensure all of the necessary permits and certification are in place;
- » dispose of all waste generated during the execution of work, in accordance with the Russian Federation's legislation, and
- » comply with Highland Gold's road traffic safety rules.

Starting from 2020, we plan to incorporate H&S standards into our tender requirements for contractors as a priority, under the guidance of our recently appointed new Deputy CEO for Sustainable Development.

In the meantime, we have built a comprehensive database of information on our current contractors' H&S performance, monitoring and gathering all available data and statistics, and recording incidents – for example, violations of the Cardinal Safety Rules, or contractors' employees being given a warning and penalties up to termination of the contract.

However, in order to motivate our contractors to adopt our own culture of security, rather than 'fining' them for minor violations, we ask them to invest in initiatives that will upgrade H&S within their own organisation. This is a unique approach within the industry. Projects undertaken by contractors include education and internal training, buying PPE, and building a break room and dining room for employees.

## Our H&S performance in 2019

We regret deeply that, despite our sustained H&S endeavours, the Group experienced fatalities during the first half of 2019, at two of our mines.

In addition to internal investigations and detailed safety briefings with employees, the Board commissioned external consultants to conduct an extensive audit of our safety culture, and the Group's H&S practices at three operational mines, including Novo and Belaya Gora where the fatalities took place.

The external audit affirmed the overall effectiveness of Highland Gold's HSE policy, but recommended some corrections to improve its implementation across the Group's operations. A "2020 Labour Safety Action Plan" based on those recommendations has been adopted, and is in the process of being applied.

### 2020 Labour Safety Action Plan

- » Implement a Cardinal Safety Rules communication and engagement programme for all Group employees.
- » Introduce a standard procedure for disciplinary actions following violations of the Cardinal Safety Rules.
- » Develop and launch an automated system to track completion of actions resulting from internal investigations.
- » Introduce assessments of the cost of all incidents.
- » Switch to 100% outsourcing of PPE equipment.
- » Involve all employees in the process of hazard identification.
- » Ensure all contractors comply with Group HSE standards.
- » Train all remaining staff in developing a "conscious attitude to safety".
- » Offer training by distance learning in the event employees need to self-isolate as a result of COVID-19.
- » Involve Managing Directors in site HSE Committee meetings.
- » Facilitate the exchange of information on best H&S practice between operational sites.

In total there were 19 incidents in 2019 (2018: 23 incidents), a decline of 17% from 2018. In addition to the fatalities, these incidents included one severe accident at Novo. Novo and MNV demonstrated a continuous decline in the frequency of incidents, and managed to reduce the rate of injuries by 43% (from 12 to 7 incidents) and 52% (from 8 to 4 incidents), respectively.

#### Injury Rate

**-37%**

The injury rate across the Group overall has declined by 37%.

#### Lost Time Incident Frequency Rate

**2.60**

The Lost Time Incident Frequency Rate (LTIFR), based on the number of incidents in respect of every 1,000,000 man-hours, declined to 2.60 (2018: 4.01).

The improvement in the overall incidents rate can be mainly attributed to our new corporate standards and tools for ensuring compliance, which were introduced towards the end of 2018, as well as the continued focus on training. We also introduced a financial bonus scheme for managers linked to H&S KPIs, values, and the Cardinal Safety Rules.

The standards we introduced included:

- » contractor safety management;
- » emergency medical response;
- » leadership inspections;
- » HSE risk assessments;
- » safe working practices analysis;
- » hazard identification; and
- » STOP (Safety Training Observation Programme) cards designed to assist employees in making safety assessments before commencing a task.

To ensure compliance with these standards, we operate a two-system process. Each mine is obliged to undertake a H&S self-assessment every year against a check-list provided by the H&S team. This is followed by a formal audit the following quarter by the H&S team to ensure that on-site checks are being conducted correctly and to identify any non-compliance with these standards.

### Incidents

Minor incidents

13

Severe incidents

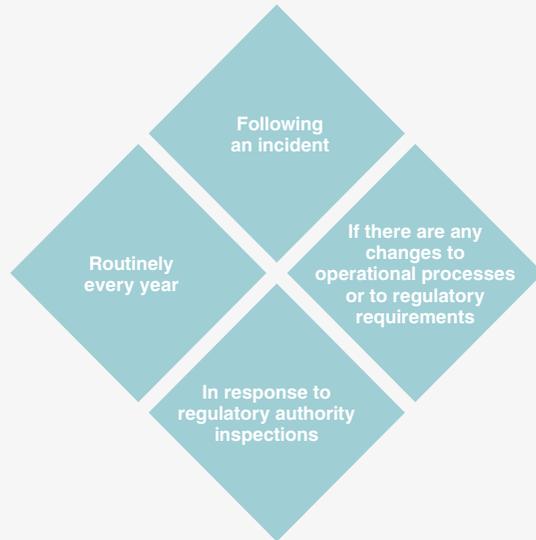
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## Safety management

# Preventing accidents and injuries in the mine

### Assessing and auditing risk

Safety risk assessments and audits are conducted:



Managers, specialists and clerks at every operational mine are trained in Group risk assessment and analysis standards, and maintain risk registers for labour safety. Findings from internal and regulatory assessments and inspections are analysed, and a clear plan of action is developed to implement improvements and prevent further incidents.

In 2019, extensive external audits were carried out on our safety culture, and H&S practices at three operational mines, including Novo and Belaya Gora. The external audit affirmed the overall effectiveness of Highland Gold's HSE policy, but recommended some corrections to improve implementation across the Group's operations. A 2020 Labour Safety Action Plan based on those recommendations has been adopted, and is in the process of being applied.

### Incident prevention

We have a large number of initiatives in place that are designed to prevent incidents and injuries, including:

### Risk assessments

Each employee must begin their shift with a risk assessment following a five-step procedure:

1  
**What are the dangers**

2  
**What can lead to the dangers**

3  
**How to avoid the dangers**

4  
**What to do in case of an emergency**

5  
**Decide whether it is safe to start work based on the risk assessment**

### Cardinal safety rules:

- 1 Proceed only if it is known that a procedure can be carried out safely.
- 2 Respond to a potential violation of the Cardinal Safety Rules and dangerous actions of employees immediately by stopping a dangerous action.
- 3 Personal protective equipment and rescue equipment provided to carry out a task must be used without exception.
- 4 Always fasten seat belts in moving vehicles and only drive passengers with their seat belts fastened.
- 5 Alcoholic beverages and narcotic substances are forbidden at assets.
- 6 Mobile phones and audio players are banned while driving vehicles or operating equipment.
- 7 Concealing information relating to violations of the Cardinal Safety Rules and incidents, as well as distorting or presenting false information in the process of investigating incidents is forbidden.

## Safety management *Continued*

### Positioning system

A monitoring system incorporated into the torch headlight on each miner's helmet, which includes a chip that enables the security team to see and track their location in real-time. It also allows warning alerts to be sent to the miner via a flashing headlight or beeping. This system was enhanced in 2019 with a new function that enables rescuers to search for someone who is buried under rubble, and we are planning further improvements in 2020-2021.

### Personal gas analysers

These are carried by all mine workers at all times. Miners are required to perform a gas safety check each time they enter a mine, and repeatedly during shifts, in accordance with company regulations. We have plans to upgrade to the newest Dräger gas analysers, which will monitor three different types of gases at once.

### Unique double torch system for vehicles

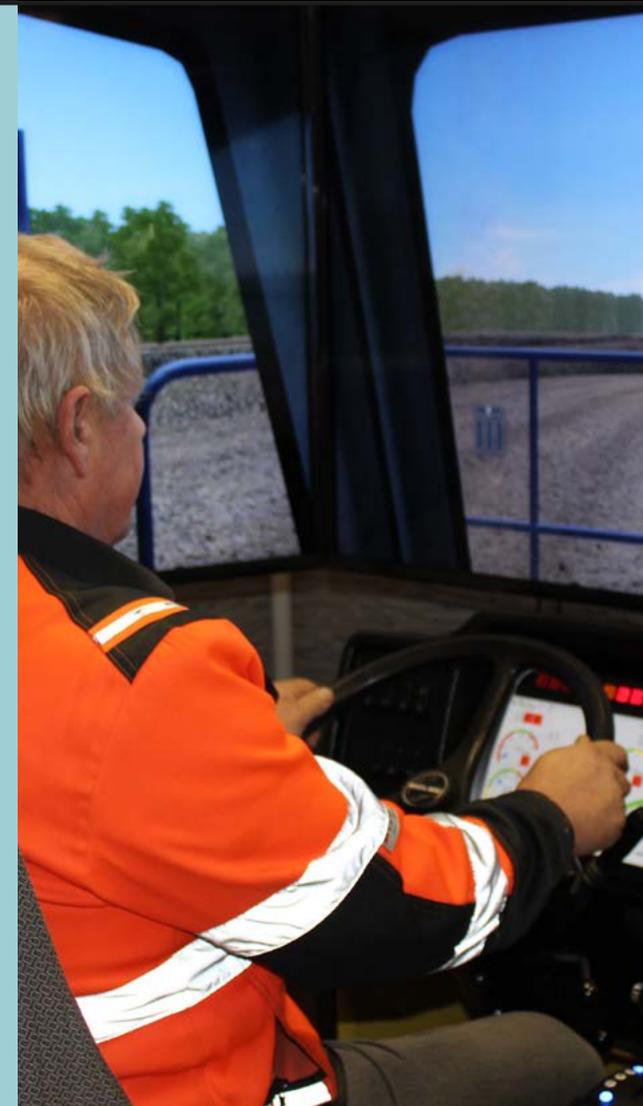
This increases security at underground mines. We equipped all tracks and machinery involved in installing new underground technology at Novo with a front and back double torch system that is unique in Russia. In addition to allowing the operator to easily detect how close they are to other equipment, this allows miners to quickly see the vehicle when it is making a turn in a tunnel.

### On-board vehicle monitoring

One of the initiatives that successfully led to the drastic fall in automotive accidents from 2018 to 2019. The system, which has been installed on every company vehicle, incorporates a video recorder with a double camera which enables us to monitor the vehicle's route and speed, the breaks it has taken, and how well the equipment is performing. This has led to a reduction in the average speed of vehicles and mining trucks, as well as the number of road accidents.

## The Highland Gold Safe Driver Training School

In 2019, we opened a new training centre in the town of Nikolayevsk-on-Amur for drivers from MNV and Belaya Gora. This is a Safe Driver Training School for all operators of trucks and mining equipment, and is equipped with numerous simulators of different mining and quarry equipment, such as lifting equipment. Classes are compulsory for all drivers at MNV and Belaya Gora, and will be rolled out this year to drivers across the entire company. The launch of the new school has contributed significantly to a firm-wide increase in automotive safety.



## Safety management *Continued*

### Incident reporting

Incident and accident reporting is controlled by Group procedures, and is aligned with legislation and Group standards. All incidents and accidents must be reported to supervisory and management levels within 2 hours for severed injuries and 24 hours for minor injuries from the time of the event. These are then investigated and analysed to understand what went wrong and why, following which appropriate responses are planned and executed.

### Engagement and education

The Group provides extensive ongoing HSE training for employees and contractors that reiterates and reinforces policies and procedures. Our emphasis is on promoting a sense of responsibility and accountability in all employees towards their own safety and the safety of others in the workplace.

Throughout the year, a total of 1,656 employees attended training sessions focused on specific aspects of the Group's H&S standards. We also revised or introduced a range of training programmes, which are also offered to our contractors. The training sessions available included:

- » analysis of safe work performance;
- » behavioural safety audits for managers;
- » conscious safety attitude;
- » conscious safety management;
- » efficient safety management methods; and
- » risk assessment.

With the majority of safety incidents occurring as a result of safety violations, inattention or complacency, we paid particular attention to ensuring as many staff as possible were trained in having a “conscious attitude to safety”. At the end of the year, we had trained 70% of all staff, with the remainder due to receive training in 2020.

All new employees attend a one-day introductory training course designed to instil best practice safety approaches from the outset. We undertake unscheduled knowledge safety checks to ensure staff are clear on their responsibilities, and understand Group standards and procedures and how they should be implemented. Safety reminders and regulation posters are displayed widely, as appropriate, and reminder cards are available to assist employees in making safety assessments.

### Driver safety

In 2019, traffic-related accidents were reduced compared to 2018, but remained the focus of our improvement efforts. In addition to posing a danger to drivers, pedestrians and equipment, such accidents can also have a significant impact on our operations. As a result, we continued to place a particular focus on improving driver safety.

Our records show that the overwhelming cause of transport accidents relates to a lack of attention or over-confidence on the part of the driver, both within and outside of our sites of operation. To address this, we implemented actions for managers to perform safety briefings and knowledge checks, and enforce better supervision and control.

At Novo, we have worked to improve road engineering and signage and widened pedestrian walkways. We have also imposed new speed limit regulations on all our roads, which are lower than the government-set speed limits.

We continue to offer advanced and defensive driving courses to our employees, and recently tested driving simulators to help drivers experience the psychological and physiological stresses of certain traffic situations – such as head-on collisions in a safe environment. By giving drivers a better understanding of the dangers they pose to themselves and others, these simulations will help them towards safer practices and support them in changing their driving behaviours.

### Emergency response

The Group maintains auxiliary rescue teams on alert at each of its mines for rapid response to emergency situations, as well as ambulances at every site and access to emergency services provided by our health management contractor International SOS. In addition to being responsible for providing first aid and transporting patients to the nearest hospital if required, International SOS has trained at least two Highland Gold employees at each site in performing first aid.

In the last year, we have taken delivery of an underground rescue vehicle at MNV, and a new medical evacuation vehicle at Belaya Gora.



## Health management

In addition to keeping our workforce safe, we support the general health and well-being of all our employees, with the aim of preventing illnesses that could affect a worker's ability to perform their tasks. With this in mind, and with the help of International SOS, we have set up our own medical centres and services at all assets.

Health services we provide to all employees include vaccinations, medical checks (including temperature and blood pressure), drugs and alcohol intake monitoring, and heart health programmes.

In addition, we are required, by law to carry out a "special assessment of working conditions" every five years, which has been designed to reduce the risk of occupational accidents and diseases.

### Electronic health check system

To ensure our staff are fit to work at the start of shifts, and to limit to the spread of seasonal conditions, we began rolling out the health check system ("ESMO") at MNV, Belaya Gora and Novo. The system, which measures blood pressure, body temperature and the presence of alcohol and/or drugs, will also be introduced to Valunisty in 2020.

Each of our operating mines carries out regular health checks, as well as pre-shift and pre-trip screenings. If an employee does not pass the check, the system will automatically deactivate their pass, prohibiting access to the mine until they are cleared for work again.

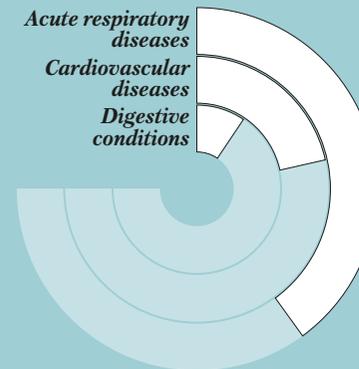
These checks are now digitised, which has increased efficiency. Storing the data enables us to monitor workers who have ongoing medical conditions, such as high blood pressure, so the on-site doctor can provide increased support if necessary. This development is also proving beneficial in enabling us to identify health risks earlier.

We have developed an action plan to reduce and control rates of sickness at each of our assets. As part of this, our IT department is developing a piece of software that enables us to identify and monitor employees that frequently take sick leave so we can identify causes of ill health and provide health support plans to our staff.

### Supporting healthy lifestyles

To encourage employees to follow a healthy and active lifestyle, we have installed well-equipped and modern gyms at every asset. We piloted a "Well-being" project at our Moscow headquarters, a major and complex project incorporating various components, including breaks for all employees, and making fresh fruit available.

During the year, the Group identified two incidences of occupational ill health (2018: 2). There were no fatalities as a result of work-related ill health. The most common illnesses detected during medical examinations were:



- » Acute respiratory diseases (40%) – including pharyngitis, bronchitis, rhinitis, flu.
- » Cardiovascular diseases (21%) – including high blood pressure, ischemic heart disease, circulatory disorders.
- » Digestive conditions (10%) – including gastritis, gastroduodenal ulcer, acid reflux.

In order for flu vaccinations to be effective, at least 75% of the workforce need to be vaccinated. Last year, to encourage attendance, a financial reward of 3,000 roubles was offered to each employee that had the vaccination.



## Health management *Continued*

### Keeping employees safe during COVID-19

# Highland Gold took several proactive steps to protect employees during the pandemic, beginning with the creation of a COVID-19 task force.

The occupational H&S improvements we have introduced in the last two years prepared us well to respond quickly and effectively to the outbreak. The electronic health tagging system we rolled out in 2019 has been harnessed to screen for early signs of coronavirus before employees enter a site. Our external healthcare provider, International SOS, has been assisting us with supplementary preventative measures, including the screening of all shift employees and contractors before they are allowed to travel to a site.

Each mine now has a well-equipped and comfortable isolation zone, to be used in the event that an employee needs to be quarantined. We have also created pre-shift holding facilities to limit the contact between crew units during shift changeover and so that they can be screened for coronavirus. To make good use of time, we are arranging occupational and HSE training during their stays.

#### Self-isolate

## 14 DAYS

We implemented strict limits on work travel, restricted vacations to those that had been previously scheduled, and asked colleagues not to travel abroad. Anyone arriving from outside of Russia or exhibiting any signs of illness was asked to self-isolate for 14 days.

All employees have been supplied with information on protecting themselves against infection, as well as on available medical services, including regional hotlines set up by the Russian government.

A joint operational plan has been developed in collaboration with our medical contractors, which sets out the procedures to be followed if an employee contracts COVID-19. This incorporates activities such as protocols for identifying, confirming and isolating a patient, evacuating and transporting them to hospital,

making lists of all personnel who were in contact with them, ensuring they are immediately provided with the necessary medical care, and strengthening the sanitary regime at the facility.

We are fortunate that our operations are located in remote areas with limited geographical access, which has allowed our sites to remain open. However, it is very important that we remain vigilant and ensure that we protect these small communities from infection. The action plan for prevention of infection on each site encompasses:

- » Daily temperature checks for all employees.
- » The introduction of strict hygiene rules, including the installation of hand sanitisers, within all our offices and places of work with control of their use.
- » The training of employees in the need to follow the personal and public hygiene rules.

- » Deep-cleaning of internal rooms and offices twice a day, increased to every two hours if an employee tests positive for COVID-19.
- » The requirement for each site to keep at least one month's stock of PPE, and sanitisers for cleaning rooms and hands.
- » Treating crew buses delivering employees from their residences to the place of work with sanitiser.
- » Mandatory 14-day quarantine periods, with medical observation for everyone arriving at a site, including employees doing rotations.

Highland Gold will continue to closely monitor the ongoing situation with our mining operations, supply chain, and the communities where we work, and adapt our approach as necessary.

# 07

## People

Offer long-term and rewarding career opportunities.

Number of employees

**3,929**

(2018: 3,186)

Average number of training hours provided per employee

**44 hours**

(2018: 43 hours)

Responses from employee engagement survey

**90%**

## Overview



### Actions in 2019

- » Instigated a corporate culture-improvement programme centred around the Company's values.
- » Average of 44 hours of training provided per employee.
- » Strong focus on health and safety, and environmental training.
- » Established "Workers' Councils" at all our assets.
- » Conducted our first Company-wide employee engagement survey.

### Key challenges

- » Attracting and retaining mining and production staff.
- » Shortage of specialised skills.
- » High levels of staff turnover.

### 2020 targets

- » Reduce staff turnover levels further to less than 15%.
- » Complete the Group-wide "Core Value" training initiative.
- » Respond to findings from employee engagement survey.

### Group policies and standards

We operate within:

- » Group HSE policy
- » Code of Business Conduct and Ethics
- » Anti-corruption policy
- » Company "Cardinal Safety Rules"

## Overview *Continued*

### Why it matters

# We believe that the long-term success and growth of Highland Gold Mining is synonymous with the retention and development of our people.

The Company has always endeavoured to operate as a responsible business, and concern for the well-being of staff has remained central to our core values since inception.

Our employees are the most valuable asset we have, and it is only with them and through them that we can unlock the value of our mines. This belief is integral to the Company's ethos, and management constantly endeavours to 'raise the bar' for the benefit of all employees.

### Our strategy

Highland Gold aims to provide employees with long-term and rewarding careers. Working in a highly competitive labour market, the Company employs a number of strategies to attract and retain a skilled and dedicated workforce. Highland Gold invests heavily in the training and well-being of its employees, to unlock their full potential, to keep them from harm and encourage them in their career development.

The Company offers competitive, and often premium-based, remuneration packages that are usually above the local average.

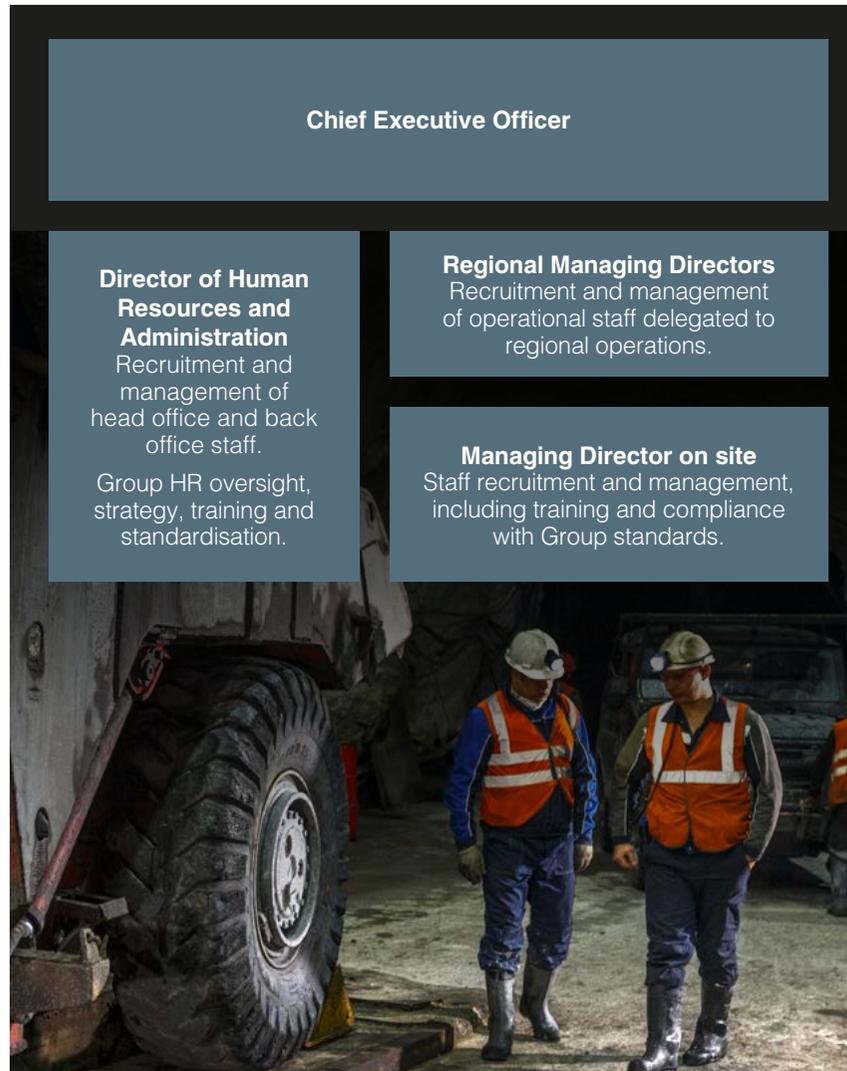
The Board and management have adopted a statement of vision, mission and values, which during 2018 and 2019 was promoted throughout the Company and its subsidiaries in a far-reaching corporate culture improvement programme where our employees are governed by our values.

### Link UN Sustainable Development Goals



## Overview *Continued*

### How our people are managed



### Managing risk

The Group experiences intense competition with other companies for the retention and engagement of mining and production staff, including geologists, engineers, production process managers and other mining specialists.

The loss of key personnel or a failure to attract, retain and motivate qualified personnel, could have a materially adverse effect on the Group's business, financial position and operational performance.

A high labour turnover rate has the potential to raise a number of challenges for the Company, including:

- » a lack of cohesion amongst the workforce;
- » considerable resources required to induct and train new staff;
- » potential for frequent skills gaps within the Company;
- » a need to bring in contractors on a short-term basis; and
- » reduced efficiency at an operational level due to less familiarity with our processes and systems.

The Group mitigates this risk by monitoring the labour and salary markets and developing motivation systems to attract qualified personnel and retain key employees. The HR team has developed a strategy specifically to improve the retention of staff, details of which can be found below.

A lack of training or understanding by our employees in the Company's values, work practices and legal requirements carries the risk of health and safety, and environmental violations that without proper oversight, training or monitoring could lead to fines, incidents or accidents, minor or severe injuries and loss of life. The Company provides extensive training to all staff.

## Improving our corporate culture in 2019

One of the most far-reaching initiatives in the Company is an ongoing culture-improvement programme within our organisation centred on our core values, designed to encourage and instil a strong corporate culture within Highland Gold.

The purpose of this improvement programme is to:



The senior management has engaged with all staff on the Company's statement of vision, mission and values that was developed in 2018. Initial training with employees was conducted through lectures and training sessions hosted by senior management for all employees. This was followed by interactive training games to help employees engage with our values and understand how they might be applied in real-life situations.

Once complete, employees are expected to interact for a short period each day with our dedicated online values support system, "Goldy", which has specifically been designed to expand the understanding of our core values and embed the training materials into everyday behaviours.

Initially launched as a pilot in 2019, Goldy has been extremely successful in impressing the change in mind-set the management was seeking.

### Engagement rate with Goldy

# 70%

Goldy has achieved a 70% engagement rate, with responses enabling the management to assess the level of understanding amongst employees. As a result, its technical capabilities are being expanded this year.

### Core value training completed

# 91%

So far, 91% of staff at the Moscow head office and 50% of employees at our production sites have completed our core value training, with remainder due to receive training in 2020.

Since the outbreak of COVID-19, our training has been delivered online.

The next step in our culture-improvement journey is to assess whether all our employees comply with and apply our core values in their work. We are also embedding our values into our recruitment policy so that we can gain a greater understanding of whether a potential employee is likely to embrace our corporate culture.

Last year, saw another new initiative to encourage workers to set up "Workers' Councils" at each of our assets. These councils gather any feedback, questions and issues to raise for the management. Bi-monthly meetings are held between the councils, the Managing Director of the mine and Regional Managing Directors for a feedback exchange and to discuss critical areas for improvement. The Company CEO, Denis Alexandrov, has committed to attend council meetings twice a year.

## Improving our corporate culture in 2019 *Continued*

### Employee Engagement Survey



In 2019, we launched our very first Company-wide employee engagement survey to better understand our employees' goals, aspirations and concerns. We received responses from 90% of the 50% of employees invited from across the Company to take part in the survey.

### Key findings

**The need to create a transparent financial compensation and reward scheme.**

**The need to develop non-financial rewards in recognition of good performance to keep staff motivated.**

**The need to increase confidence in management's decisions.**

### Action taken

Introduced disclosing monthly employee performance indicators publicly so that incentive schemes can be rewarded and allocated fairly.

In addition to the annual awards ceremonies held during Metallurgist Day, Highland Gold hosted an inaugural digital "Safety Day" awards, which recognised best health and safety practices across the Company.

Introduced on-site Boards of Honour and Walk of Fame for good performance.

Provided training to managers on how to give feedback to staff, with praise being one of the important non-material methods of motivation.

Increased dialogue between senior management and on-site workers to align workers towards the Company's goals. This has included the creation of "Workers' Councils" at all our assets.

## Talent attraction and retention

By applying best practices, having a strong health and safety record, offering competitive salaries, providing comprehensive training and supporting career progression, our aim is to become an employer of choice for people wanting to work in the gold mining industry.

### Staff retention and new hires

In 2019, the Company hired 1,443 new permanent staff out of a total of 3,929. We recognise that we fall short in terms of staff retention, and that this is reflected in our staff turnover rate. In 2019, the employee turnover rate reduced three basis points to 28% (2018: 31%). Although reduced, this level continues to be much higher than we would wish. Our goal is to reduce the employee turnover rate to 15% in 2020, with a long-term goal of 7% by the end of 2021. While a large part of this goal is being supported by our culture-improvement programme, the Board and senior management have instigated a Company-wide HR strategy to improve engagement with existing staff, and attract and retain talent. Our strategy focuses on:

- » offering competitive, attractive and transparent salary and reward schemes;
- » conducting and responding to employee engagement surveys to understand our employees own goals;
- » building modern leisure and communal facilities at our sites and refurbishing the accommodation at our remote sites; and
- » providing comprehensive training to keep staff safe from harm.

### Improving staff accommodation and facilities at our assets

We want our employees to have a good quality of life in and outside of work. Providing good quality accommodation and leisure activities, as well as fostering a strong sense of community is therefore one of the cornerstones of high staff retention.

The remote locations of some of our assets means that our staff work on rotational shifts of periods of up to three months. Our support outside of work hours therefore becomes all the more important, to help our employees have a positive experience when they are away from home and their families.

We have been investing significantly in improving our accommodation facilities to make them comfortable and relaxing places to live in, including renovating shower rooms, replacing beds and bed linen, and providing new PPE. Renovations will continue into 2020 with refurbishment upgrades to communal areas and living accommodation.

All our sites offer gym facilities and access to health care. In response to staff complaints about the quality of food, we have recently changed our catering provision to offer better quality food and a greater variety of meals.

An intra-Company football league has been introduced to promote some friendly competition amongst our staff and opportunities to socialise.



## Talent attraction and retention *Continued*



### Salary and remuneration

The Company's remuneration structure, which is typically well above the local average and significantly above the local minimum, is premium-based. Bonuses for achieving targets can equate to as much as half of base salary. With the exception of the pension scheme, temporary staff are offered all the same benefits as full-time staff, including life insurance, health care, disability and invalidity coverage, parental leave.

### Training and education

We believe that training and ongoing education is of vital importance to individuals and to the Company's growth prospects. Extensive training is provided to increase or improve skills to mitigate the risk of health and safety incidents, and increase employees understanding of their responsibilities towards the environment.

All staff receive annual performance and career development reviews during the reporting period.

Training, both compulsory and optional, is provided to staff at all levels of seniority. All new employees receive induction training, including an introduction to health and safety regulations and procedures. This is followed by training on the Company's mission and values. On-site mentoring and on-the-job learning is provided and employees are encouraged to take advantage of specialised refresher courses.

During 2019, we provided an average of 44 hours of training per employee and a total of 3,149 employees received training in 2019, including internal and external training. In total, US\$ 0.51 million was spent on training staff (2018: US\$ 0.35 million).

A significant proportion of the training provided in the last two years has been focused on health and safety. We engage our staff on our HSE policies including the Company's Cardinal Rules, systems and management. This way we can help protect our staff from harm. Further information can be found on page 28.

In addition to training our staff, we provide ongoing business management education to our most senior staff conducted by a visiting professor from Harvard University. Aligned with our culture-improvement programme, this year the focus was on promoting a team culture within large organisations delivered through study materials and case studies.

### Local hiring

We aim, wherever possible, to hire from local communities in order to foster a stable workforce and contribute to the development of local communities. Almost all of the senior management at headquarters and on site have been hired from the local community. However, there remain labour shortages in local communities particularly when recruiting for specialised skills. Where we are not able to find the skills we need locally, we will bring in workers from outside the local area for a fixed period, offering relocation support to the individual and their families. Preference is given to local applicants whenever possible.

### Attracting young talent into mining

In order to attract and identify young talent into our sector, we have set up partnerships with three universities, Zabaikalsky Mining College, Nikolaevsk Industrial- Humanitarian College, and Irkutsk National Research Technical University, working to provide internship and apprenticeship opportunities for around 75 students each year. We attend annual career fairs at these universities and offer a lecture to give students a flavour of what working at Highland Gold would be like and the career opportunities we have. We offer full education sponsorship for the young talent who show a real commitment and aptitude for our industry, supporting the next generation of mining leaders through their higher education.

We recognise that many people in mining come from families with long dynasties within the sector. Historically, these families would have been entirely supported by their employer. At Highland Gold, we keep this tradition alive by supporting children of mining families through their education. In this way, we enable the long-held skills and knowledge to be passed down from one generation to the next, if they wish to continue their professional dynasty.

## Ensuring good work practices and fair labour

**As at 31 December 2019, Highland Gold employed 3,929 people, an increase of 15% from 3,186 the previous year, reflecting the integration of the Valunisty mine at the beginning of 2019.**

We aim to provide long-term rewarding careers and therefore offer full-time permanent positions to all but a very few of our staff. Less than 5% of employees are on fixed-term contracts, being individuals with specialist skills or those that have skills that are not required all the time.

### Promoting workforce equality

Highland Gold complies with the respective labour legislation within the jurisdiction of the countries in which we operate. Offers of employment to new personnel are based on the individual's qualifications. The Company has a zero tolerance towards discrimination on the grounds of sex, political affiliation, gender, religion and promotes an inclusive culture. There is no discrimination and no incidence of such was recorded during the reporting period.

Of our employees, 23% are female and 77% are male. Women have higher representation in senior leadership and management roles where 25% are women, and specialist skills where nearly half (46%) of employees are women.

At operational level, women represent 20% of employees. This is in part the result of legislative limitations in Russia that prevent women from working underground with the exception of very few professions. We also find that fewer women are willing to work standard two-month periods at our remote mines at Belaya Gora and Valunisty.

Male and female workers are always compensated equally on an hourly rate.

### Collective bargaining

While Highland Gold strictly upholds the workers' rights to freedom of association,

the Company doesn't currently have a policy in which this is enshrined. All members of our workforce are represented by trade unions and, as such, are covered by collective bargaining agreements, which are reviewed every three years at each asset. These agreements are far reaching and encompass obligations such as the provision of safe working conditions, medical welfare and pension rights. Wages are well above the local minimum wage.

### Labour rights

We have clear policies, strictly enforced, to prevent children working, any form of forced labour, modern slavery or human trafficking.

### Human rights

We fully respect our workers' human rights which are enshrined within our Code of Business Conduct and Ethics and

Anti-Corruption policy. There are no recorded incidents of human rights violations.

All security personnel who man our sites are outsourced. In accordance with local legislation, all applicants for security employment must obtain a licence which, in turn, requires a medical check, physical training and an appropriate grounding in legal procedures and human rights.

### Whistleblowing

Employees have access to a whistleblowing hotline, where any employee can call anonymously for advice or to report a situation or work conflict they find themselves in. Each issue raised on the hotline is addressed either by HR or other departments if necessary. Regular internal audits conducted to ensure ethics and anti-bribery standards are upheld.

# 08

## *Environment*

Take care of our environment and minimise our impact.

**Land managed**

**481,600**

hectares of land managed (2018: 275,100 hectares)

**Environmental investment**

**US\$2.2m**

invested in protecting the environment (2018: US\$ 1.8 million)

**Energy intensity**

**3.82 GJ**

of energy per eq. oz produced (2018: 3.89 GJ)

**Employee training**

**2,622**

employees attended environmental training sessions (2018: 2,508 employees)

**Tailings**

**0**

tailings-related incidents registered

## Overview



### Actions in 2019

- » No major environmental incidents recorded.
- » External audit of compliance of the existing environmental management system with the new standard ISO 14001-2015.
- » New environmental monitoring programmes developed and approved for MNV, Belaya Gora, Novo, Valunisty and Taseevskoye.
- » Performed a comprehensive analysis of the Corporate Environmental Management System (EMS).

### Key challenges

- » Minor environmental non-compliances relating to waste and water management.
- » Outdated facilities and equipment requiring replacement at some of our assets.

### 2020 targets

- » Eliminate incidences of non-compliance by constructing or upgrading facilities as required.
- » Implement action plans related to improving the EMS across all assets.

### Group policies and standards

We operate within:

- » ISO 14001: 2015 international certification framework
- » Russian legislation and regulation relating to environmental controls and management, governed by the Federal Service for Supervision of Natural Resources (“Rosprirodnadzor”)
- » Group standards: HSE policy, Guidelines for the Environmental Management system, and Guidelines for Handling Non-conformities and Corrective Actions

## Overview *Continued*

### Why it matters

**Mining activity is often considered synonymous with environmental impact on global warming, land and water. Highland Gold's management is unequivocally committed to the pursuit of responsible practices.**

The Company works continuously towards reducing its environmental impact in addition to observing all regulatory requirements for its operations.

The activities of Highland Gold have the potential to impact the environment in the following ways:

- » Reduction of air quality through emissions.
- » Pollution to land and water.
- » Impact on biodiversity.
- » Contribute to climate change.

### Our strategy

Our commitment to protecting the environment is fundamental to how we run our business, and environmental management is ultimately the responsibility of every employee.

The Group HSE policy forms the guiding principle for setting our strategy towards the management and stewardship of our environment.

We aim to protect the environment by:

- » mitigating our impact on it and taking environmental considerations into our business planning;
- » complying with all applicable laws, regulations and standards;
- » setting objectives and targets; and
- » monitoring and reviewing environmental performance, including risk assessment in order to achieve continual improvement.

### Link UN Sustainable Development Goals



## Overview *Continued*

### How environment is managed

**Board of Directors**

**Chief Executive Officer**  
**Deputy CEO for Sustainable**  
**Development**  
**Head of Ecology**

**Ecology team**  
**Regional Managing Directors**

**Board of Directors Health, Safety and**  
**Environmental (HSE) Committee**

**Executive HSE Committee (Group)**

**Executive HSE Committee (Site)**

### Managing risk

The Company identifies and assesses environmental risks that have the potential to impact negatively on the environment under normal conditions, as well as any unforeseen emergency situations.

The process for identifying and assessing environmental risks, as well as determining the necessary measures to manage them, is carried out at all stages of the life cycle of Highland Gold's operations.

Individual assessments are carried out at each asset to determine the specific impacts that could be made as a result of our operations, taking into consideration the local geography, geology, age and condition of existing infrastructure, and legislative compliance.

A full assessment is undertaken of any asset before acquisition or at the design stage to evaluate and assign the remedial actions required to minimise environmental impact and ensure the Company's compliance with Russian legislation.

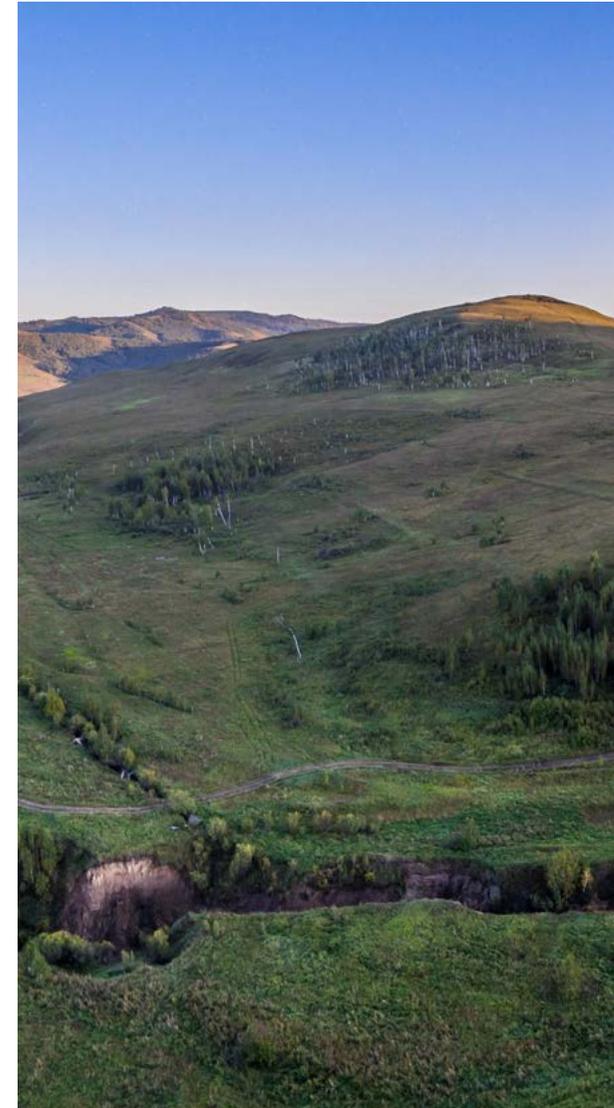
Annual risk assessments are carried out at each asset via working groups consisting of: the head of the working group, a technical director, the chief ecologist, and the head of the administrative department. Additional risk assessments are performed if there is a change of production processes or in the event of an incident.

Once identified, the risk level is determined based on a traffic light system, with yellow (medium) and red (high) risks given priority when planning environmental risk management measures.

### Contractors and suppliers

We require our suppliers and contractors to apply the same environmental risk management measures as we do ourselves, and this is documented through:

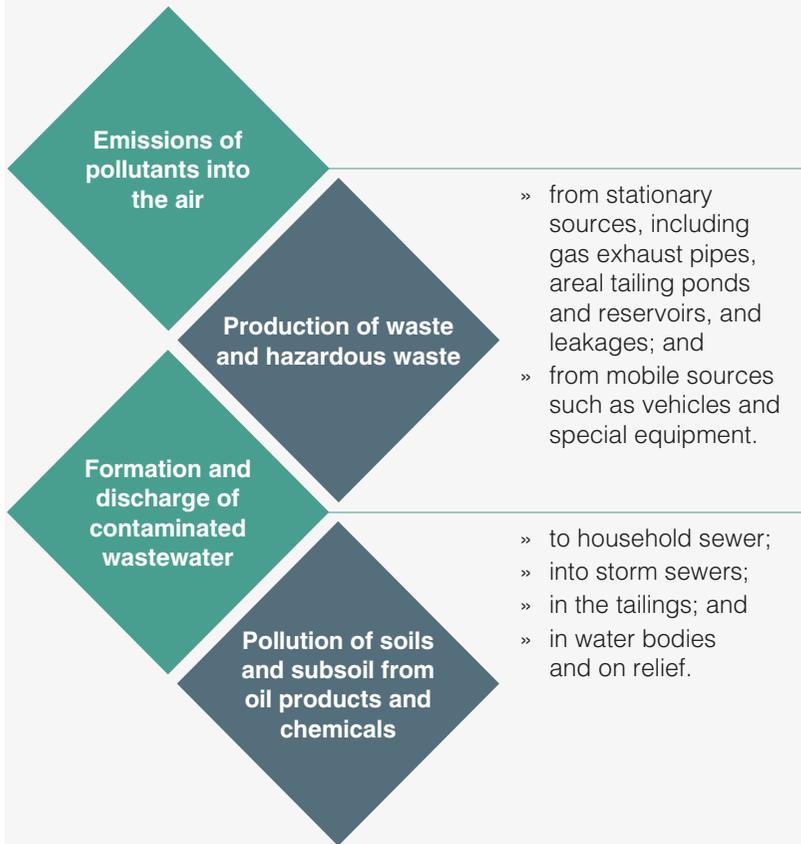
- » contracts;
- » in the procedures for performing joint work;
- » in the procedures to perform specific types of work;
- » in the operating instructions for the equipment;
- » in the material safety data sheets of chemical products; and
- » in internal documents of counterparties.



Overview *Continued*

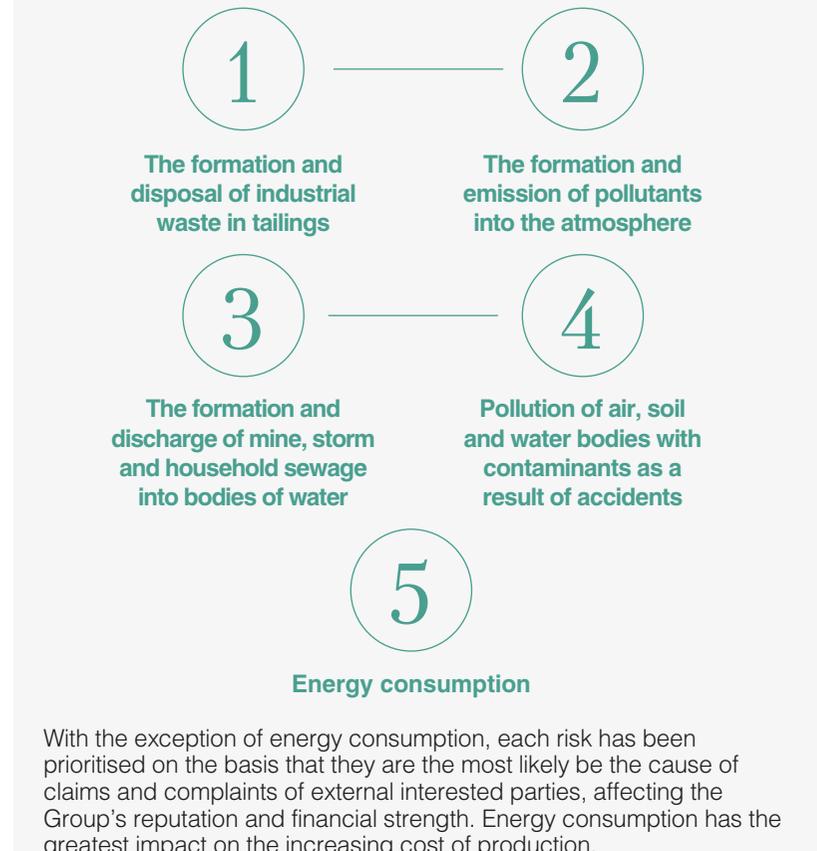
## Identified risks

The Company has identified the following actual and potential environmental impacts that can result from its operations:



## Priority risks

The priority risks that have been identified as having the greatest potential to impact the environment by our operations are:



## Indirect impacts

Indirect negative environmental impacts, which are associated with the consumption of natural and energy resources, have been identified as:

- » consumption of mineral fuel (diesel fuel, gasoline);
- » natural gas consumption, where used;
- » consumption of thermal energy;
- » electricity consumption; and
- » consumption of compressed air.

## Our environmental performance in 2019

The Company is pleased to report that there were no reported environmental incidents or accidents and no complaints during the year.

### Environmental audits

# 17

In total, 17 environmental audits were carried out in 2019, a 44% increase on 2018. While there were no major violations, several minor non-compliances were identified across the Group. The majority of these violations were associated with the treatment of industrial and domestic waste, and waste water. The company is working on eliminating these minor non-compliances.

## Action plan

The following action plan was put in place in order to prevent reoccurrences:

Improve employees' awareness regarding importance of waste sorting

Include the importance of compliance with the waste sorting requirements in order to minimise impact on environment as part of induction training

Provide more training for employees

All managers and specialists are to perform at least five environmental behavioural safety audits per month

The managers of each asset are responsible for eliminating the causes of non-compliances that were identified

Ensure environmental monitoring is performed to the full extent, including the purchase of new equipment and tools for the control of emissions and discharge of pollutants

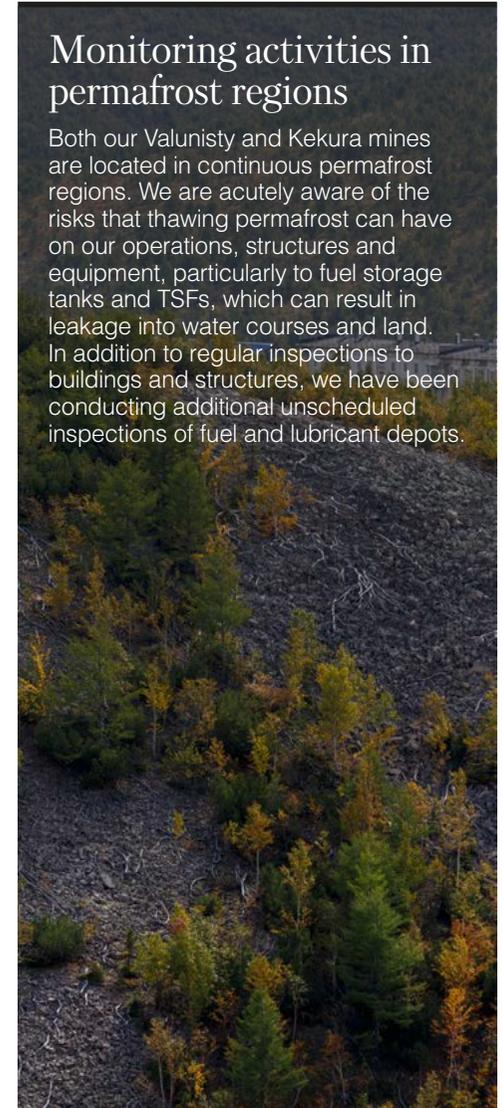
The managers of each asset must ensure implementation of the action plan related to environment protection

Improve coordination of interaction between subdivisions

The environmental departments are required to conduct training and briefings according to the programme "Requirements to safe treatment of industrial and domestic waste"

## Monitoring activities in permafrost regions

Both our Valunisty and Kekura mines are located in continuous permafrost regions. We are acutely aware of the risks that thawing permafrost can have on our operations, structures and equipment, particularly to fuel storage tanks and TSFs, which can result in leakage into water courses and land. In addition to regular inspections to buildings and structures, we have been conducting additional unscheduled inspections of fuel and lubricant depots.

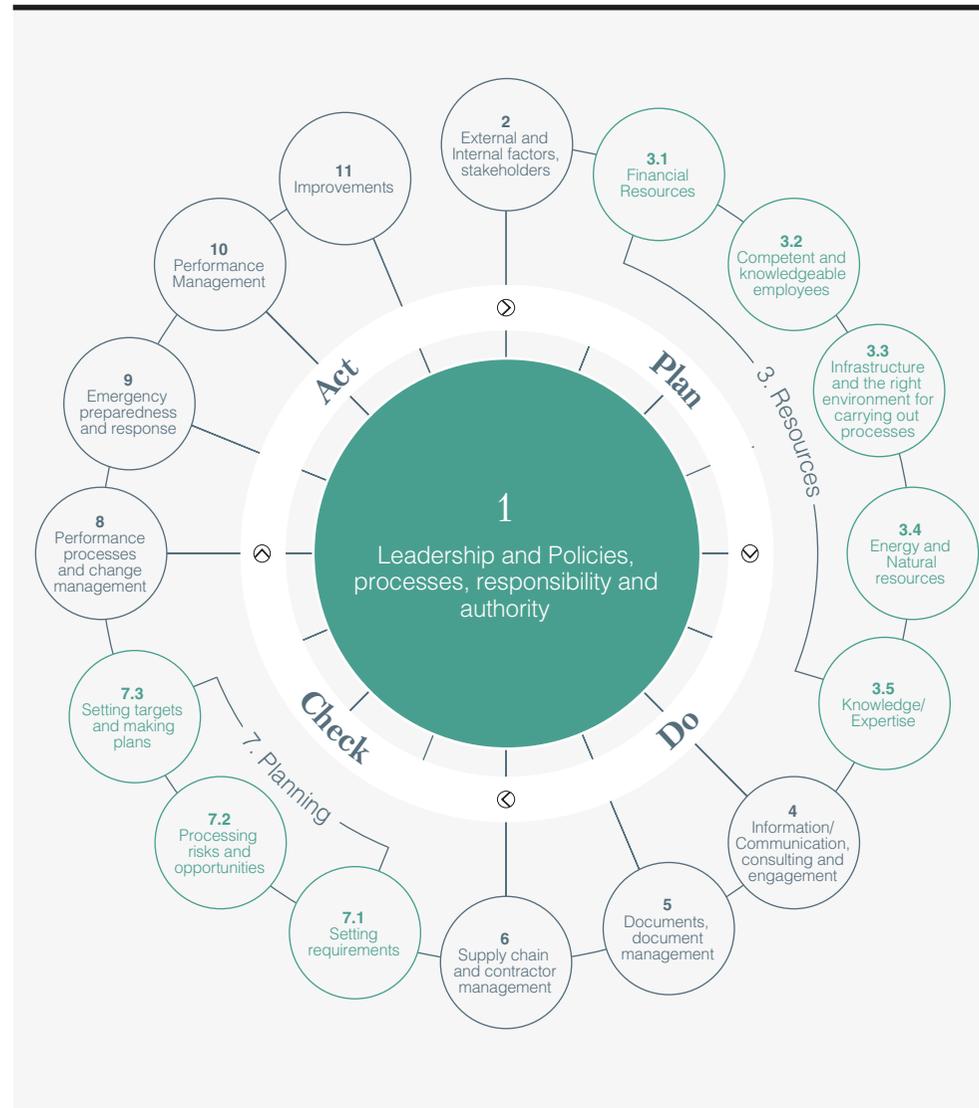


## Environmental management

We apply our Environmental Management System (“EMS”), a key part of Highland Gold’s corporate management system across the lifecycle of our operations, from exploration, to acquisition or development of assets, and production.

The Company’s EMS takes into account the corporate goals of the Group, requirements and expectations of stakeholders, legislative requirements, and the requirements of ISO 14001: 2015 international standards.

Based around our core values, the EMS also sets out the leadership structures, policies, processes, responsibilities of all staff towards the Company’s HSE policy, including the management and mitigation of environmental risks, and the continuous improvement of environmental practices.

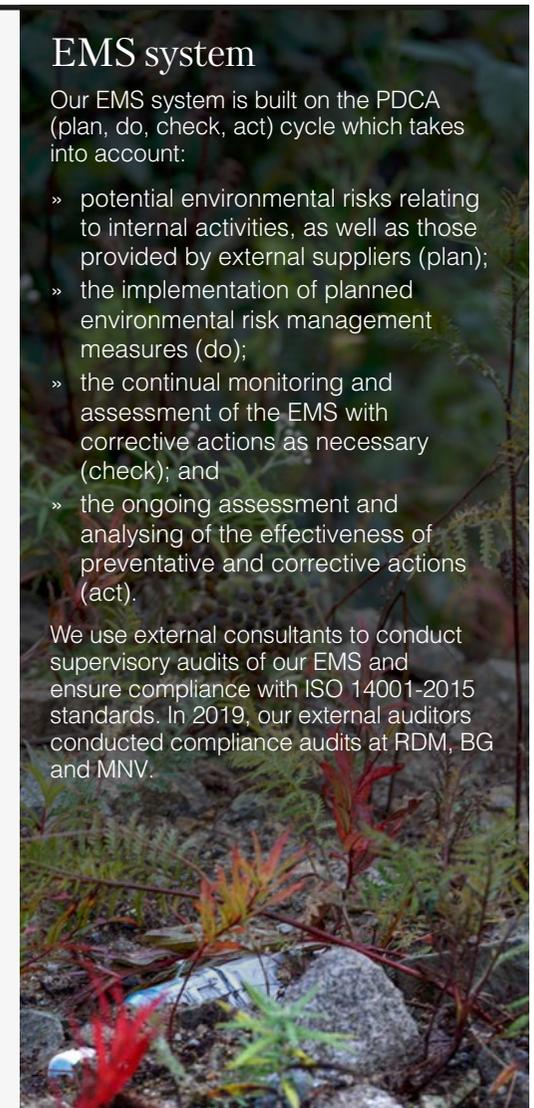


### EMS system

Our EMS system is built on the PDCA (plan, do, check, act) cycle which takes into account:

- » potential environmental risks relating to internal activities, as well as those provided by external suppliers (plan);
- » the implementation of planned environmental risk management measures (do);
- » the continual monitoring and assessment of the EMS with corrective actions as necessary (check); and
- » the ongoing assessment and analysing of the effectiveness of preventative and corrective actions (act).

We use external consultants to conduct supervisory audits of our EMS and ensure compliance with ISO 14001-2015 standards. In 2019, our external auditors conducted compliance audits at RDM, BG and MNV.



## Environmental management *Continued*



### Group HSE policy

All of Highland Gold's operations are required to take due care of the environment and actively participate in the support and promotion of environmental considerations in the work place. In addition to health and safety, the Group HSE policy supplies the guiding principles and policies relating to our environmental stewardship. It relates to all of our operations and projects, in order to prevent accidents, control hazards, reduce environmental impact and provide employee training and involvement as priorities.

As part of our HSE policy, we:

- » ensure that all employees and contractors are trained so that they have a full understanding of their responsibilities and duty of care towards the environment;
- » ensure continual improvement of our environmental systems;
- » design mine and site facilities that prevent pollution, consider resources and energy, and reduce waste;
- » minimise the use of hazardous substances and materials and utilise best practices, wherever possible;
- » promote a culture of communication, responsibility and involvement in environmental matters;
- » promptly report any incidents, accidents, unsafe practices or conditions that they witness; and
- » ensure we have the correct environmental permits and licences in place, setting limits for the emission and discharge of pollutants.

### Environmental safety training

We provide comprehensive environmental safety training on an ongoing basis. In 2019, 2,622 employees received environmental safety training (2018: 2,508) and increase of 4%.

## Training was provided in:

### Environmental compliance

# 2,622 people

compliance with environmental requirements for 2,622 employees.

### Handling production waste

# 130 people

safety in handling production waste for 130 people at MNV, BG, Novo and TAS.

### Internal audit

# 30 managers

internal audit of our Environmental Management System (EMS) according to the requirements of the new standard ISO 14001-2015 for 30 managers at RDM, MNV and BG.

### Environmental training

# 48 managers

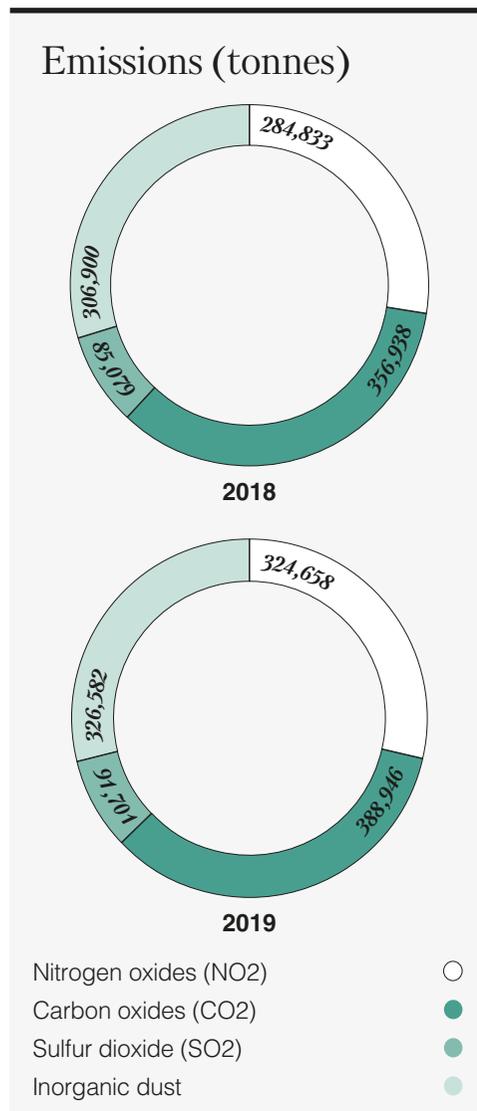
environmental training in the framework of skills improvement programme for 48 managers and specialists.

## Greenhouse Gas Emissions

At present, the Company monitors direct GHG emissions resulting from the use of mining equipment and transport vehicles. Emissions data is not currently independently verified.

The management considers the production of direct emissions from its mining and production operations as being minimal. The largest direct emission of nitrogen oxides is generated by Novo's coal boiler, which accounts for just 7% of the Company's total energy consumption. The boiler is equipped with an economiser, which serves to reduce such emissions.

New federal environmental regulation will oblige all companies operating in Russia to disclose full emissions data by 2025, and systems are being put in place to allow us to report direct emissions data from 2021.

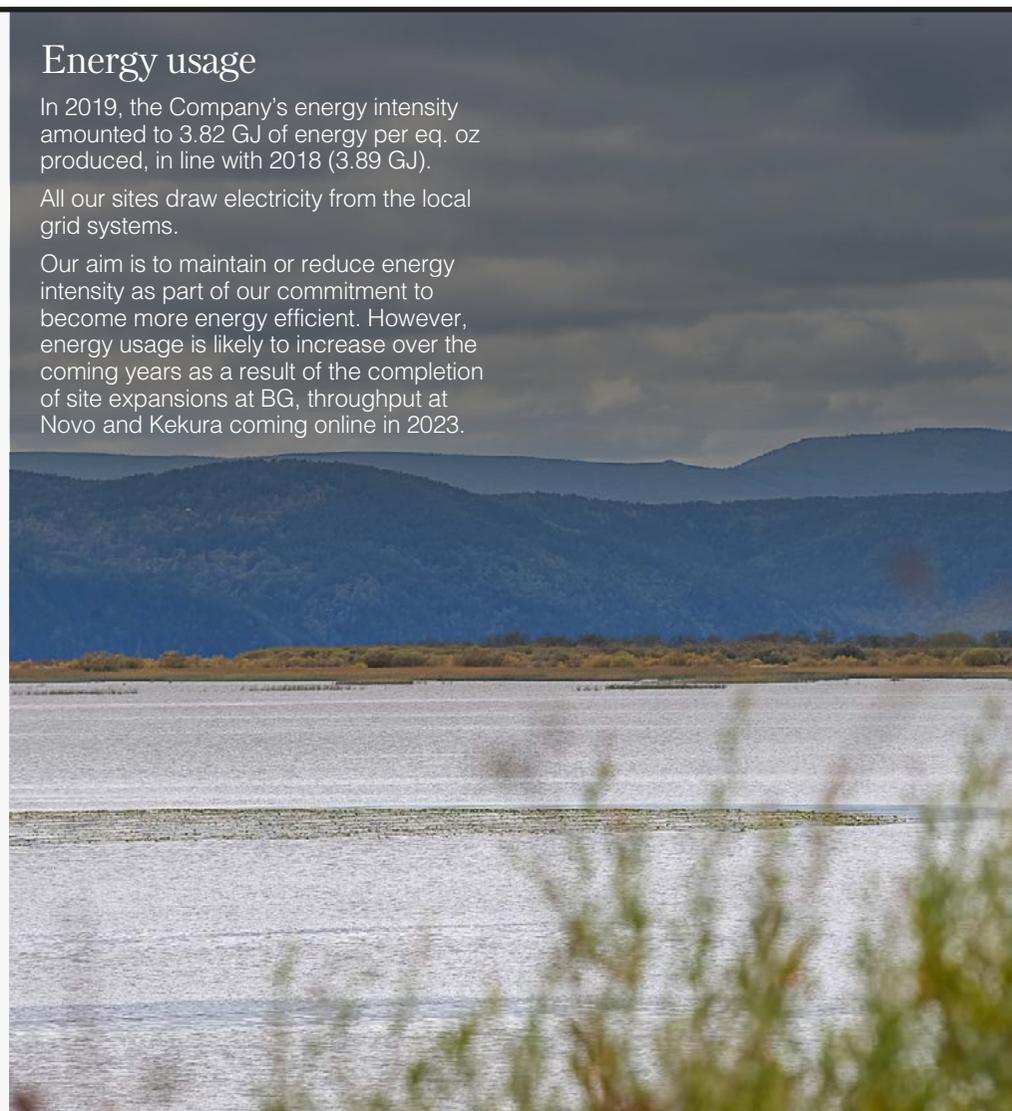


### Energy usage

In 2019, the Company's energy intensity amounted to 3.82 GJ of energy per eq. oz produced, in line with 2018 (3.89 GJ).

All our sites draw electricity from the local grid systems.

Our aim is to maintain or reduce energy intensity as part of our commitment to become more energy efficient. However, energy usage is likely to increase over the coming years as a result of the completion of site expansions at BG, throughput at Novo and Kekura coming online in 2023.



## Materials and waste management

Highland Gold produces several types of waste, including stripped waste rock, tailings and hazardous waste. The Company continually seeks to apply processes to assist with waste management and disposal. Targets and KPIs are set for each operating mine, which are monitored through internal assessments and external audits as part of ISO 14001:2015 certification.

In 2019, the Company produced 22.9mt of waste of which 19.0mt was stripped waste, 3.9mt was tailings. We aim to reduce, recycle or reuse waste wherever possible in line with the waste, hierarchy. In total, 33% of stripped waste was used for building roads, paving and strengthening tailings dams, as well as other infrastructure projects.

### Business and hazardous waste (tonnes)

# 5,225

-11%

We produced 5,225 tonnes of business and hazardous waste (2018: 5,860 tonnes), of which 32% was handed over to specialised companies for disposal, 65% was disposed and the remaining 3% was detoxified.

### Collecting plastic at all our mines

In an effort to reduce plastic waste, a plastic collection contest was set up between all our mining sites in 2019.

#### Plastic collected over the year (tonnes)

# 5,443

A total of 5,443 tonnes of plastic was collected over the year, with Novo alone collecting 2,238 tonnes of plastic. The initiative has been so successful that it has continued into 2020.

### Cyanide management

Highland Gold adheres to Federal legislation which sets out how should be transported, stored and utilised.

### Tailings management

The Company has had no hazardous tailings-related incidents registered and a clean track record of safety at its existing tailings dams.

All Highland Gold tailings storage facilities ("TSFs") are closely monitored and are frequently inspected to ensure tailings are safely contained under any and all circumstances. Industrial safety declarations, containing various scenarios for damage in the event of an emergency, are registered with the state supervising agency – Rostekhnadzor. All of our TSFs have received the required permits and appraisal documentation by the Russian regulators and are regularly inspected by Rostekhnadzor, with the latest inspections in November 2019. The Board is provided with updates relating to TSFs at every meeting, where any areas of concern are raised and mitigating actions recorded.

We manage hydraulic tailings storage facilities at three sites – Novo, MNV, and two at Belaya Gora – and operate a rigorous safety monitoring system, involving both in-house engineering specialist oversight and external independent experts.

Valunisty operates a Dry Stack Tailings facility ("DST"), which typically contain only 10 to 20% water, thereby eliminating the possibility of dam failure and seepage. The Board have committed to adopting best-in-class environmental practice when it comes to TSFs, and will adopt DSTs at our premier development project – Kekura.

TSFs are located well away from villages, populated areas and shift camps to prevent any harm being done to people in the event of an emergency.

## Water management

While we are fortunate to operate in areas where there are abundant sources of water, it is our duty and responsibility to preserve the availability and quality of water resources in the regions of presence, treat any contaminated water and minimise pollutants from entering water courses.

All of our sites have water treatment facilities and water used within our hydraulic tailings facilities is recycled.

The Group's water consumption and water discharges are well within permissible limits.

The Company has in place a facilities improvement plan to eliminate the sporadic discharges of unclean waste water into water bodies, which last year were the cause of environmental violations. This includes:

- » the development for the intake and purification of shaft water at MNV;
- » at Belaya Gora, plans to redirect domestic sewage water into the tailings dam from the water treatment station while it is replaced / repaired; and
- » improvements to car washing facilities at MNV, Novo and BG to prevent contamination of the soil and water from effluents.

### Water withdrawal

#### Withdrawn

Total water withdrawn (thousand m3)



Total reused or recycled water (thousand m3)

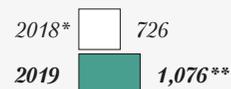


Water recycled and reused (%)



#### Discharge

Total water discharge (thousand m3)



\* Total water discharged in 2019 increased due to high levels of precipitation, leading to melting water and floods

\*\* Excludes data for Valunisty due to the time of completion of acquisition

### WWF annual environmental transparency rating

In December 2019, the Russian chapter of the World Wildlife Fund for Nature (WWF) published its annual Environmental Transparency rating for mining and metals companies operating in Russia. Highland Gold achieved its highest-ever overall ranking of #13 out of the 40 largest companies in the industry, and notably achieved the second place in relation to lowest environmental impact. The WWF also recognised the Company for the most improved performance in respect of the level of information provided for the rating.

## Biodiversity and land management

# Prior to developing a new asset, Highland Gold produces a full environmental impact assessment and environmental surveillance of local flora and fauna.

### Land disturbance

Highland Gold manages 479,600 hectares of land. Land that was disturbed during 2019 accounted for 607 hectares, with no instances of resettlement.

### Biodiversity

For water disturbances, we engage directly with the Russian Federal Fishery Agency ("RosRybolovstvo") who carry out an assessment and estimate the number and type of water species that we might impact before any new asset is launched. We also carry out our own assessments, allowing us to start pre-emptively breeding any water species that might come under threat from our activities.

Highland Gold pledges to full rehabilitation as soon as works on an asset is complete, fully replanting local flora, and restoring soil to its original condition.

# 09

## Communities

Work to the benefit of our communities

Taxes paid

**US\$90m**

federal and local taxes  
(2018: US\$ 72 million)

Social investment

**US\$1.8m**

(2018: US\$ 1.5 million)



## Overview



### Actions in 2019

- » Substantial strides made in the ways in which we record, report and communicate our social responsibility performance.
- » Completed a number of community projects.
- » Awarded the grand prix for social responsibility at MINEX 2019, the largest metals and mining industry forum in Russia.

### Key challenges

- » Identifying the most impactful projects.
- » Allocating sufficient budget to meet social needs demand.

### 2020 targets

- » Complete ongoing infrastructure projects at MNV and Novo.
- » Continue school development project at MNV.

### Group policies and standards

- » Anti-Corruption policy
- » Internal Code of Business Conduct and Ethics

## Overview *Continued*

### Why it matters

# Highland Gold's wider economic and social contribution is an important focus for the Company, and is encapsulated in one of our core values: "Improve others, improve ourselves".

We believe that businesses can and should take the initiative when it comes to delivering social projects, particularly in our industry where assets are often located in geographically inaccessible places, resulting in a mutual dependence between communities and companies.

A positive contribution through the employment of local people, the payment of taxes, procurement from suppliers and social investment provides us with our licence to operate.

### Our strategy

Since the Company's inception, we have prioritised establishing strong, mutually productive relationships with local communities, including providing employment opportunities and procuring services and goods locally wherever possible. Without our support, social development projects and improvements simply wouldn't be able to proceed.

The most important aspect of our work lies in assisting regional and local administrations in the advancement of social development programmes. To this end, we work alongside the local authorities in order to prioritise community requirements in relation to joint welfare projects. We focus our efforts in the areas where we can make the greatest positive contribution and effect lasting change, encompassing education, health, culture and sports. Each year, the Company signs social contracts with municipal administrations in the regions where it operates that lay out a blueprint for assistance in order to fund pressing social needs in the regions.

Our social development programmes often involve infrastructure works, including:

- » educational and daycare facilities;
- » shared spaces such as parks and playgrounds;

- » cultural and spiritual venues; and
- » sporting and leisure facilities.

We support education either through improvement works or by providing additional resources, training and educational tools.

The Company participates in various national, regional and local charity programmes, and encourages its staff to do the same, often playing active and important roles in and around the communities of the Company's assets.

During the last year, we have made substantial strides in the ways in which we record, report and communicate the performance of our community-facing work to our stakeholders.

Social project opportunities are assessed on a needs basis via requests to the Regional Managing Director from the regional administration or working group. Annual budgets are decided at senior management level and on approval by the Board, with the allocation of funds based on projects that are assessed to have the potential for the greatest positive impact.

It is the Board's intention to grow the budget into social projects year on year, in line with the growth of the Company.

### Link UN Sustainable Development Goals



## Overview *Continued*

### How our social responsibility efforts are managed

Board of Directors

Chief Executive Officer

Regional Managing Directors

Managing Director of Mine

Community liaison working groups

### Managing risk

Highland Gold's mines are typically located in remote regions with small close-knit communities. We are often reliant on these communities for labour supply, and our activities can have a direct and indirect impact on the livelihood, welfare and well-being of local populations. This mutual dependence means that it is imperative we maintain a positive corporate reputation amongst the people and administrations with which we work, and that our interests are aligned with those upon whom we depend.

Open dialogue is maintained at a local level, with working groups created to act as liaison between the Company and the community.

Feedback from these working groups, as well as direct contact between site managers and local administration, is constantly maintained, with any opportunities, concerns and complaints reported to Regional Managing Directors.



## Social investment in 2019

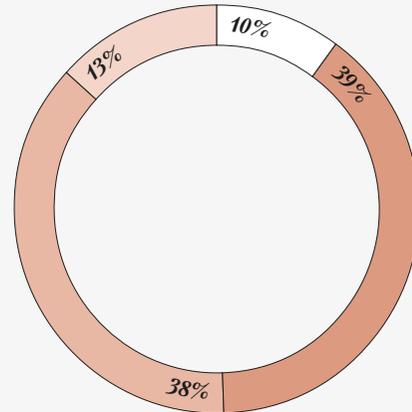
From year to year, Highland Gold invests in social projects, as well as supporting and assisting regional and local institutions. Our social investment includes sports clubs, cultural institutions, public spaces, schools, religious organisations, the Council of Veterans and much more.

We pay particular attention to sports and education initiatives, in order to instil a love of physical activity, promote healthy lifestyles, and inspire young people through education. Most of our large-scale projects are executed over a three-year period.

### Total expenditure on social projects



### Social investment



- Sport ○
- Support of religious organisations ●
- Culture and education ●
- Other ●



## Social investment in 2019 *Continued*

### Infrastructure projects

#### Sports facilities

# US\$1.5m

Investment over next three years

In 2019, we started work to expand the existing ski complex at Mnogovershinni village, building a ski lift cable to extend the ski slope by another 1,000 metres. Strongly welcomed by ski enthusiasts, the longer ski run will give the local ski team more space to train for regional and national level competitions.

Continuing the theme of winter sports, preparations were made to begin construction of an indoor ice rink that will be built over three stages in three years. The complex will eventually include facilities for artistic ice skating and ice hockey, along with a café, changing facilities and surrounding landscaping. With the designs complete, we will start construction of the first phase in 2020.

Similarly at Novo, we continued our investment plan to improve the facilities in and around the village's outdoor ice rink complex, adding an outdoor workout area and skate park. To date, we have invested over US\$ 75,000 at Novo's ice and roller skating complex.

#### Public spaces

# US\$115,000

Investment in 2019

We are proud to be able to say that Highland Gold has funded and built every playground in the village of Novo-Shirokinsky. Landscaping improvement works were carried out at public parks, upgrading walkways, improving water channels and installing new benches.

In addition to this, we have been heavily involved in improving important facilities that are used for festival days. For the annual celebration of the "Metallurgist's Day" and other celebrations, we built a summer stage in 2018, equipping it with a new dance floor in 2019. Nearby, we carried out landscaping works, creating a leisure park built around "Stella" – a pneumatic loading machine which has now become a public art installation.



As part of the Metallurgist Day celebrations in 2019, Highland Gold held the Company-wide football tournament with teams from each mine and head office, and an Olympics-style spartakiada, where workers, their families, and also local villagers took part in competitions, including volleyball and basketball.

## Social investment in 2019 *Continued*



### Infrastructure projects continued

#### Resident buildings

# US\$1.5m

Investment over the next three years

We continued our overhaul of residential buildings in the village of Novo, refurbishing four to five buildings annually, thereby improving the living standards. These works include the repair and replacement of roofs, the repair and upgrade of facades, and the replacement of windows and utilities to make the buildings more energy efficient. In addition, we improve outdoor spaces such as courtyards and re-landscape adjoining territories.

#### Places of worship

# US\$500,000

Investment in 2019

In our dialogue with employees and local residents at Mnogovershinnoye, we realised that there was a strong call by people to have their own place of worship where services could be conducted regularly, since the nearest regularly held services were in a town 130km away. In 2018, we decided to help organise regular church services, in honour of the Kazan Icon of the Mother of God. We set aside a room dedicated to worship within our on-site amenity office, renovating the space appropriately and acquiring all the accoutrements necessary for church ministry. Finally, we arranged for regular visits by a priest to carry out services and pastoral duties.

In 2019, we started making plans to build a dedicated church for Mnogovershinny. A plot of land has now been allocated and preparatory work has begun.

At Novo, we completed and opened the Church of the Great Martyr Efreim Selenginsky to coincide with Metallurgists' Day. Along with the temple, the surrounding area has been landscaped as a quiet and peaceful park for the public. The creation of the complex was led by the mine managers, and funded by Highland Gold as a gift for all believers in the village and is open to all.

## Social investment in 2019 *Continued*

### Education

#### Investment

# US\$600,000

We are heavily involved in broadening the educational opportunities of students at the village of Mnogovershinny. We work to combine the efforts of the state education system, with an emphasis on inspiring students towards the sciences and engineering, where there is a current skills shortage.

The main activities in which we are involved include:

- » the repair of the school building, including the replacement of windows, the repair of the façade and the roof;
- » the renovation of classrooms, the dining room and providing new furniture;
- » broadening horizons with the creation of an interactive museum and providing equipment for robotics classes; and
- » training teachers in the Lomonosov education method to improve standards.

#### Broadening horizons

In order to instil an interest in technology, captivate and develop team-working skills, and teach problem-solving skills, we introduced and equipped robotics classes. This included the purchase of Lego WeDo 2.0 kits for elementary school and Lego Mindstorm Education EV3 kits for secondary school. Not only can students create robots using Lego, but also programme them applying computer science, mathematics and physics subjects.

Having installed a high-speed fiber-optic internet line into the village in 2018, we acquired licences for the school to access the Information and Library Center, enabling the school virtual access to world's most renowned museums and art galleries.

#### Educational technology

Together with the Lomonosov's School, we formed a long-term partnership for the development of teaching staff at the secondary school. The educational technology "Intellect" focuses on developing student learning skills and inspiring curiosity – or the skill of learning how to learn – and has received public recognition from around the world for its effectiveness. More importantly, it provides today's students with the tools needed for the modern world.

We always seek to encourage social and educational interaction with the younger members of the community. In 2018, a drawing contest for children at the local school was dedicated to the subject of nature and ecology. This provided an opportunity to draw attention to the importance of health and safety and, as a result, several site visits were hosted for pupils, culminating in a presentation on how gold is produced.



## Social investment in 2019 *Continued*

We are honoured and humbled that our efforts were recognised at the largest industry forum in Russia, MINEX 2019, where Highland Gold’s projects won the grand prix for social responsibility. This will serve to encourage us to greater efforts with new, more ambitious projects already underway.



## Economic benefits

### Financial contribution

# US\$90m

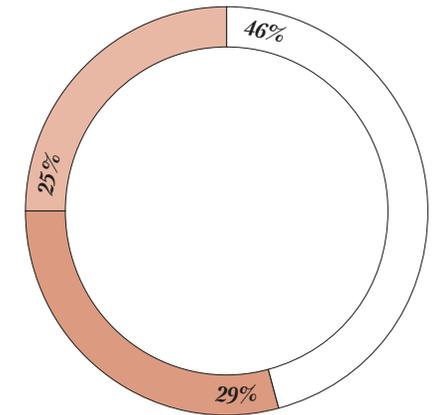
During the period under review, a total of US\$90 million was paid in respect of local and federal taxes in 2019, a 25% increase from US\$72 million paid in 2018.

### Employment

# 95%

Around 95% of all our employees are Russian citizens. At our assets that are located near a village, we aim to employ the majority of our staff from the local communities.

### Local procurement



- Sourced from local suppliers
- Federal suppliers
- Overseas suppliers

The majority of our expenditure, some 46%, is sourced from local suppliers. Federal suppliers account for a further 29%, while the remaining 25% goes to overseas suppliers, largely in relation to purchases of cyanide and hypochlorite.

Social investment in 2019 *Continued*

**We maintain good relations with local indigenous populations in the Chuktoka region where we have one producing mine, Valunisty, our premier development project at Kekura and further exploration projects. Our main focus is on upholding the rights of the indigenous populations and addressing environmental issues via regular consultations.**

We are currently in the process of formalising our social investment activities in the area, and will be able to report on these activities from next year.

# 10

## Corporate Governance



### Board Directors

5

Male

2

Female

8

Board meetings held

### Board Committees

3

Audit and Risk; Health, Safety and Environment; Remuneration and Nomination

9

Board Committee meetings

### Senior Management

13

Male

3

Female

## Overview



### Actions in 2019

- » Self-assessment review of the Board, with no material issues arising.
- » Appointment of Deborah Gudgeon to the Board as an Independent Non-Executive Director.
- » Appointment of Roman Khafizov in the newly created role of Deputy CEO for Sustainable Development.
- » Promoted a statement of vision, mission and values throughout the Company, with a view to nurturing a unified corporate culture.

### Key challenges

- » Evolving governance standards to meet new legislation and global best practice requirements.
- » Aligning the corporate culture between the head office and operating assets.

### 2020 targets

- » Adoption on new Articles of Association of the Company, allowing electronic and web communications and shorter notice periods for shareholder meetings.
- » Improving everyday behaviours and understanding of governance matters through effective training throughout the Company.

### Group policies and standards

We operate within:

- » Group HSE policy
- » Code of Business Conduct and Ethics
- » Anti-corruption policy
- » Remuneration policy
- » Quoted Companies Alliance Corporate Governance Code
- » International Financial Reporting Standards
- » Dividend policy



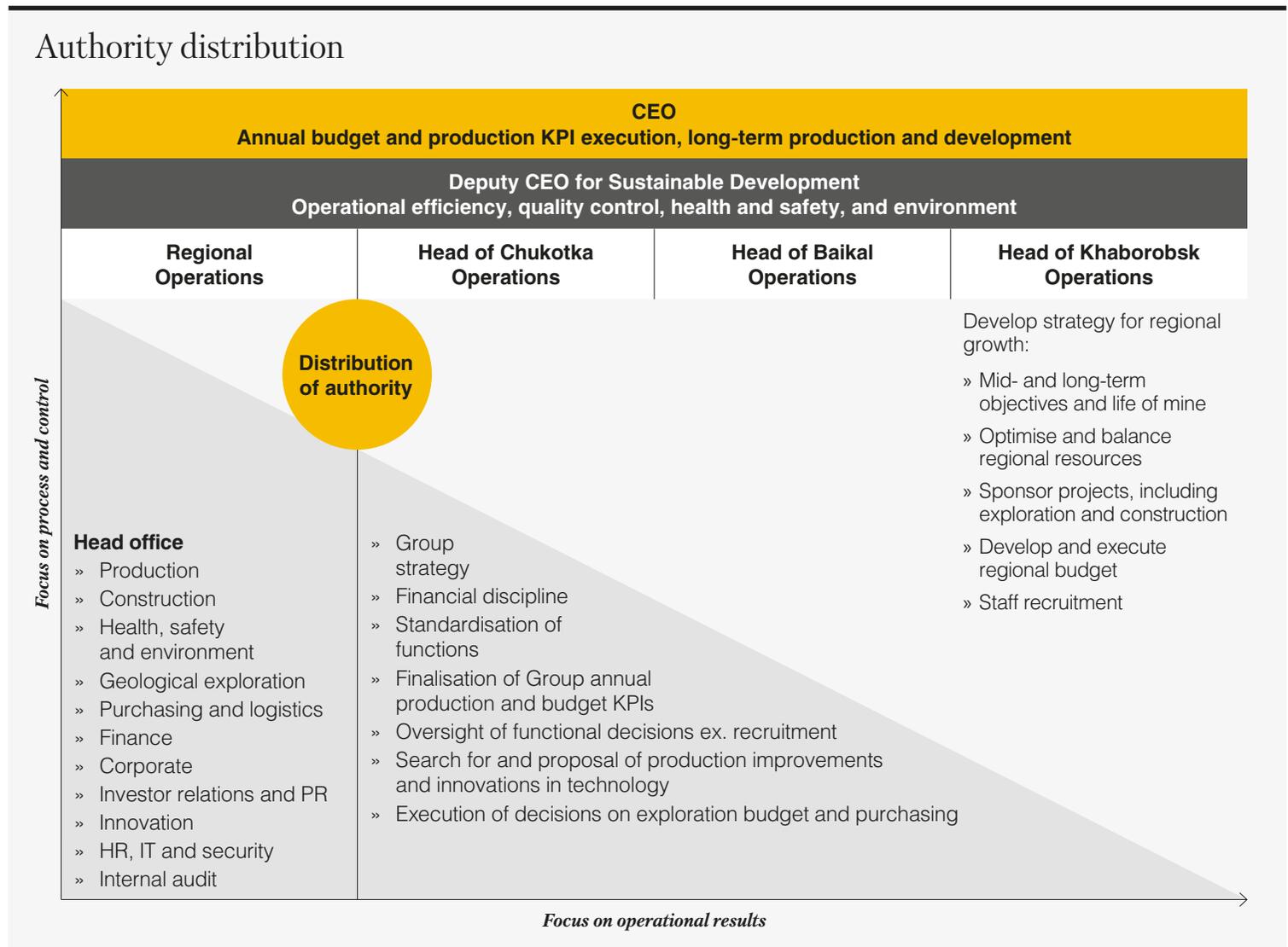
*More information on Corporate Governance can be found in the Annual Report 2019.*

## Managing sustainable operations

Highland Gold is wholly committed to operating in a sustainable and socially responsible manner, and the Board and management appreciate that the Company's success is enhanced by being a good corporate citizen.

The CEO takes primary responsibility for sustainability, with strategy and execution directed by the Deputy CEO for Sustainable Development. Authority for delivery is distributed between centralised head office functions and operational regions.

Head office is responsible for the systems of process and control, while heads of the three regions are responsible for operational delivery, implementation and compliance.



## Managing sustainable operations *Continued*

**The Company has a set of policies which are freely available on the corporate website in both Russian and English. These policies apply to the Group's employees, service providers and suppliers. They are distributed throughout the Company's operational assets and explained to employees via training.**

Policies are reviewed and updated regularly in response to changes to best practice and federal legislation.

Management meets regularly with local government officials and communities to elicit and receive feedback and improve cooperation. Each year, the Company signs social contracts with municipal administrations in the regions where it operates that lay out a blueprint for assistance in funding pressing social needs in the regions. Social contract budgets are set on a needs basis, while ensuring that activities make the most efficient use of resources whilst maximising positive outcomes.

Management seeks to maintain an active dialogue with employees, communicating key corporate objectives and soliciting comments and feedback on ways to improve operations and workplace conditions.

Highland Gold believes that all injuries are preventable, and care of our people and the environment is an integral and vital part of our business. As such, employees are expected to abide by the Company's Health, Safety and Environment policy, which is available on the corporate website.

## Governance and risk management

Governance and risk management are the overall responsibility of the Highland Gold Board, led by the Chairman, who sets the Company's direction and ensures that the Board and management are working towards common goals and adhering to best practices. The Board is structured to ensure there is an appropriate balance between independent and non-independent Directors. The Group has adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") as its recognised corporate governance code.

### Risk management

The Directors have overall responsibility for the Group's internal control and effectiveness in safeguarding the assets of the Group. Internal controls can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board regularly reviews key business risks, via a number of formally constituted committees, as well as the financial risks facing the Group in the operation of its business. These committees, consisting of Non-Executive Directors, include the Audit and Risk Committee, the HSE Committee and the Remuneration and Nomination Committee.

The processes used by the Board to review the effectiveness of the internal controls are carried out by the Audit and Risk Committee. The review process considers the control environment and the major business risks faced by the Company.

Risk management and evaluating the likelihood of a potential risk versus its possible impact on the business, including those relating to meeting the Group's sustainability objectives, is the responsibility of all management under delegated authorities.

Further details on financial and operational risk can be found in the 2019 Annual Report and Accounts.

### Board of Directors

Responsible for maintaining the Group risk management system, defining risk appetite and monitoring the most significant risks.

### Delegated authorities

Responsible authorities or individuals charged with monitoring, managing and mitigating risks:

Audit and Risk Committee

Remuneration and Nomination Committee

Health, Safety and Environmental ("HSE") Committee

Risk prioritisation and rating scale based on the probability of an adverse event occurring and scale of consequence from a risk occurrence.

### Executive Committee (meets weekly)

- » CEO
- » Deputy CEOs and department heads
- » Regional Managing Directors
- » Managing Directors of mine sites

The Executive Committee delegates part of its duties to four internal management company committees: the Risk Committee, the Budget Committee, the Production Committee and the Investment Committee

- » Ensure implementation of decisions taken by the Board and Board Committees.
- » Maintain the risk register.
- » Risk identification, assessment and mitigation for health and safety, environment and delivery risks of each asset.
- » Manage day-to-day operational activities and make recommendations to the Board.

### Operational mine HSE Committees

General Directors of mine sites

Heads of health and safety

- » Risk assessment impacting sustainable operations and financial performance.
- » Identify, prioritise and engage with stakeholders to identify and raise potential risk concerns.
- » Ensure implementation and compliance.

## Governance and risk management *Continued*

### Ensuring and compliance

Highland Gold strives to ensure full compliance with applicable laws. The Company is guided by regulatory requirements in development of its internal policies, including directions, instructions, procedures, guidelines and other internal documents.

Compliance with licence requirements is constantly monitored at management level and in day-to-day operations. The Group monitors compliance with HSE requirements, organises training and assessment programmes for all staff, and regularly checks their compliance with HSE rules and regulations. Internal and external audits are carried out to all operational sites on a regular basis, with additional audits conducted on a needs basis or following an incident.

It is the responsibility of all employees to know and comply with the applicable laws and internal policies related to employees' performance of their specific job duties and functioning of the Company's business units and the Group as a whole. In any event, employee actions must not contradict legal requirements. Employees are responsible for compliance with internal policies.

### Remuneration

Highland Gold's remuneration packages are based on general principles that provide competitive packages designed to attract and retain suitably qualified and talented individuals, and who can align themselves with the overall objectives and corporate values of the Company. Remuneration of Executive Directors comprises basic salary and a discretionary bonus based on the performance of the individual taking financial and non-financial KPIs, including health and safety performance, into consideration. Both executive management and Executive Directors are eligible to participate in a long-term incentive programme to ensure decisions are made in the Group's best long-term interests.



## Ethical conduct



### Human rights

The Company's commitment to upholding human rights walks hand in hand with its commitment to the health and safety of employees and the protection of the environment. No violations of human rights, including the rights of indigenous peoples, were recorded during the reporting period.

The Company intends to develop a series of educational programmes designed to heighten employees' understanding of how to preserve cultural heritage and support local communities within the Company's areas of operation.

### Anti-corruption, ethical conduct and conflicts of interest

Highland Gold has a clear Anti-Corruption policy and an internal Code of Code of Business Conduct and Ethics. These extend across all of our businesses and activities, and apply to every employee and all our business partners. Both documents are available on our corporate website. Regular audits are conducted to ensure ethics and anti-bribery standards are upheld.

### Whistleblowing

The Group has a whistleblowing hotline which is available for employees and stakeholders to report violations anonymously. Each issue raised is initially reviewed by the Internal Audit and HR departments, and is forwarded to the relevant department. Whistleblowing events and any action are reported to the Audit and Risk Committee.

### Donations, grants and sponsorship

Highland Gold Mining does not make political contributions to any party. Charitable donations, grants and sponsorship, where no commercial advantage or other service is expected in return, is offered to in line with the Group's Code of Business Conduct and Ethics.

### Government assistance

Details of financial assistance received from the government are referred to in the Company's 2019 Annual Report.

### Political parties and public organisations

The Company does not perform any political activity or sponsor any political parties, movements or public non-governmental organisations with any goals, nor does it make any contributions to support any such parties, movements or organisations. The Group does not participate in any activities sponsored by political parties or movements.

Similar provisions apply to representatives of political parties, movements, and candidates nominated by parties or movements, as well as self-nominated candidates.

## Legal and human rights

**The Group respects the rights of all its workers whether they are permanent, temporary or contractors. The details are set out in the Group's Code of Business Conduct and Ethics.**

### Human rights

There are no recorded incidents of human rights violations.

### Labour rights

The Group ensures that the statutory rights of all its workers are respected, and we are committed to consulting our workers via our "Workers' Councils". Equal opportunities for Group employees are offered, and employees are assessed on their professional qualities, experience and skills only.

Details of collective bargaining agreements, workers' rights of freedom of association and wage policies can be found page 39.

# 11

## *Performance Data*

## Data linked to material topics

### Occupational Health & Safety

#### Classification of accidents of employees

Type of accident	2018	2019
Fatal	0	5
Severe	0	1
Minor	22	14

Highland Gold currently monitors and tracks contractor accidents, but does not currently include these into the data. This will change from 2020, however, as we begin to report incidents as follows:

- » number of incidents involving HGM employees;
- » number of incidents amongst contractors; and
- » number of automotive incidents.



Data linked to material topics *Continued*

## People

### Human capital

	2018*	2019
Total employees	3,186	<b>3,929</b>
» Men	2,380	<b>3,018</b>
» Women	806	<b>911</b>
» Total young personnel (under 30)	799	<b>805</b>
» Female young personnel (under 30)	195	<b>168</b>
» Male young personnel (under 30)	604	<b>637</b>
Turnover rate	31%	<b>28%</b>
New employees hired	1,345	<b>1,443</b>
Parental leave	92	<b>68</b>
Fixed-term employment contract	219	<b>180</b>
» Men	145	<b>140</b>
» Women	74	<b>40</b>
Indefinite-term employment contract	2,976	<b>3,750</b>
» Men	2,234	<b>2,875</b>
» Women	733	<b>875</b>
Full-time	3,168	<b>3,910</b>
» Men	2,368	<b>3,006</b>
» Women	800	<b>903</b>
Part-time	18	<b>8</b>
» Men	11	<b>4</b>
» Women	7	<b>4</b>

\* For 2018, Valunesty is not included

### Percentage of employees by gender

	Women	Men
Total	23%	77%
Managers	25%	75%
Specialists	46%	54%
Workers	20%	80%

## Data linked to material topics *Continued*

### People continued

#### Minimum / average wages split by location and gender

Standard wage in Highland Gold vs. minimum wage in region of operation (US\$ per month)

2019*	Khabarovsk	Zabaikalsky	Chukotka	Kyrgyzstan
Local minimum	244	225	349	98
Local average	720	629	1,118	229
HGM minimum (men)	531	390	780	178
HGM minimum (women)	375	319	780	178
HGM average (men)	1,737	1,280	1,312	2,485
HGM average (women)	917	1,046	940	951

\* Calculations based on 64.70 average USD-RUB exchange rate for the period

Standard wage in Highland Gold vs. minimum wage in region of operation (US\$ per month)

2018*	Khabarovsk	Zabaikalsky	Kyrgyzstan
Local minimum	170	170	18
Local average	747	634	235
HGM minimum (men)	356	223	145
HGM minimum (women)	356	174	145
HGM average (men)	1,100	897	1,934
HGM average (women)	819	613	1,511

\* Calculations based on 62.71 average USD-RUB exchange rate for the period

Ratio of basic salary and remuneration of women to men – 0.9\* (in Khabarovsk region) and one in Kyrgyzstan.

#### Training provided in 2019

	Units	2018	2019
Number of trained personnel	Personnel	1,876	3,149
Percentage of employees trained in-house out of total trained	%	19	55
Percentage of employees trained externally	%	81	48
Average number of training hours per employee (per year)	Hours	43	44
Average number of training hours per female employee (per year)	Hours	36	32
Average number of training hours per male employee (per year)	Hours	29	48
Total investment in training	US\$ Thousand	345	510

## Data linked to material topics *Continued*

### Environment

#### Emissions data

	2018 tonnes	2019 tonnes
Nitrogen oxides (NO <sub>2</sub> )	284,833	324,658
Carbon oxides (CO <sub>2</sub> )	356,938	388,946
Sulfur dioxide (SO <sub>2</sub> )	85,079	91,701
Inorganic dust	306,900	326,582

#### Energy usage data

	2018 GJ	2019 GJ	%
Electricity from the grid (purchased)	798,950	901,172	78%
Diesel	108,453	108,966	9%
Coal	101,130	101,130	9%
Other	37,764	36,647	3%
<b>Total</b>	1,049,138	1,150,388	

#### Waste data

	Unit	2018*	2019
Waste rock	Tonnes	9,464,138	21,674,951
Tailings	Tonnes	3,320,320	3,592,735
Percentage of waste reused out of total waste generated %	%	30	33
Total waste	Tonnes	17,425,170	22,878,362
Total number and volume of significant spills		0	0
Weight of transported, imported, exported, or treated waste deemed hazardous	Tonnes	2,473	1,689
Total environmental expenditures US\$ thousand		1,822	2,173

\* Excluding Valunesty

#### Water data

Water withdrawal by source	Unit	2018	2019
<b>Withdrawn</b>			
Ground water	Thousand m <sup>3</sup>	634	622
Surface water	Thousand m <sup>3</sup>	451	445
External water supply	Thousand m <sup>3</sup>	1	0
Total water withdrawn	Thousand m <sup>3</sup>	1,089	1,076
Total reused or recycled water	Thousand m <sup>3</sup>	14,246	14,073
Water percent recycled and reused	%	93	93
<b>Discharge</b>			
Watercourses	Thousand m <sup>3</sup>	477	713
Sewage	Thousand m <sup>3</sup>	47	120
Hoarder	Thousand m <sup>3</sup>	202	243
Total water discharge	Thousand m <sup>3</sup>	726	1,076*
Water sources significantly affected by withdrawal of water	Thousand m <sup>3</sup>	0	0
		1,452	2,152

\* Total water discharged in 2019 increased due to high levels of precipitation leading to melting water and floods

## Data linked to material topics *Continued*

### Environment continued

#### Managed land data (hectares)

	2018	2019
Total managed land area hectares	275,100	<b>481,600</b>
Land disturbed during year hectares	292	<b>607</b>
Land reclaimed during year hectares	0	<b>0</b>
Total land disturbed and not yet rehabilitated hectares	12,620	<b>12,956</b>

### Communities

#### Social investment (US\$ thousands)

	2018	2019
Support of religious organisations	345	<b>678</b>
Culture and education	334	<b>633</b>
Sport	393	<b>180</b>
Construction	134	<b>54</b>
Other	246	<b>226</b>
<b>Total</b>	1,452	<b>1,771</b>



# 12

## *GRI Index*



## GRI General Disclosures

GRI content index	GRI reference code	Disclosure	Document location
<b>GRI 101 Foundation</b>			
<b>GRI 102: General disclosures</b>			
<b>Organisation profile</b>	GRI 102-1	Name of organisation	Front cover
	GRI 102-2	Activities, brands, products and services	2019 Annual Report, p.2-3
	GRI 102-3	Location of headquarters	2019 Annual Report, p.2-3
	GRI 102-4	Location of operations	2019 Annual Report, p.2-3
	GRI 102-5	Ownership and legal form	2019 Annual Report, p.107
	GRI 102-6	Markets served	2019 Annual Report, p.2-3
	GRI 102-7	Scale of organisation	2019 Annual Report, p.2-3
	GRI 102-8	Information on employees and other workers	p.31-32, 38, 39, 73
	GRI 102-9	Supply chain	p.12, 16, 43, 60
	GRI 102-10	Significant changes to the organisation and its supply chain	N/A
	GRI 102-11	Precautionary principle or approach	p.15-16
	GRI 102-12	External initiatives	N/A
	GRI 102-13	Membership Associations	The Company does not have any membership associations.
<b>GRI 102: General disclosures: strategy</b>			
	GRI 102-14	Statement from key decision maker	p.5-6
	GRI 102-15	Key impacts, risks and opportunities	p.5-6, 8-9
<b>GRI 102: General disclosures: ethics</b>			
	GRI 102-16	Values, principles, standards and norms of behaviour	p.11
	GRI 102-17	Mechanisms for advice and concerns about ethics	p.39, 68

## GRI General Disclosures *Continued*

GRI content index	GRI reference code	Disclosure	Document location
	GRI 102-18	Governance structure	p.66 2019 Annual Report, p.40-53
	GRI 102-19	Delegating authority	p.64, 66 2019 Annual Report, p.47
	GRI 102-20	Executive-level responsibility for economic, environmental and social topics	p.15-16, 43, 55, 64
	GRI 102-21	Consulting stakeholders on economic, environmental and social topics	p.15-16
	GRI 102-22	Composition of the highest governance body and its committees	2019 Annual Report, p.44-45, 47
	GRI 102-23	Chair of the highest governing body	2019 Annual Report, p.44
	GRI 102-24	Nominating and selecting the highest governance body	2019 Annual Report, p.47
	GRI 102-25	Conflicts of interest	There were no recorded conflicts of interest during the period.
	GRI 102-26	Role of the highest governance body in setting purpose, values and strategy	2019 Annual Report, p.46
	GRI 102-27	Collective knowledge of highest governance body	2019 Annual Report, p.44-45
	GRI 102-28	Evaluating the highest governance body's performance	2019 Annual Report, p.48-49
	GRI 102-29	Identifying and managing economic, environmental and social impacts	p.15-16
	GRI 102-30	Effectiveness of risk management process	p.18, 66 2019 Annual Report, p.53
	GRI 102-31	Review of economic, environmental and social impacts	p.8-9
	GRI 102-32	Highest governance body's role in sustainability reporting	p.64
	GRI 102-33	Communicating critical concerns	p.64, 66
	GRI 102-34	Nature and total number of critical concerns	p.63-64
	GRI 102-35	Remuneration policies	2019 Annual Report, p.51
	GRI 102-36	Process for determining remuneration	2019 Annual Report, p.51

## GRI General Disclosures *Continued*

GRI content index	GRI reference code	Disclosure	Document location
	GRI 102-37	Stakeholders' involvement in remuneration	2019 Annual Report, p.51
	GRI 102-38	Annual total compensation ratio	Not disclosed
	GRI 102-39	Percentage increase in annual total compensation ratio	2019 Annual Report, p.52
<b>GRI 102: General disclosures: stakeholder engagement</b>			
	GRI 102-40	Stakeholder groups engaged by the organisation	p.15-16
	GRI 102-41	Collective bargaining agreements	p.39, 69
	GRI 102-42	Identifying and selecting stakeholders	p.14-16
	GRI 102-43	Approach to stakeholder engagement	p.14-16
	GRI 102-44	Key topics and concerns raised	p.15-16
<b>GRI 102: General disclosures: reporting practice</b>			
	GRI 102-45	Entities included in the consolidated financial statements	2019 Annual Report, p.56
	GRI 102-46	Defining report content and topic boundaries	p.17
	GRI 102-47	List of material topics	p.17, 20
	GRI 102-48	Restatement of information	N/A
	GRI 102-49	Changes in reporting	N/A
	GRI 102-50	Reporting period	p.3
	GRI 102-51	Date of most recent report	N/A
	GRI 102-52	Reporting cycle	p.3
	GRI 102-53	Contact point for questions regarding the report	p.3
	GRI 102-54	Claims of reporting in accordance of GRI standards	p.3
	GRI 102-55	GRI content index	p.76-85
	GRI 102-56	External assurance	N/A

## GRI-Material Topic Disclosures

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Economic</b>			
<b>GRI 103: Management approach</b>	GRI 103-1	Explanation of the material topic	p.54
	GRI 103-2	The management approach and its components	p.55
	GRI 103-3	Evaluation of the management approach	p.52-61
<b>GRI 201: Economic performance</b>	GRI 201-1	Direct economic value generated and distributed	p.60
	GRI 201-3	Defined benefit plan obligations and other retirement plans	p.54
	GRI 201-4	Financial assistance received from government	N/A
<b>GRI 202: Market presence</b>	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p.39, 73
	GRI 202-2	Proportion of senior management hired from the local community	p.38
<b>GRI 203: Indirect economic impacts</b>	GRI 203-1	Infrastructure investments and services supported	p.57-58
<b>GRI 204: Procurement practices</b>	GRI 204-1	Proportion of spending on local suppliers	p.60
<b>GRI 205: Anti-corruption</b>	GRI 205-2	Communications and training on anti-corruption policies and procedures	p.68
	GRI 205-3	Confirmed incidents of corruption and actions taken	There were no incidents of corruption recorded during the period.
<b>Environment</b>			
<b>GRI 103: Management approach</b>	GRI 103-1	Explanation of the material topic	p.42
	GRI 103-2	The management approach and its components	p.43
	GRI 103-3	Evaluation of the management approach	p.40-51
<b>GRI 301: Materials</b>	GRI 301-1	Materials used by weight or volume	p.49
	GRI 301-2	Recycled input materials used	p.49

## GRI-Material Topic Disclosures *Continued*

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Environment continued</b>			
<b>GRI 302: Energy</b>	GRI 302-1	Energy consumption within the organisation	p.48, 74
	GRI 302-2	Energy consumption outside of the organisation	N/A
	GRI 302-3	Energy intensity	p.48
	GRI 302-4	Reduction of energy consumption	p.74
	GRI 302-5	Reductions in energy requirements of products and services	Highland Gold aims to maintain or reduce energy intensity. However, site expansions and increased throughput is likely to increase overall energy requirements.
<b>GRI 303: Water and effluents</b>	GRI 303-1	Interactions with water as a shared resource	p.50, 74
	GRI 303-2	Management of water discharge-related impacts	p.50, 74
	GRI 303-3	Water withdrawal by source	p.74
	GRI 303-4	Water discharge	p.74
	GRI 303-5	Water consumption	p.50
<b>GRI 304: Biodiversity</b>	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p.51, 75
	GRI 304-2	Significant impacts of activities, products and services on biodiversity	p.51, 75
	GRI 304-3	Habitats protected or restored	p.51, 75
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
	G4 MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	p.75

## GRI-Material Topic Disclosures *Continued*

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Environment continued</b>			
	G4 MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	The Russian Federation requires all mining operations to undergo biodiversity and ecology assessments. Biodiversity management plans are put in place at each mining site, which are approved by state expert panels.
<b>GRI 305: Emissions</b>	GRI 305-1	Direct (scope 1) GHG emissions	Systems are being put in place to allow Highland Gold to report on GHG emissions intensity from 2021.
	GRI 305-2	Energy indirect (scope 2) GHG emissions	The Company does not currently monitor scope 2 GHG emissions.
	GRI 305-3	Other indirect (scope 3) GHG emissions	The Company does not currently monitor scope 3 GHG emissions.
	GRI 305-4	GHG emissions intensity	Systems are being put in place to allow Highland Gold to report on GHG emissions intensity from 2021.
	GRI 305-6	Emissions of ozone-depleting substances	p.74
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	p.74
<b>GRI 306: Effluents and waste</b>	GRI 306-1	Water discharge by quality and destination	p.74
	GRI 306-2	Total weight of waste by type and disposal method	p.74
	GRI 306-3	Significant spills	p.74
	GRI 306-4	Transport of hazardous waste	p.74

## GRI-Material Topic Disclosures *Continued*

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Environment continued</b>			
	G4 MM3	Total amounts of overburden, rock, tailings and sludges	p.74
<b>GRI 307: Environmental compliance</b>	GRI 307-1	Non-compliance with environmental laws and regulations	p.45
<b>GRI 308: Supplier environmental assessment</b>	GRI 308-1	New suppliers that were screened using environmental criteria	N/A
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	N/A
<b>Social</b>			
<b>GRI 103: Management approach</b>	GRI 103-1	Explanation of the material topic	p.33
	GRI 103-2	The management approach and its components	p.34
	GRI 103-3	Evaluation of the management approach	p.31-39
<b>GRI 401: Employment</b>	GRI 401-1	New employee hires and employee turnover	p.37
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.38
	GRI 401-3	Parental leave	p.38, 72
<b>GRI 402: Labour management / relations</b>	GRI 402-1	Minimum notice periods regarding operational changes	N/A
	G2 MM4	Number of strikes and lock-outs exceeding one week's duration	There were no strikes during the period.
<b>GRI 404: Training and education</b>	GRI 404-1	Average hours of training per year per employee	p.32, 73
	GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	p.35, 37, 38
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	p.38
<b>GRI 405: Diversity and equal opportunity</b>	GRI 405-1	Diversity of governance bodies and employees	p.39

## GRI-Material Topic Disclosures *Continued*

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Social continued</b>			
	GRI 405-2	Ratio of basic salary and remuneration of women to men	p.39, 73 – male and female workers are always compensated equally on an hourly rate.
<b>Human Rights</b>	Human rights management is included in corporate governance. It is not considered to be a material risk for Highland Golds' operations, but disclosures have been made in recognition of the fact that it is considered a material topic for companies working in extractive industries.		
<b>GRI 406: Non-discrimination</b>	GRI 406-1	Incidents of discrimination and corrective actions taken	There were no incidences of discrimination.
<b>GRI 407: Freedom of association and collective bargaining</b>	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p.39
<b>GRI 408: Child labour</b>	GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	N/A
<b>GRI 409: Forced or compulsory labour</b>	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	N/A
<b>GRI 410: Security practices</b>	GRI 410-1	Security personnel trained in human rights policies or procedures	p.39
<b>Occupational Health and Safety</b>			
<b>GRI 103: Management approach</b>	GRI 103-1	Explanation of the material topic	p.23
	GRI 103-2	The management approach and its components	p.24
	GRI 103-3	Evaluation of the management approach	p.21-30
<b>GRI 403: Occupational health and safety</b>	GRI 403-1	Occupational health and safety management system	p.26
	GRI 403-2	Hazard identification, risk assessment and incident investigation	p.24-28
	GRI 403-3	Occupational health services	p.29
	GRI 403-4	Worker participation, consultation and communication on occupational health and safety	p.28
	GRI 403-5	Worker training on occupational health and safety	p.28
	GRI 403-6	Promotion of worker health	p.29

## GRI-Material Topic Disclosures *Continued*

GRI content index	GRI reference code	GRI reference title	Disclosure
<b>Social continued</b>			
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	N/A
	GRI 403-8	Workers covered by an occupational health and safety management system	See 403-1
	GRI 403-9	Work-related injury	p.25
	GRI 403-10	Work-related ill health	p.29
<b>Communities</b>			
<b>GRI 103: Management approach</b>	GRI 103-1	Explanation of the material topic	p.54
	GRI 103-2	The management approach and its components	p.55
	GRI 103-3	Evaluation of the management approach	p.52-61
<b>GRI 411: Rights of indigenous peoples</b>	GRI 411-1	Incidents of violations involving rights of indigenous peoples	There were no incidences recorded.
<b>GRI 412: Human rights assessments</b>	GRI 412-01/2/03	01: Operations that have been subject to human rights reviews or impact assessments	N/A
		02: Employee training on human rights policies or procedures	p.68
		03: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening"	N/A
<b>GRI 413: Local communities</b>	GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	p.52-61
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	p.52-61
<b>GRI 419: Socio-economic compliance</b>	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	There were no non-compliances.



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