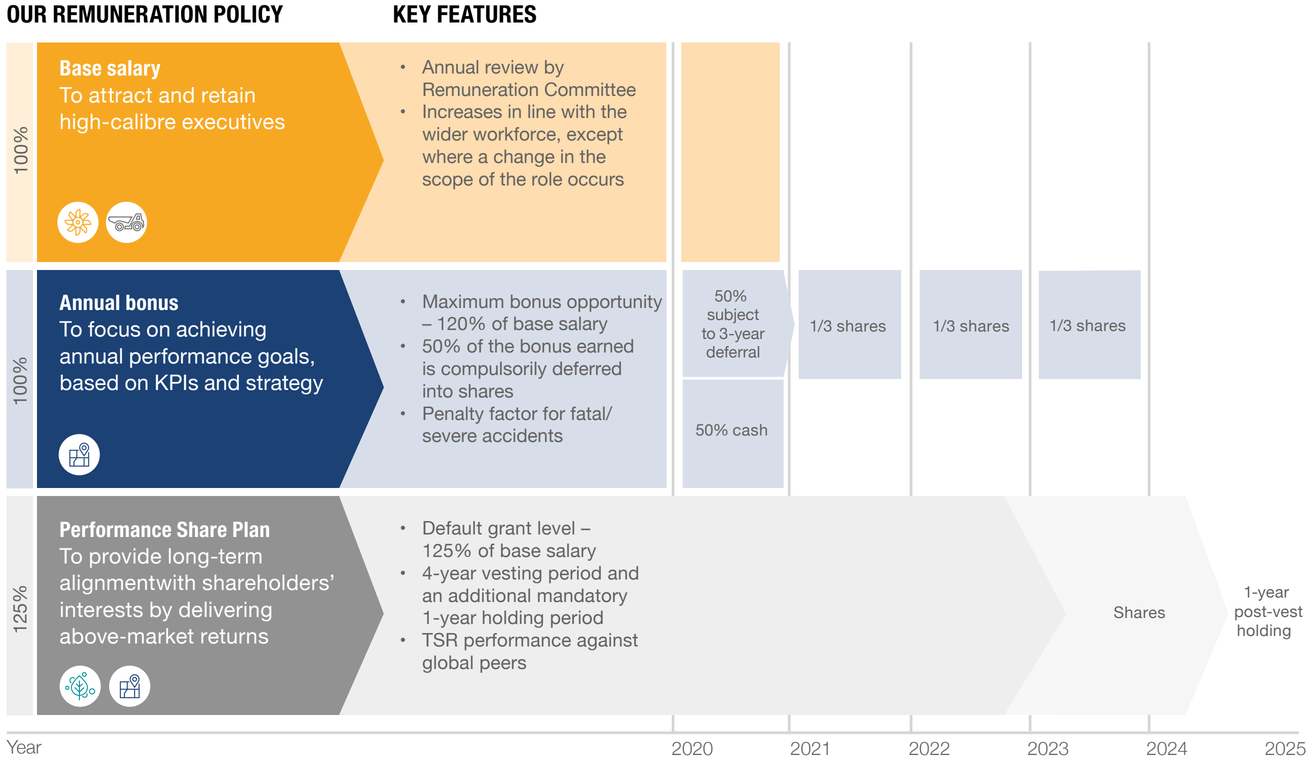
Remuneration at a glance

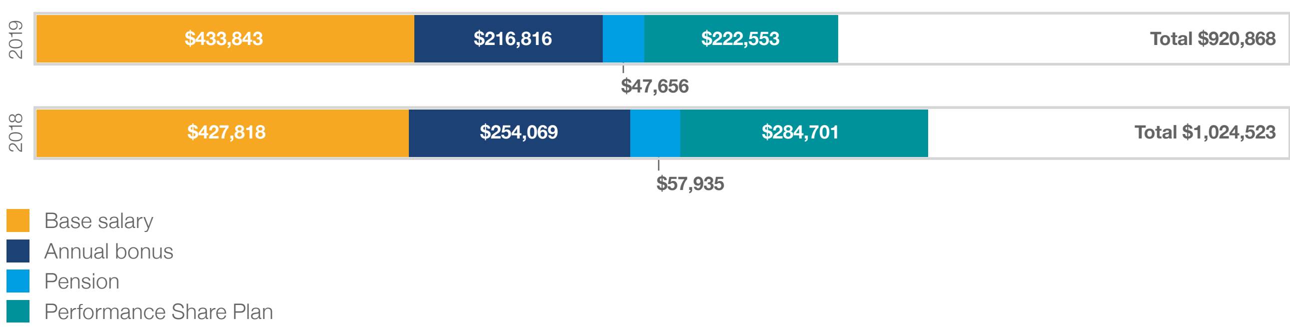
The overview below summarises the vesting outcomes for our incentives during 2019, and the alignment of these outcomes with our corporate strategy, and the actual payments to the Group CEO for 2019.



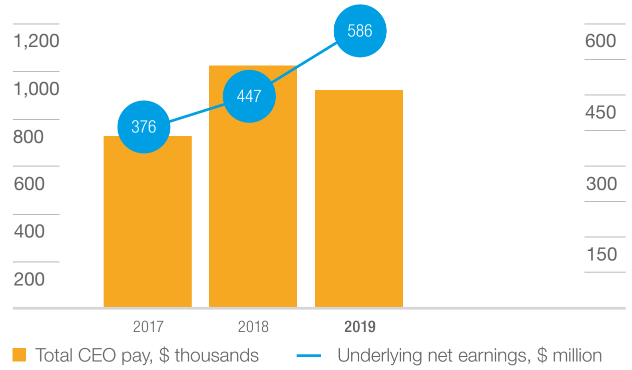
SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The graph below sets out total remuneration for the Group CEO for 2019. Further details are provided on page 133.

Group CEO

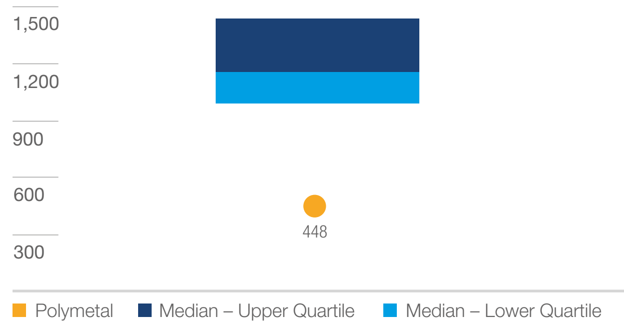


GROUP CEO PAY VS POLYMETAL PERFORMANCE



2020 PROPOSED GROUP CEO BASE SALARY VS MARKET BENCHMARK[1]

($ THOUSANDS)



1 Data per 2019 Report on FTSE 100 Director's Remuneration. GBP translated to US$ using cross-rate as of 31.12.2019.

Variable pay outcomes

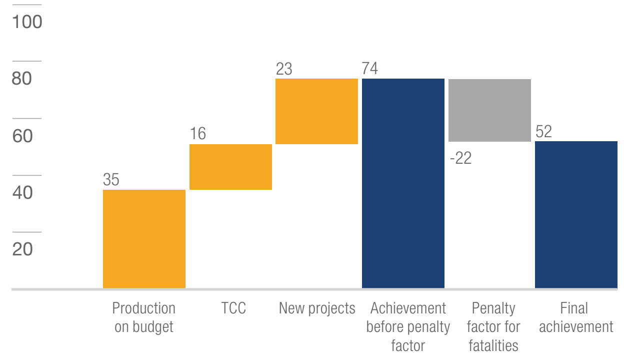
Annual bonus payment made in respect of performance for the year comprised 52% of base salary, or $216,816. Further details on the performance measures, targets and actual outcomes are provided on page 134.

$216,816

Annual bonus
2018: $254,069

2019 ANNUAL BONUS OUTCOMES

(% OF TARGET)



PSP vesting

During the four-year performance period ending 29 April 2019 for the PSP awards made in 2015, Polymetal achieved a positive absolute TSR of 56.1% and outperformed a median TSR of 34.8% of the FTSE Gold Mines Index constituents. Further details on PSP vesting are provided on page 135.

32.1%

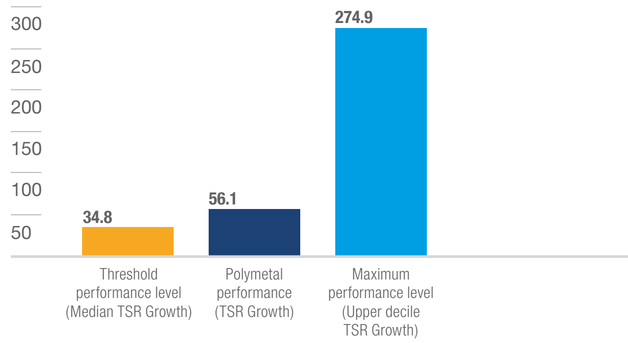
Vesting of 2015 PSP grant
2018: 39.1%

$222,553

PSP face value
2018: $284,701

4-YEAR TSR VS FTSE GOLD MINES PEERS

(%)



Remuneration Committee report

“Our updated Remuneration Policy will ensure continued alignment with our strategy and culture, with management focusing on running a sustainable business while generating superior shareholder returns.”

Remuneration Committee meeting attendance

Board member	Meetings
Christine Coignard (Chair)	6/6
Giacomo Baizini	6/6
Jonathan Best[1]	2/2
Ollie Oliveira	6/6
Italia Boninelli[2]	0/0

1 Member until 23 April 2019.
2 Member from 12 December 2019.

Further business conducted by the Committee was approved by written resolution on one further occasion.

The Remuneration Committee comprises four independent non-executive Directors who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable). The Committee is chaired by Ms Coignard and its other members are Messrs Oliveira and Baizini, and Ms Boninelli. Mr Best served on the Committee prior to the AGM on 23 April 2019, but did not put himself forward for re-election. Ms Kerr joined the Committee on 30 January 2020.

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

Dear shareholders

2019 was a busy year for both corporate governance and remuneration matters, with the majority of London-listed companies, including Polymetal, requesting shareholders to approve their revised Directors’ Remuneration Policy. Changes stipulated in the UK Code as well as secondary legislation and updated guidelines by major proxy advisors and governance teams of major institutional investors provided us with a clear framework to review our Remuneration Policy and reporting practices.

Remuneration features in 2019

In 2019, we implemented our Remuneration Policy which operated as intended, and without the need to exercise any discretion.

The total 2019 remuneration of Mr Nesis, Group CEO and only executive Director, comprised $920,868. As a result of the strong performance of the Company and achieving set KPIs (as disclosed on page 134), an annual bonus of $216,816, representing 52% of base salary and 41% of maximum opportunity, was awarded to the Group CEO in respect of 2019. Effective 1 April 2020, Mr Nesis’s salary will increase by the Russian inflation rate of 4%, which is in line with the average increase for the rest of our workforce. This will result in a revised Group CEO base salary of $447,745 per annum. The current base salary of the Group CEO is below lower quartile for companies of comparable sector and size.

In 2019, key Group employees benefited from the vesting of Polymetal’s Performance Share Plan (PSP) for the second year in a row. During the four-year vesting period (2015–2019), Polymetal achieved a positive absolute TSR of 56.1% and outperformed the median TSR of 34.8% of the FTSE Gold Mines Index constituents. This resulted in the PSP vesting at 32.1% of maximum. The shares awarded are subject to a mandatory one-year holding period following vesting. In 2019, the PSP benefited 414 participants including senior management, selected mid-management and specialists. We trust that this plan serves to further motivate and retain all of our PSP participants.

Supporting core values

We employ almost 12,000 people in our offices, mines and processing facilities. Our people are often required to work in remote regions with extreme weather conditions that generally require fly-in, fly-out arrangements. Like the rest of our industry peer group, having a highly skilled workforce with a range of specialist skills is a prerequisite to achieving our long-term goals. Many of our senior managers graduated at top Russian and international universities. Talented people are both scarce and in demand; hence formulating an appropriate remuneration package is key to hiring, retention and motivation for Polymetal.

We believe that fundamental to this is having an even-handed approach throughout the organisation, fostered through a Remuneration Policy with consistently applied principles and structures. We offer our executive Director and management team a competitive package. This consists of a base salary that is supplemented with individual incentives, which draw on key strategic, operating, financial and ESG metrics for the business. We further align the interests of the Company’s management and shareholders through a long-term performance share plan covering 414 key employees within our organisation.

	Key responsibilities	Focus during 2019
Remuneration Policy	• Determining, within agreed terms of reference, the remuneration of the Chair and specific remuneration packages for the executive Director, the Company Secretary and members of senior management, including any pension rights and compensation payments	• Approach to remuneration: executive remuneration strategy and structure; employee remuneration review, including results of internal survey, salary benchmarking, workforce engagement on remuneration • Annual review of the Board Chair’s fee • Performance Share Plan (PSP) update and scheme analysis. A list of criteria for PSP inclusion • Updated Remuneration Policy to be proposed at the 2020 AGM following shareholder consultation
Remuneration of executive management	• Making recommendations to the Board on the Group’s policy on the remuneration of executive management • Formulating suitable performance criteria for the performance-based pay of executive management • Reviewing and overseeing all aspects of any executive share scheme operated by or to be established by the Company	• Approval of bonuses and deferred shares issued to the Group CEO and senior management. Confirmation that there was no malus or clawback • Senior management salary review; approval of KPIs for 2019 • Approval of PSP grant for 2019 • Approval of the PSP vesting (award of 2015 grant)
Governance and employee benefit structures	• Having a duty of care to keep abreast and act upon changes in law, regulations and other published guidelines or recommendations regarding the remuneration of directors of listed companies, including formation and operation of share schemes • Considering and making recommendations to the Board concerning disclosure of details of remuneration packages and structures, in addition to those required by law or regulations • Reviewing and advising the Board on any major changes in employee benefit structures throughout the Company or the Group	• Final approval of the Remuneration Report for 2019 • New UK Governance Code/legal/proxy guidance update: impact on disclosure requirements • Review of the Committee’s terms of reference • Internal evaluation • Review of the work plan for 2020

Obviously, it is not just remuneration that helps us retain highly dedicated and loyal employees – staff turnover in 2019 was only 5.8%. This starts with our core values, consistently applied across the organisation. We have a relatively young workforce with an average age of 39 years but, at the same time, we have a good mix of generations that complement and work well with each other. We are proud supporters of gender diversity, at management level and at an operational level. We also focus on training opportunities that enable all our employees to develop relevant hard and soft skills as we look to growing our future leadership.

2019 was the first year in which we formalised our workforce engagement programme with the Board. This was in addition to the meetings that Directors already have with Group employees during Board meetings, visits to Group subsidiaries and site trips. A ‘direct line’ communication channel offered employees throughout the Group an opportunity to ask the Board questions. The Board received 34 questions from individual employees and 12 from groups of employees, 15% of which related to remuneration. The Remuneration Committee carefully reviewed the questions relating to remuneration and responded to each individual employee. The answers to all of the questions received as part of the Board engagement programme were published on the intranet and in the corporate newspaper. Within the intranet, a dedicated page was set up to communicate to the Group employees how executive remuneration aligns with the wider Company pay policy. For details on workforce engagement refer to page 101.

To read more about how the Committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, see page 127.

Changing our Remuneration Policy

The revised Directors’ Remuneration Policy will be put forward for shareholder approval at the AGM scheduled for April 2020. The Remuneration Committee has given significant thought to the relevance and applicability of the existing policy and has considered potential changes to it in the context of Polymetal’s current strategy and industry-specific market conditions as well as evolving UK governance practices. A shareholder and proxy advisor consultation period ran in October–December 2019 and the Board Chair, SID and I participated in several meetings and calls requested by our shareholders. We listened carefully and can confirm that no significant concerns about the proposals were raised.

The main objectives of the revised policy remain the same:

- Structure the remuneration package towards long-term corporate performance taking into consideration the interests of all of our stakeholders as a whole.
- Attract and fairly reward high-calibre directors and executives in respect of the responsibilities undertaken and comparable pay levels.
- Incentivise management to maximise the value of Polymetal and align the interests of executives with those of shareholders.

The Committee believes that the current pay structure for executive management is well aligned to the strategy of maintaining stakeholder value through growth and cash flow generation alongside a culture with high standards of corporate governance and sustainable development for the following reasons:

- There is a good balance between fixed and variable pay. Variable pay represents more than 50% of the total remuneration package for the Group CEO.

- The KPIs used are tailored to the strategic objectives and corporate culture.
- The KPIs currently used for variable pay can be objectively measured and are within management's control. Use of directly controllable KPIs ensures not only strategic alignment, but also reinforces the motivational impact of the annual bonus targets.
- Deferral of 50% of the annual bonus ensures that the short-term annual targets are not achieved at the expense of long-term shareholder value creation. This also enables management to participate in the share price and dividend upside and strengthens alignment between management and shareholders' interests.
- Finally, the long-term incentive plan provides a further significant incentive to execute the strategy of long-term value creation. It only generates significant payouts if Polymetal excels among its peers on delivering TSR by combining growth and dividends.

We were pleased to see that most of the recent provisions for legal, regulatory, guidelines and best practice governance and reporting updates applicable to us were already built into our existing Remuneration Policy and reports. We have also looked at the mechanics of the Performance Share Plan (PSP) since it first vested in 2018 and made minor adjustments to improve the plan. As a consequence, we have fine-tuned the process for vesting PSP shares without much altering the expected outcomes. We have introduced a two-year post-cessation requirement for a minimum shareholding by our executive Director and senior executives. We have clarified the rules on malus and clawback, and improved the framework for the use of any necessary discretion. Finally, for the first time since listing in 2011, we have introduced a fee for the Senior Independent Director (SID) and have increased the fee for our Board Chair in line with the market. In both cases, the changes reflect the increased complexity and responsibilities of the roles as well as the time commitment necessary to discharge these duties. We will continue to report on a voluntary basis on CEO pay ratio (page 137) and the gender pay gap (page 112).

From 2020, we will be increasing the scope of sustainability KPIs within the annual bonus scheme. In line with the Company's enhanced emphasis on sustainability and corporate social responsibility, from 2020 the KPI structure for the Group CEO and the relevant senior management will be changed: an additional 10% ESG KPI will be introduced, with simultaneous decreases of both production and TCC KPIs from 25% to 20%. The share of two sustainability KPIs (health and safety and the new ESG) will constitute 35% of the total of five KPIs. To ensure a continuing focus on safety, the penalty factor for fatal/severe cases – a reduction of up to 50% of the annual bonus earned for non-safety-related KPIs – remains unchanged. The new ESG KPI will be defined each year by the Company's Safety and Sustainability Committee in line with the Group's long-term targets and will be based on a comprehensive scorecard. Performance against the scorecard will be assessed by the Safety and Sustainability Committee and recommended for approval by the Board with the Group CEO abstaining on any decisions in relation to the scorecard. Further information can be found on page 115.

We believe that the revised Remuneration Policy will both continue to motivate and retain our high-calibre executive team, with its historic track record of delivering on a sustainable business model and generating superior shareholder returns. The revised fees for the Board Chair and SID will ensure that Directors are fairly compensated for their time and contribution to ensuring best corporate governance practice in Polymetal.

We would like to thank you for your continued support for the Company's Remuneration Policy and Remuneration Committee report. The current Directors' Remuneration Policy was approved by shareholders on 16 May 2017 with 99.10% votes cast in favour, with a subsequent 98%+ of votes in favour of implementation during 2017–2019. The Board and the Remuneration Committee are unanimous in proposing that the minor changes to the Remuneration Policy detailed within this report are in the best interests of the Company and we would ask for your approval of the revised policy at the 2020 AGM.

Going forward

At the time of the AGM, I will have served six years on Polymetal's Board: as Senior Independent Director; Chair of the Remuneration Committee; a member of both the Audit and Risk Committee and the Nomination Committee. These have been exciting times during which, and on all strategic, operational, financial and ESG fronts, Polymetal has become a world leader in the precious metals sector. Our market capitalisation has more than doubled and we have gained international recognition for our achievements. It has been an honour to have contributed to this in my role as a Director. As the Company embarks on the next phase of its development and fine tunes its corporate culture including diversity across all levels of the organisation, I feel it is time for me to move on and make room for new sets of skills on the Board. I will not therefore present myself for re-election as a Director at this AGM.

Italia Boninelli and Tracey Kerr joined the Committee in 2019 and 2020 respectively. Ollie Oliveira has served on the Committee since April 2018 and has been pivotal in refining our procedures and practices. He will chair the Remuneration Committee from the 2020 AGM onwards.

I would like to thank you for your very strong support during the last six years and, like you, I look forward to following further developments at Polymetal.

C. Gifford.

Christine Coignard
Chair, Remuneration Committee

Remuneration Policy update

The Remuneration Committee confirms that many aspects of the policy are already in line or ahead of market practice, including base salary, pension, annual bonus, Deferred Share Plan, and vesting period of Performance Share Plan.

The Remuneration Committee has determined that certain aspects of our Remuneration Policy require amendment in order to reflect the changing environment in which Polymetal operates. After detailed discussions, the Remuneration Committee and the Board (where applicable) are proposing the following, with the changes highlighted in the tables below.

Summary of the Directors' Remuneration Policy

Element of policy	Current policy	Revised approach	Rationale for update
Base salary	Any increase in base salary is typically in line with the wider workforce, unless there are exceptional circumstances or a significant change of responsibilities, which may warrant a higher increase. The current base salary of the Group CEO is below the lower quartile for companies of comparable sector and size.	No change	
Pension	The Group CEO and senior executives' pension contributions do not exceed the mandatory defined contribution made to the pension fund of the Russian Federation (10% of total pay). The Group does not fund any additional pension contributions or retirement benefits. For new hires, pension contributions will be limited to the mandatory contributions required by applicable law.	No change	This approach is in line with the wider workforce.
Annual bonus	KPIs are reviewed and approved on an annual basis, targets are disclosed retrospectively. KPIs for the senior executives' team mirror those of the Group CEO where applicable and include directly controllable metrics.	No change	
LTIP (Deferred Shares Awards)	50% of the Group CEO's and senior executives' bonus is deferred into shares released in equal instalments over three years by way of deferred share awards.	No change	
LTIP (Performance Share Plan)	**Vesting period:** A vesting period of four years applies with an additional post-vest holding period of one year.	No change	
	Opportunity: Maximum grant permitted under the plan rules is **200%** of salary per annum. Default grant level is expected to be **150%** of base salary.	Maximum grant permitted under the plan rules is **150%** of salary per annum. Default grant level is expected to be **125%** of base salary. The value that can be received in the year of vesting will be **limited to twice the face value** of the award on grant. Any gains above this will be forfeit before the start of the one-year holding period. In certain exceptional circumstances, the Remuneration Committee will be able to use discretion to disapply the cap.	An amendment in order to reduce the risk of potential excessive gains arising from the potential volatility of Polymetal's share price.

Remuneration Policy update **continued**

LTIP (Performance Share Plan) continued	**Performance metrics used and period applicable:** Vesting is tied to Polymetal's relative TSR performance against FTSE Gold Mines Index constituents: • 0% vests for below median performance • 20% vests at median performance • 100% vests at **top decile** performance and above. Vesting occurs on a linear line basis between median and top decile performance. No award will vest if absolute TSR is negative, regardless of relative performance.	Vesting is tied to Polymetal's relative TSR performance against FTSE Gold Mines Index constituents: • 0% vests for below median performance • 20% vests at median performance • 100% vests at **upper quintile** performance and above. Vesting occurs on a linear line basis between median and upper quintile performance. No award will vest if absolute TSR is negative, regardless of relative performance.	The revised vesting scale will be better tailored to reward for the Company's underlying relative performance versus that of peers. This amendment is not expected to produce any large changes in pay-outs but will strip out the effect of abnormal one-off performances in the top decile of the peer group. Bringing the performance requirement down to the upper quintile with a simultaneous reduction in quantum maintains similar pay for performance with maximum pay-out still requiring performance significantly above market peers.
Minimum shareholding requirement	**Operation:** The Group CEO is required to build a minimum shareholding over a **four-year** period.	Executives will be required to build a minimum shareholding over a **five-year** period.	
	Opportunity: 500% of base salary for the Group CEO.	500% of base salary for the Group CEO. A requirement to retain the same minimum shareholding will apply for **two years post-cessation** of employment.	
Malus and clawback	Clawback and malus provisions apply for the unvested portion of the LTIP (both DSA and PSP); the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that a material misstatement, misconduct and/or a failure of risk management occurs. No clawback is applied to the cash part of the annual bonus, as this provision would contradict the labour law of the Russian Federation.	For unvested shares under the LTIP (both DSA and PSP) an employee loses the vesting rights unless there are good leaver circumstances. In addition, there are certain provisions for the reduction of the LTIP vesting, including clawback. LTIP rules will be amended to make specific reference to malus and clarify clawback provisions to include misconduct or fraud, misstatement of accounts, corporate failure, serious reputational damage or failure of risk management and may be revised by the Remuneration Committee from time to time.	List of provisions largely in line with guidance to the Code and typically applied FTSE practice.

Independent non-executive Directors' (INED) remuneration

INEDs' fees will be denominated and paid in US Dollars in line with the $/GBP exchange rate used in the Company's most recent Annual Report. (Historically, INEDs' fees were paid in GBP, but disclosed within the remuneration report in US Dollars.) This brings the payment of INED fees in line with the Group reporting and the Company's functional currency. Proposed 2019 fees are largely in line with the estimated 2019 fees disclosed in the Annual Report 2018, other than for some minor changes due to the rounding of the resulting US Dollar fee amounts.

In addition, in response to the increasing regulatory and governance compliance requirements and significant time commitment needed, in line with typical market practice, the introduction of an additional fee is proposed for performing the role of the Senior Independent Director, set at 20% of the annual INED Board fee. The revised Directors' fees are proposed as follows:

	Proposed revised INED fees, from 2020 onwards, $	Amounts estimated for 2019 as stated in Annual Report 2018, $	% change
INED basic fee	127,000	127,080	-0.06
Additional fees:			
Senior Independent Director	25,000	–	N/A
Audit and Risk Committee Chair	38,000	38,124	-0.33
Remuneration Committee Chair	19,000	19,062	-0.33
Safety and Sustainability Committee Chair	19,000	19,062	-0.33
Nomination Committee Chair	19,000	19,062	-0.33
Committee membership fee (not payable to the Committee Chair)	13,000	12,708	2.30
Board and Committee meeting attendance fee	4,000	3,812	4.92

Independent Board Chair remuneration

In response to the increased prominence and complexity of the role of the Board Chair at Polymetal and to better align remuneration with current market levels, an increase in the Chair's fee is proposed; this has not been amended since the Company's IPO in 2011. After careful consideration, the Remuneration Committee has determined that this increase is appropriate in light of the wider scope and greater responsibilities required of this role at Polymetal, largely due to the increased scale and complexity of the Company, as well as the subsequent demands and time commitment. The revised fee will be at the median of FTSE 100 companies.

	Proposed revised Chair fee, $	Amounts estimated for 2019 as stated in Annual Report 2018, $
Independent Board Chair fee	500,000	317,700

Directors' Remuneration Policy

Summary table

At the AGM on 27 April 2020, the Committee will be requesting shareholder approval of the following Remuneration Policy to cover a period of three years. The Policy will apply from the date of approval. No changes to the previous policy have been made, other than where indicated earlier in this report on page 121.

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Executive Director – Group CEO			
Base salary **To attract and retain high-calibre executives**	The Committee reviews the base salary on an annual basis and, when setting base salary for the following year, takes into account general economic and market conditions, underlying Group performance, the level of increases made across the Group as a whole, the remuneration of executives in similar positions in FTSE and global mining peers, and individual performance.	Over the policy period, the base salary for the Group Chief Executive Officer will be set at an appropriate level within the peer group and will increase in line with base salary increases for the wider workforce, except where a change in the scope of the role occurs. The annual base salary for the reporting year and the current year is set out in the Annual Report on Remuneration and on page 139.	Not applicable.
Pension **To provide funding for retirement**	The Group does not fund any pension contributions or retirement benefits, except contributions to the mandatory pension fund of the Russian Federation, as required by Russian law. The Group pays defined contributions to the mandatory pension fund. This permits retiring employees to receive a defined monthly pension for life from the statutory pension fund.	Pension contribution does not exceed the mandatory contribution made to the pension fund of the Russian Federation. Currently 10% of total pay.	Not applicable.
Benefits	The Group does not provide any benefits for its Group CEO.	Not applicable.	Not applicable.
Annual bonus **To focus on achieving annual performance goals, which are based on the Group's KPIs and strategy**	The annual bonus result is determined by the Committee after the year end, based on performance against defined targets. Annual bonuses are paid three months after the end of the financial year to which they relate. 50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments through the Deferred Share Awards (DSA) plan. Clawback conditions apply to the DSA. No clawback is applied to the cash part of the annual bonus, as this provision would contradict the labour law of the Russian Federation. Details of the DSA are set out on the next page.	Maximum bonus opportunity – 120% of base salary with the following weightings at target: • Production (20%) – 150% maximum • Total cash cost[1] (20%) – 150% maximum • Completion of new projects on time and within budget (25%) – 100% maximum • Health and safety (25%) – 100% maximum • ESG (10%) – 100% maximum. There is an additional penalty factor for fatal/severe cases of up to 50% of the annual bonus earned for non-safety-related KPIs. Target bonus opportunity – 100% of base salary.	The annual bonus is earned based on the achievement of a mix of financial and non-financial measures over the financial year. The Committee has discretion to vary the list and weighting of performance metrics over the life of this Remuneration Policy. In addition, the Committee has discretion to vary performance metrics part-way through a year if there is a significant event, which causes the Committee to believe that the original performance metrics are no longer appropriate. No discretion was applied in 2019.

1 As defined on page 69.

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP)			
Deferred Share Awards plan (DSA) **Deferral to encourage retention and alignment with shareholders' interests**	50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments. Clawback and malus provisions apply for the unvested portion of the DSA; the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Not applicable.	Entitlement to this deferred component is subject to continued employment over the deferral period. In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment due to death, injury, ill-health, disability, redundancy, retirement, or any other circumstance which the Committee determines (Good Leaver Circumstances). Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances there would be no pro-rating of the DSAs for the time from the award date until cessation of employment or for performance. No performance conditions apply to the DSA shares as they have been subject to fulfilment of annual KPIs.
Performance Share Plan (PSP) **To provide long-term alignment with shareholders' interests by delivering sustainable above-market shareholder returns**	Under the PSP, annual rolling conditional share awards are made with a four-year vesting period and an additional mandatory holding period of one year following vesting. Stretch performance targets reward participants for delivering positive absolute and superior relative TSR performance against global peers over the performance period. Clawback and malus provisions apply for the unvested portion of the PSP, whereby the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. Retesting of the performance conditions in future years is not allowed under any circumstances.	Maximum grant permitted under the plan rules is 150% of salary per annum. Default grant level is expected to be 125% of base salary. The value that can be received in the year of vesting will be limited to twice the face value of the award on grant. Any gains above this will be forfeit before the start of the one-year holding period. In certain exceptional circumstances, the Remuneration Committee will be able to use discretion to disapply the cap. Outstanding awards during 2016, 2017, 2018, and 2019 had a default grant level of 150% of salary. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Vesting is based on relative TSR, measured over 4 years against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting: • 0% vests for below median performance • 20% vests at median performance • 100% vests at upper quintile performance and above. Vesting occurs on a linear line basis between median and upper quintile performance. No award will vest if absolute TSR is negative, regardless of relative performance. The Committee may substitute, vary or waive the performance targets if an event occurs which causes the Committee to consider that the target is no longer appropriate. The Committee has discretion to vary the proportion of awards that vest to ensure that the outcomes are fair and appropriate, and reflect the underlying performance of the Group.

Use of discretion for LTIP programme (DSA and PSP)

When setting forward-looking targets, it is not always possible to predict the outcomes, especially with the quickly changing market environment and the volatility of our sector. The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate. The Committee will make adjustments to retain the original intent and challenge of the performance measure in the event of, for example, corporate transactions, significant commodity, share price or other macroeconomic volatility or changes to accounting standards. If any discretion is exercised, the rationale will be fully disclosed in the subsequent Annual Report.

Directors' Remuneration Policy continued

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP) continued			
Minimum shareholding requirements **To strengthen alignment between the interests of the executive Director and those of shareholders**	Executive Directors will be required to build a minimum shareholding over a five-year period. Unvested shares under the PSP or DSA are not taken into account when calculating progress towards the minimum shareholding requirements. For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Post vesting and tax, all shares acquired under PSP and DSA awards must be retained until the shareholding requirement is met.	500% of base salary for the Group CEO. The retention of the full shareholding is required for two years post-cessation of employment.	Not applicable.
Non-executive Directors			
Fees for non-executive Directors **To attract and retain high-calibre non-executive Directors**	The fees of independent non-executive Directors are set by reference to those paid by other FTSE peer companies. Fees are set to reflect the responsibilities and time spent by non-executive Directors on the affairs of the Company. No fees are paid to non-independent, non-executive Directors. Non-executive Directors are not eligible to receive benefits and do not participate in incentive or pension plans. The following fees are paid in addition to the non-executive Director base fee: Committee Chair's fee; Senior Independent Director fee; Committee membership fee; and Board, Committee and General Shareholder Meeting attendance fees. The Remuneration Committee determines the framework and broad policy for the remuneration of the Board Chair for approval by the Board. The remuneration of non-executive Directors is a matter for the Board Chair and the executive members of the Board, i.e. the Group CEO. Directors do not participate in discussions relating to their own fees.	Fees are reviewed, but not necessarily increased, on an annual basis. Any increase in non-executive Directors' fees will normally be in line with market levels for similar roles in UK-listed companies, except where a change in the scope of the role occurs. Current fee levels are set out in the Annual Report on Remuneration.	Not applicable.

Performance measures and targets

The Committee selected the performance conditions indicated in the policy table because they are central to the Company's overall strategy, and include the key metrics used under the annual bonus and LTIP by the Group CEO to oversee the operation of the business.

Performance targets for all of our incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.

Changes to the policy

The updates that will apply for the Remuneration Policy from 2020 are set out on page 121.

Remuneration Policy alignment with the UK Code

When determining executive remuneration policy, the Committee is addressing the following principles as set out in the revised UK Code:

UK Code principle	How it is addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• Senior management interests are aligned with those of our shareholders and the Company's long-term objectives. 50% of the bonuses awarded each year to the Group CEO and the senior management team are deferred into shares in the Company through the DSA over a period of three years and malus provisions apply to the unvested awards. • The PSP provides an additional focus for key employees of the Group on delivering superior TSR. Stringent PSP vesting conditions, based on above median relative TSR and underpinned by positive absolute shareholder returns, are therefore fully aligned with sustainable shareholder-value creation. • A vesting period of four years under the PSP, over which malus conditions apply to the unvested awards, with an additional post-vest holding period of one year (resulting in a total term of five years) ensures that management focuses on the long-term interests of the Company and of its stakeholders. • To read more about how we engage with our stakeholders, see pages 54 and 100.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The general structure of the Directors' Remuneration Policy is simple and straightforward, including three main elements: • Fixed: base salary (any increase is typically in line with the wider workforce) and pension contributions (do not exceed the mandatory defined contribution to the statutory pension fund, in line with the wider workforce). • Short-term: annual bonus based on achievement of financial and non-financial KPIs. KPIs for the senior executives' team mirror those of the Group CEO where applicable and include directly controllable metrics. • Long-term incentive plan: provides a further significant incentive to execute the strategy of long-term value creation. DSA (50% of the Group CEO's and senior executives' bonus based on annual KPIs is deferred into shares released in equal instalments over three years) and PSP (based on relative and absolute TSR over a vesting period of four years, followed by an additional post-vest holding period of one year).
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee can use discretion in particular circumstances to override excessive outcomes. • The Remuneration Policy is aligned with the Group's risk management assessment process. • Caps are applied to short-term and long-term remuneration to reduce the risk of potential excessive gains, as well as malus and clawback provisions.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The scenario analysis on page 128 provides estimates of the minimum target and maximum opportunity for the Group CEO remuneration. • In addition, the effect of future share price increases on the LTIP outcome has been illustrated on page 128.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	• Performance-related pay makes up a significant proportion of the remuneration package (53% and 69% of total remuneration for target and maximum performance scenarios, respectively), with an appropriate balance between the reward for short- and long-term performance. • The drivers of variable pay (KPIs) are stretching, well-aligned with the Company's strategic and operational objectives, and cascade throughout the organisation in a way that ensures our employees' pay is aligned to Polymetal's performance and to the wider principles of the policy. • Performance targets for all incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.
Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The KPIs used are tailored to the strategic objectives and corporate culture. • The management KPIs include significant weighting towards sustainability metrics, with the Group CEO's component purposefully focused on ESG. More than 70 different ESG KPIs are individually applied throughout the Group to the employee most able to make a difference.

Directors' Remuneration Policy continued

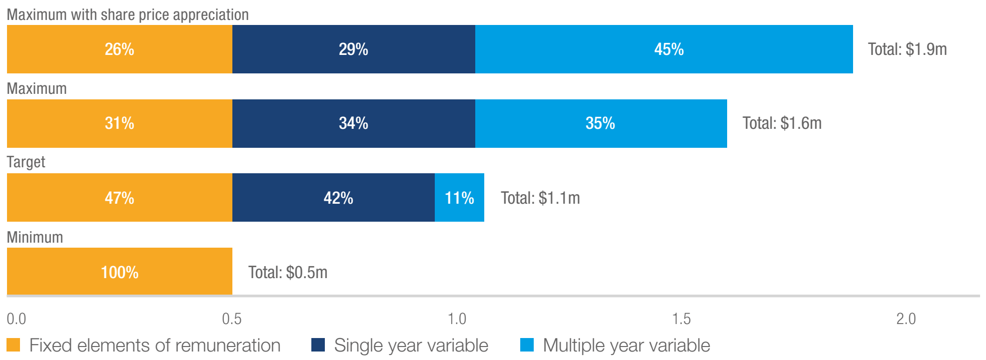
Illustration of application of the Remuneration Policy

The composition and structure of the remuneration package for the Group CEO under four performance scenarios (minimum performance, target performance, maximum performance and maximum with share price appreciation) is set out in the chart below.

This chart shows that the proportion of remuneration delivered through short-term and long-term incentive schemes is in line with our Remuneration Policy and changes significantly across the three performance scenarios. As such, the package promotes the achievement of both short-term and long-term performance targets and drives the alignment of the Group CEO's interests with the interests of shareholders.

Note:
Scenario values are translated at the budgeted exchange rate of 63 RUB/$.

APPLICATION OF REMUNERATION POLICY



	Minimum	Target	Maximum	Maximum with share price appreciation
Fixed elements	Base salary and pension	Base salary and pension	Base salary and pension	Base salary and pension
Single year variable	Performance against quantitative KPIs is below budget by more than 10%. Non-achievement of qualitative or non-financial KPIs. 0% pay-out.	Performance against quantitative KPIs is at budgeted levels. Full achievement of non-financial KPIs. 100% of base salary pay-out (83.3% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 120% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 120% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.
Multiple year variable	Share price performance is below the median of FTSE Gold Mines Index constituents. No shares vest.	Scenario is based on 125% policy awards. Share price performance is at median of FTSE Gold Mines Index constituents. Shares equivalent to 25% of base salary vest under the PSP (20% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available). Share price appreciation of 50% has been assumed.

No allowance has been made for the payment of dividend equivalents.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay a competitive overall package, as appropriate, to attract and motivate the right talent for the role. If an executive is promoted to the Board from within the Company, any pre-existing awards or benefits that were made available to them prior to becoming a Director (and not in anticipation of an imminent promotion to the Board) will be retained and allowed to vest or be provided under the original terms.

The following table sets out the various components that would be considered for inclusion in the remuneration package for the appointment of an executive Director. Any new Director's remuneration package would include the same elements, set at a level consistent with the scope of the role (at a level not exceeding that of the Group CEO as set out in the Remuneration Policy table), and be subject to the same constraints as those of existing executive Directors performing similar roles, as shown below.

Area	Policy and operation
Base salary and benefits	The base salary level will be set by taking into account the experience of the individual and the salaries paid in comparable companies. Depending on the circumstances of any particular appointment, the Committee may choose to set the base salary below market median and increase the amount paid over a period of time to achieve alignment with market levels for the role (with reference to the experience and performance of the individual), subject to the Company's ability to pay. In line with the Remuneration Policy, as set out in the Directors' Remuneration Policy table, no benefits will be provided to recruited Directors.
Pension	Pension contributions will be limited to the mandatory contributions required by Cypriot/Russian/Kazakh or any other applicable law, as set out in the Directors' Remuneration Policy table.
Annual bonus	The executive Director will be eligible to participate in the annual bonus scheme as set out in the Directors' Remuneration Policy table. The maximum annual opportunity is 120% of base salary. 50% of any bonus is deferred into shares under the DSA, as set out in the Directors' Remuneration Policy table.
Long-term incentives	The executive Director will be eligible to participate in the PSP part of the LTIP at the Remuneration Committee's discretion and in line with the details set out in the Directors' Remuneration Policy table. The maximum annual grant permitted under the scheme rules is 150% of base salary and the normal grant level is up to 125% of base salary. Performance measures would apply, as set out in the Directors' Remuneration Policy table.
Replacement awards	The Committee will seek to structure any replacement awards so that overall they are no more generous in terms of quantum or timing than the awards to be forfeited as a consequence of the individual joining the Company. In determining the quantum and structure of any replacement awards, the Committee will seek to replicate the fair value and, as far as practicable, the timing, form and performance requirements of the forfeited remuneration. The maximum value of replacement awards is capped at 50% of the individual's base salary and at least 50% of any replacement award should be delivered in the Company's shares.
Other	Should relocation of a newly recruited executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support may include, but not be limited to, payment of legal fees, removal costs, temporary accommodation/hotel costs, a contribution to stamp duty and replacement of non-transferable household items. In addition, and in appropriate circumstances, the Committee may grant additional support in relation to the payment of school fees and the provision of tax advice. The Company will reimburse the executive Director for all reasonable expenses which they may incur while carrying out executive duties.

Policy on payment for loss of office

The Committee's approach when considering payments in the event of termination is to take into account individual circumstances, including the reason for termination, contractual obligations of both parties, applicable share plan and pension scheme rules (including any relevant performance conditions).

Vitaly Nesis is an executive Director of Polymetal International plc and Group CEO of JSC Polymetal, a 100% subsidiary of the Group, incorporated in Russia. Further details are set out in the current Directors' service contracts section on page 132.

Directors' Remuneration Policy **continued**

The table below summarises the key elements of the executive Director policy on payment for loss of office.

Area	Policy and operation
Notice period	**Polymetal International** Six months from Company Six months from Director **JSC Polymetal** With immediate effect from Company One month from Director
Compensation for loss of office in service contracts	No entitlement in respect of directorship of Polymetal International. Up to three times average monthly salary in respect of directorship of JSC Polymetal in accordance with provisions of the labour law of the Russian Federation.
Treatment of annual bonus awards	Where an executive Director's employment is terminated after the end of the performance year, but before the payment of the annual bonus is made, the executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an executive Director's employment is terminated during a performance year, a pro-rated annual bonus award for the period worked in that performance year may be payable, subject to an assessment based on performance achieved over the period.
Treatment of unvested DSAs under plan rules	In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment in Good Leaver Circumstances. Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances, for the DSA already granted, there would be no pro-rating for time from the award date until cessation of employment or for performance.
Treatment of unvested PSP awards under plan rules	Any outstanding award will lapse at cessation of employment with the Group, unless the cessation is due to Good Leaver Circumstances, in which case the award will usually vest as normal in accordance with the terms of the award. Alternatively, the Committee may determine that the award will vest immediately. The Committee will determine the proportion of the award that will vest, taking into account (where relevant) the extent to which the performance conditions have been met or are likely to be met at the end of the performance period, and any other factors the Committee may consider relevant. The number of shares will also be pro-rated down to reflect the reduced service period.
Post-cessation shareholding requirement	The executive Director is to retain a minimum shareholding requirement (500% of base salary or actual shareholding if lower) for two years post-cessation of employment. Shares must be kept with a broker who can implement blocks on trades.
Exercise of discretion	Any discretion available in determining the treatment of incentives upon termination of employment is intended only to be relied upon to provide flexibility in unusual circumstances. The Committee's determination will take into account the particular circumstances of the Director's departure and the recent performance of the Group.
Corporate event	In relation to PSP awards, in the event that the Company's shares cease to trade on the London Stock Exchange or any other recognised stock exchange (delisting) or the Directors of the Company pass a resolution to the effect that delisting is imminent or where the Board determines that a 'significant event' has occurred, which may be a demerger, winding-up or compulsory acquisition of the Company, or any other event as determined by the Board, at the discretion of the Board and, where applicable, with the consent of the acquiring company, PSP awards will not vest but will be exchanged for new PSP awards. In the event that the PSP awards are exchanged for new PSP awards: • The award date of the new PSP award shall be deemed to be the same as the award date of the original PSP award. • The new PSP award will be in respect of shares in a company determined by the Board which may include any acquiring company. • The new PSP award must be equivalent to the PSP award and will vest at the same time and in the same manner as the PSP award. Where relevant, either the vesting of the new PSP award must be subject to any performance conditions which are, so far as possible, equivalent to any conditions applying to the PSP award, or no performance conditions will apply but the value of shares comprised in the new PSP award shall be the value of the number of shares which would have vested under the PSP award if they had not been exchanged for new PSP awards. DSAs shall vest immediately and shall not be pro-rated for time or performance if any of the events referred to above occur.

Remuneration Policy for other employees

The Remuneration Policy for other members of the executive team and broader management team within the Group is consistent in both structure and KPIs to that of the Group CEO. While the value of remuneration will vary throughout the Group, depending upon the individual's role, significance to the business and the level of responsibility, the remuneration of all senior executives consists of a base salary, an annual bonus and participation in the LTIP (the PSP and DSA).

The KPI structure for all of our senior managers and key employees is tailored to individual responsibilities and performance. To reflect the aim of zero fatalities, the bonus calculation system for the Group CEO, some senior managers and mine management has a major focus on health and safety KPIs, adjusting bonus outcomes on all KPIs in the case of fatalities. We aim to ensure the corporate cohesiveness of the team as well as to support individual success and development.

Shareholding requirements are also set below the Group CEO level. Operation of the DSA programme for the most senior employees mirrors the executive Director's arrangement set out in the policy table, where 50% of the annual bonus is deferred into shares and released annually to the employees over a period of three years.

The Remuneration Policy for the wider group of employees is aimed at aligning pay with the achievement of targeted results for each employee. The Company's policy on fair pay provides for the payment of additional remuneration for employees living in difficult climatic locations and the delivery of appropriate levels of pay for different levels of work. The bonus component of remuneration for mid-level management and operational staff is measured based upon the achievement of production targets, increasing output, the level of justified cost savings and health and safety records. In terms of pension arrangements, the Company applies a consistent approach for the Group CEO and other employees, and adheres to the mandatory pension contributions required under applicable laws.

Polymetal is firmly committed to acknowledging and rewarding employees' hard work and achievements. To help us attract and retain the best candidates, we offer a competitive remuneration package and benefits, which exceed regional averages in our areas of operation. We also aim to provide a pleasant and effective working environment as well as training or further education and other opportunities for our employees.

Salaries are considered for annual increases based on the Company's performance results, inflation rates and the competitive level of salaries versus the wider market. In 2019, an average 4% increase in compensation was made to the Group CEO and the general workforce, in line with Russian inflation. Effective from 1 April 2020, a 4% increase will be made in Russia and 6% in Kazakhstan in line with inflation.

Employees up to three levels below the Board (approximately 650 employees throughout the Group) are eligible to participate in the PSP at the discretion of the Remuneration Committee. In 2019, 414 employees were awarded the PSP. From 2020, the PSP policy default grant level is 125% of base salary for the Group CEO (subject to the approval of the revised Directors' Remuneration Policy), in line with other participants.

Top-down approach to remuneration structure within the Group

Employee level	Number of employees	Maximum bonus percentage of salary	Proportion of bonus deferred into shares (DSA)	Normal LTIP award grant
Group CEO	1	120%	50%	125%[1]
Executive Committee	7	120%	50%	125%
Mine managing directors and senior executives	19	120%	50%	125%
Senior managers and key personnel[2]	657	30–60%	N/A	125%
Other employees	10,927	10–30%	N/A	N/A

1 The maximum annual grant permitted under the scheme rules is 150% of base salary.
2 PSP participants from the pool of senior managers and key personnel are recommended by the Company and approved by the Board. Being granted options in one year does not necessarily mean they will be granted the following year.

Statement of consideration of employment conditions elsewhere in the Group

In setting the Policy for the Group CEO, the Committee takes into account a range of factors, including remuneration packages and overall base salary increases awarded to the wider employee population during the year.

The Committee did not formally consult with the employees when reviewing the Policy, however considered informal feedback through our formalised workforce engagement programme with the Board, 'direct line' communication channel, and through the intranet, where a dedicated page was set up to communicate to Group employees how executive remuneration aligns with the wider Company pay policy. 15% of all questions received by the Board related to remuneration; the Committee carefully reviewed them and responded to each individual employee. The answers to all of the questions received as part of Board engagement programme were published on the intranet and in the corporate newspaper. For details on workforce engagement refer to page 101.

Annual Report on Remuneration

Current Directors' service contracts

Group CEO

The table below highlights key elements of the service contract of the Group CEO with JSC Polymetal, the Russian holding company of the Group where he holds the CEO position:

Date of contract	1 September 2018
Expiry of term	31 August 2023
Payment in lieu of notice	None
Pension	None, except for defined contributions to the mandatory pension fund of the Russian Federation

At expiration of the previous five-year employment contract, on 31 August 2018, JSC Polymetal, a 100% indirect subsidiary of the Company incorporated in Russia, entered into an employment contract with Mr Nesis as its Group Chief Executive Officer (Group CEO). The contract was renewed on the same terms for a further period of five years.

Under the terms of the contract, the Group CEO undertakes to perform general management of JSC Polymetal and arrange for its commercial, economic, social and other activities with a view to providing for JSC Polymetal's further development. The employment contract does not contain any specific grounds for early termination. The contract can be terminated at any time on one month's notice by Mr Nesis and with immediate effect by JSC Polymetal in accordance with Russian labour and civil law. This could result in compensation of three average monthly salaries.

Mr Nesis entered into an appointment letter (as amended) with the Company in relation to his appointment as an executive Director. This appointment took effect on 29 September 2011 and was conditional on admission of shares to trading on the London Stock Exchange. Mr Nesis does not receive any fees in respect of his appointment as a Director of Polymetal International plc but is entitled to reimbursement of his reasonable expenses incurred in relation to carrying out his duties as a Director. The appointment of Mr Nesis as a Director may be terminated at any time in accordance with the Articles of Association and he is subject to annual re-election at the Annual General Meeting of shareholders. Mr Nesis can terminate his appointment as a Director on six months' notice. He is not entitled to receive any compensation in respect of his role as Director on termination of this appointment.

The full terms and conditions of appointment are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Non-executive Directors

Non-executive Directors do not have service contracts and the terms of their appointment are set out in letters of appointment. The appointment of any non-executive Director may be terminated at any time in accordance with the Articles of Association and they are subject to annual re-election at the Annual General Meeting of shareholders. The appointment of each non-executive Director may be terminated by either party on one month's notice. A non-executive Director is not entitled to receive any compensation on termination of their appointment. Each non-executive Director is subject to confidentiality restrictions without limitation in time.

The full terms and conditions of appointment of all of the Directors are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Dates of contract or appointment for non-executive Directors are set out in the table below:

Director	Date of appointment	Notice period
Victor Flores	30 January 2020	1 month
Italia Boninelli	11 December 2019	1 month
Ian Cockerill	23 April 2019	1 month
Ollie Oliveira	25 April 2018	1 month
Giacomo Baizini	1 January 2018	1 month
Tracey Kerr	1 January 2018	1 month
Christine Coignard	1 July 2014	1 month
Konstantin Yanakov	29 September 2011	1 month
Jean-Pascal Duvieusart	29 September 2011	1 month
Bobby Godsell[1]	29 September 2011	1 month
Jonathan Best[2]	29 September 2011	1 month

1 Director until 23 April 2019.
2 Director until 23 April 2019.

Single total figure of remuneration (audited)

Summary

From 1 April 2019, the approved salary increase for the Group CEO was 4%, which is in line with Russian inflation and the average increase for the rest of our workforce. From 1 April 2020 the salary increase will be 4% in line with inflation and the rest of the Russian-based workforce. The revised Group CEO base salary is $447,745 per annum (using 63 RUB/$ exchange rate).

As a result of the strong performance of the Company and achieving the set KPIs (other than for health and safety performance), the Group CEO received a bonus of 41% of maximum opportunity for the year (which constitutes 52% of his base salary or $216,816), with 50% of bonus deferred into shares vesting over a period of the next three years under the terms of the DSA.

No discretion has been used in respect of non-executive and executive Directors' remuneration throughout the reporting period. The Group CEO is the only executive member of the Board.

Group CEO

The table below sets out the 2019 remuneration for the Group CEO.

The Group CEO's remuneration is denominated in Russian Roubles and converted to US Dollars for presentation purposes. The approach to exchange rates and Russian Rouble remuneration equivalent is set out in footnote 1 to this table.

Base salary		Taxable benefits		Annual bonus		PSP[3,4]		Pension		Group CEO total remuneration	
2019	2018	**2019**	2018	**2019**[2]	2018	**2019**	2018	**2019**	2018	**2019**	2018
433,843	427,818	**–**	–	**216,816**	254,069	**222,553**	284,701	**47,656**	57,935	**920,868**	1,024,523

1 The amounts are translated at the average rates of the Russian Rouble to the US Dollar for 2019 and 2018, respectively.
2 50% of the bonus received in 2019 will be deferred into 7,228 shares on 3 March 2020 at $15.21 (RUB 969) per share (using average price for the 90-day period ending 31 December 2019). In line with the policy disclosed on page 125, deferred shares will be released in equal tranches over a period of three years in March 2021, March 2022 and March 2023 and are not subject to further performance conditions.
3 In 2019, further to the vesting of the PSP awards made in 2015, 21,236 shares (2018: 28,992 shares) were issued to Mr Nesis. Further details on PSP vesting are provided on page 135. These shares are subject to a mandatory one-year holding period following vesting.
4 In 2019, $41,779 of the $222,553 vesting under the PSP was in relation to share price appreciation, excluding shares accrued relating to dividends.

Non-executive Directors

Details of total fees paid to non-executive Directors and the Board Chair during 2019 and 2018 are set out in the table below. Effective 1 January 2019, non-executive Directors' fees were converted from British Pounds Sterling and fixed in US Dollars as stated in the Annual Report 2018, the exchange rate being 1.27.

	Total fees ($)	
	2019	2018
Italia Boninelli[1]	11,789	
Ian Cockerill[2]	239,518	
Ollie Oliveira	214,108	139,898
Giacomo Baizini	231,682	206,835
Tracey Kerr	193,435	195,930
Christine Coignard	182,237	220,727
Bobby Godsell[3]	110,187	366,260
Jonathan Best[4]	77,568	218,708
Russell Skirrow	–	74,783
Leonard Homeniuk	–	64,642
Konstantin Yanakov	–	–
Jean-Pascal Duvieusart	–	–
Total non-executive fees	**1,260,523**	**1,487,782**

1 Director from 11 December 2019.
2 Director from 23 April 2019.
3 Director until 23 April 2019.
4 Director until 23 April 2019.

Note:
The amounts for 2019 and 2018 are translated at average GBP/$ exchange rates.

Non-executive Directors do not receive performance-related pay.

Annual Report on Remuneration **continued**

Single total figure of remuneration – Additional information (audited)

Annual bonus targets and outcomes

The targets for annual bonus measures and performance against these targets are set out below:

Measures	Weight	Maximum opportunity (% of base salary)	Threshold	Target	Maximum	2019 Outcome	Achievement
Achieving production budget, Koz	25%	37.5%	1,398	1,553	1,631	1,614	35%
Total cash cost per ounce of gold equivalent produced, $/oz	25%	37.5%	695	632	600	655	16%
Completion of new projects on time and within budget	25%	25%	1 point	10 points	10 points	9.2 points	23%
Health and safety	25%	25%	Nil fatalities; reduction of LTIFR[1] by 10% year-on-year	Nil fatalities; reduction of LTIFR[1] by 10% year-on-year	N/A	2 fatalities and 3 severe cases	0%
Total achievement before penalty factor	100%	125%					74%
Penalty factor for fatal/severe cases	Up to 50% of bonus earned for non-safety related KPIs (10% for each fatality/two severe cases) – up to 37.5% of total bonus		N/A	N/A	N/A	2 fatalities and 3 severe cases	-22%
Final achievement for the year, % of base salary	**100%**	**125%**					**52%**

1 Lost Time Injury Frequency Rate.

Safety penalty factor for fatal/severe cases is up to 50% of the annual bonus earned for non-safety related KPIs. This resulted in the Group CEO receiving a bonus of 41% of maximum opportunity for the year (which constitutes 52% of his base salary or $216,816).

Deferred Share Awards Plan (audited)

DSA deferred shares granted in 2019

50% of annual bonus for 2018 was deferred into 12,369 shares on 20 March 2019 at $9.66 (RUB 644) per share (using average price for the 90-day period ending 31 December 2018). In line with the policy disclosed on page 125, deferred shares will be released in equal tranches over a period of three years in March 2020, March 2021 and March 2022 and are not subject to further performance conditions.

Recipient	Deferred shares under	Date of grant	End of deferral period	Shares granted	Share price period	Share price, $	Face value, $
Group CEO	DSA grant 2019	20 March 2019	March 2022	12,369	Average price for the 90-day period ending 31 December 2018	9.66	119,485

DSA deferred shares vested in 2019

In accordance with the policy, part of the award of deferred shares under the DSA, which was granted in March 2016, March 2017 and March 2018, vested on 20 March 2019 and was transferred to the Group CEO, totalling 8,933 shares (including an additional 659 share awards for dividend equivalents).

DSA deferred shares grant proposed for 2020

In addition, further to the bonus approval for the year ended 31 December 2019, the Group CEO will receive in March 2020 a deferred bonus award in shares under the terms of the DSA (50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares). Share awards will vest annually over the next three years in equal instalments (in March 2021, 2022 and 2023), subject to continued service in the Group. Under the terms of the DSA, dividend equivalents will be received on vested shares reflecting the value of the dividends which have been paid during the period from the grant date to the vesting date. Dividend equivalents will also be paid as shares.

Summary of DSA deferred shares outstanding as of 3 March 2020

The current number of outstanding deferred shares under DSA (following 12,369 deferred shares granted in 2019) is represented as follows:

Name	Position	Year of grant	Number of deferred DSA shares granted	Number of DSA shares vested in 2019	Additional share awards for dividend equivalents	Total number of shares vested under DSA grant	Outstanding shares under DSA grant
Vitaly Nesis	Group CEO	2016	6,656	2,218	258	6,914	–
		2017	7,909	2,636	216	5,488	2,637
		2018	10,261	3,420	185	3,605	6,841
		2019	12,369	–	–	–	12,369
		Total	**37,195**	**8,274**	**659**	**16,007**	**21,847**

Performance Share Plan (audited)

PSP award made in 2019

Under the PSP, a conditional award of 60,740 ordinary shares (at target grant level of 150% of annual base salary at March 2019) with no par value was made to Mr Nesis in 2019. It is exercisable following a respective four-year vesting period, subject to performance measures determined by Polymetal. For this award, vesting is based on relative TSR, measured against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting (0% vests for below median performance; 20% vests at median performance; 100% vests at top decile performance and above). No award will vest if absolute TSR is negative, regardless of relative performance.

Recipient	Award	Grant date	Performance period	Shares granted	Market share price on grant date[1], $	Notional value in case of 100% vesting, $
Group CEO	PSP grant 2019	9 April 2019	April 2019–April 2023	60,740	10.96	665,710

1 Closing spot share price at 9 April 2019.

PSP award vested in 2019

PSP awards vest based on relative TSR, measured over four years against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. The four-year performance period ended on 29 April 2019 for the PSP awards made in 2015. These awards paid out 100% of maximum for top decile performance, 20% of maximum for median performance, and 0% of maximum for performance below median or if absolute TSR was negative. Polymetal achieved a positive absolute TSR of 56.1% and outperformed a median TSR of 34.8% of the FTSE Gold Mines Index constituents. Accordingly, the 2015 performance share awards have partially vested at 32.1% of the total awards granted. Additional share awards for the dividend equivalent during the four-year performance period were also paid. Further to the vesting of the PSP awards made in 2015, 21,236 shares vested to Mr Nesis. These shares are subject to a mandatory one-year holding period following vesting. No discretion was exercised in respect of changes in the share price since the date of the award.

Recipient	Vesting award	Vesting date	Performance period	Shares vested	Market share price on vesting date, $	Face value, $
Group CEO	PSP grant 2015	30 April 2019	April 2015–April 2019	21,236 (incl. 3,305 shares for dividend equivalent)	10.48	222,553 (incl. 34,636 for dividend equivalent)

The value of PSP vested and awarded to the Group CEO in respect of the 2015 PSP grant is included in the single total figure table on page 133.

Summary of PSP share options outstanding as of 3 March 2020

Name	Position	Year of grant/ Year of vesting	Number of PSP share awards granted	PSP awards release in 2019	Number of PSP shares vested (see below)	Outstanding shares under PSP grant
Vitaly Nesis	Group CEO	2015/2019	66,166	66,166	21,236	–
		2016/2020	48,507	–	–	48,507
		2017/2021	47,249	–	–	47,249
		2018/2022	55,570	–	–	55,570
		2019/2023	60,740	–	–	60,740
Total number of share options outstanding under the PSP			**278,232**	**–**	**–**	**212,066**

Annual Report on Remuneration **continued**

Other scheme interests awarded during the financial year
No other share awards were made to the Group CEO in 2019.

Total pension entitlements (audited)
Save for the Group's defined contributions to the mandatory pension fund of the Russian Federation during the financial year ended 31 December 2019, no amounts were set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors and senior management. This is in line with the rest of the workforce.

Loss of office payments or payments to past Directors (audited)
No loss-of-office payments or payments to past Directors were made in the year under review.

Directors' shareholdings (audited)
The Group CEO is required to retain a shareholding equal to five times his base salary, i.e. 145,114 shares.

For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Shares are valued for these purposes at the year-end price of $15.7 per share at 31 December 2019 translated at the closing exchange rate of the US Dollar to the Russian Rouble as at 31 December 2019.

Shares that count towards shareholding requirements include unrestricted shares. The table below sets out the number of shares held, or potentially held, by Directors. For details of outstanding conditional share awards held by the Group CEO at 31 December 2019, refer to page 135.

		Shares held			Options held			
Director	Shareholding requirement (% of salary)	Owned outright	Unvested (subject to performance conditions)	Unvested (not subject to performance conditions)	Vested but unexercised	Exercised in year	Current shareholding (% of salary)	Guideline met
Vitaly Nesis	500%	3,273,230	–		–	–	11,278%	yes
Ian Cockerill		29,300	–		–	–	–	N/A
Ollie Oliveira[1]		15,000	–		–	–	–	N/A
Christine Coignard[2]		5,500	–		–	–	–	N/A
Bobby Godsell[3]	–	2,000	–		–	–	–	N/A

1 Shares are held by a person closely associated with Mr Oliveira.
2 Shares are held by a person closely associated with Ms Coignard.
3 Shares held by Mr Godsell at the date of his resignation as a Director on 23 April 2019.

Performance graph
To provide context to the Company's performance in its specific sector of operation, the graph below illustrates the Company's TSR performance relative to the constituents of the FTSE Gold Mines Index, from the date of the Company's listing on the London Stock Exchange in October 2011.

TOTAL SHAREHOLDER RETURN
(%)

Group CEO's pay in the last nine years

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Group CEO total remuneration ($)	**920,868**	1,024,523	726,928	496,411	511,665	907,790	1,081,572	1,037,413	1,138,013
Annual bonus – % of maximum	**41%**	49%	44%	40%	33%	90%	88%	90%	137%[1]
PSP award – % of maximum	**27%**	33%	–	–	–	–	–	–	–

1 An additional bonus was awarded by the Remuneration Committee to Mr Nesis for the successful IPO of the Company in November 2011. Mr Nesis was required to devote a significant amount of time above and beyond his normal day-to-day responsibilities as CEO to successfully bring about the IPO. Excluding the additional bonus, the annual bonus comprised 49% of maximum opportunity in 2011.

Percentage change in Group CEO's remuneration
The table below shows the percentage change in the Group CEO total remuneration from 2018 to 2019, compared to the average change for all Group employees. To ensure the comparability of this figure, and to minimise distortions, the all-employee average remuneration figure is based on full-time permanent employees.

% change	Base salary	Annual bonus	Taxable benefits
Group CEO	+1%	-15%	N/A
Average employee	+1%	+8%	N/A

Group CEO to employee pay ratio
The UK regulations on CEO pay ratio disclosure do not apply to Polymetal as the Group has less than 250 UK employees, but we support the move to transparency of remuneration levels across the wider workforce and we have therefore chosen to voluntarily publish our median CEO pay ratio. The use of a pay ratio, and how it moves over time, is intended to help the stakeholders to make a balanced evaluation of how pay arrangements are delivered across the whole employee population.

A significant proportion of the Group CEO's remuneration package is performance-related and dependent on the achievement of financial and non-financial KPIs, as well as dependent on LTIP outcomes based on Polymetal TSR performance. Therefore, the ratio could range significantly from year to year. The Committee will continue to take into account factors such as internal relativities and ratios when considering executive pay.

The table provides the pay ratio of the Group CEO's total remuneration to the equivalent pay for the lower quartile, median and upper quartile of Group employees (calculated on a full time basis). The Group CEO remuneration is the total single figure remuneration for 2019 contained on page 133. Employee pay data was determined for the first nine months of 2019 with a projected calculation of the salary component of pay and benefits for the full financial year.

Year	Method	25th percentile	Median	75th percentile
2019	Option A	70:1	40:1	25:1
2018	Option A	79:1	47:1	29:1

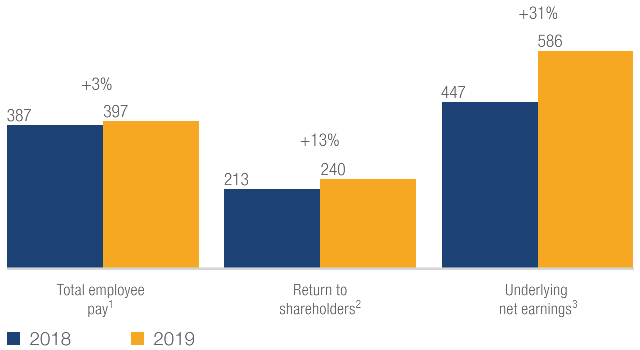
Remuneration data, $	2019	2018
CEO single total figure of remuneration	920,868	1,024,523
Group employee remuneration 25th percentile	13,152	13,043
Median Group employee remuneration	22,797	21,752
Group employee remuneration 75th percentile	36,211	34,770

Annual Report on Remuneration continued

Relative importance of spend on pay

The chart below shows how employee remuneration costs compare with profit before tax and distributions made to shareholders in 2019 and 2018.

RELATIVE IMPORTANCE OF EMPLOYEE PAY
($m)



1 Note 14 of consolidated financial statements.
2 Dividends paid during the period, Note 18 of consolidated financial statements.
3 Refer to the Alternative Performance Measures section.

Advisors

PricewaterhouseCoopers LLP (PwC) provided Polymetal with information and support in relation to general remuneration matters and implementation of the Company's remuneration policy. PwC is a member of the Remuneration Consultants' Group (RCG) and a signatory of the RCG Voluntary Code of Practice, and incorporates the principles of the Voluntary Code of Practice into its engagement. No other services were provided by PwC during 2019 other than external assurance services for the Company's Sustainability Report and tax advisory. Fees paid to PwC in relation to remuneration services provided to the Committee in 2019 totalled $30,800 (2018: $9,463), with fees quoted in advance and based on the level of complexity of the work undertaken.

PwC was selected in 2013, after submitting a proposal to management, to carry out benchmarking as part of a competitive process, the results of which were presented to the Remuneration Committee for approval.

During its work in 2019, the Committee was aided by the Group CEO, Board Chair, SID and senior finance and human resources executives of the Company.

Statement of consideration of shareholders' views

The Committee regularly consults with the Company's major shareholders, and sought their feedback on the revised Directors' Remuneration Policy. The shareholder consultation period started in October 2019 and the Board Chair, Senior Independent Director and the Remuneration Committee Chair participated in several meetings and calls requested by shareholders. In line with a shareholder query and to ensure that the safety KPI is preserved at 25% level, the ESG KPI was introduced by reducing both the production and TCC KPIs by 5%, rather than splitting the safety KPI into 15% safety and 10% ESG KPI. The maximum bonus opportunity is preserved at 125% of base salary. No other concerns over the proposals were raised and the Board will proceed with recommending the revised Remuneration Policy to Polymetal's shareholders for approval in April 2020.

Shareholder support for the Remuneration Policy and 2018 Directors' Remuneration Committee report

The Company received shareholder approval of its Remuneration Policy at the AGM on 25 May 2017 to cover a period of three years. The policy applied from the date of approval. The Directors' annual Remuneration Committee report was put to an advisory shareholder vote at the 2019 AGM of the Company. The table below shows full details of the voting outcomes.

	Votes for	Votes against	Votes withheld
Remuneration Policy (at the 2017 AGM)	294,388,477 (99.10%)	2,675,792 (0.90%)	335,724
2018 Remuneration Committee report (at the 2019 AGM)	387,649,359 (98.93%)	4,175,376 (1.07%)	945,322

Implementation of the Remuneration Policy in 2020

In 2020 and subject to shareholder approval of the Directors' Remuneration Policy on 27 April 2020, the Committee intends to implement the Remuneration Policy for executive and non-executive Directors as follows:

Group CEO

Base salary

In accordance with the policy, the Group CEO's salary will be increased (in Roubles) by a total of 4% in 2020 in line with the rest of the workforce. Base salary for the Group CEO for 2019 and 2020 is set out below:

	2020 salary	**2019 salary**	% change
Group CEO	RUB 28,207,920	**RUB 27,123,000**	4.0%
	$447,745	**$417,277**	7.3%

Base salary for 2020 is translated at the budgeted exchange rate of Russian Rouble to US Dollar for 2020.

Pension and benefits

No pension or benefits plans are in place for 2020, except for the defined pension contributions to the mandatory pension fund of the Russian Federation.

Annual bonus

The prospective targets for annual bonus measures are considered commercially sensitive by the Board, particularly in the gold mining industry, because of the sensitivity of information that their disclosure may provide to the Company's competitors, given that these are largely based outside the UK and hence are not subject to the same reporting requirements as the Company. Targets and outcomes will be disclosed retrospectively at the end of the performance year.

Long-Term Incentive Plan (Deferred Share Awards Plan and Performance Share Plan)

Deferred Share Awards Plan

The Committee intends to defer annual bonus awards earned for the 2020 performance period in line with the policy disclosed on page 124.

Performance Share Plan

The Committee intends to make an award under the PSP to the Group CEO in 2020, in line with the policy disclosed on page 125. Vesting is based on relative TSR measured against the constituents of the FTSE Gold Mines Index and on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting:

	TSR v FTSE Gold Mines Index	Pay-out
Below threshold	Below median performance	0%
Threshold	Median performance	20%
Maximum	Upper quintile performance	100%

Straight-line vesting will occur between median and upper decile performance. No award will vest for performance below median, or if the Company's absolute TSR performance is negative, regardless of relative performance.

Implementation of the Remuneration Policy in 2020

Non-executive Directors

There was no change to the non-executive Directors' fees in 2019. Effective 1 January 2019, non-executive Directors' fees were converted from British Pound Sterling and fixed in US Dollars as stated in the Annual Report 2018. Fee rates for 2020 are shown on the assumption that changes to the Directors' Remuneration Policy will be accepted by shareholders at 2020 AGM.

Role	2020 fees ($)	**2019 fees ($)**
Non-executive Board Chair	500,000	**317,700**
Senior Independent Director	25,000	**No additional fee**
Independent non-executive Director basic fee	127,000	**127,080**
Additional fees		
Audit and Risk Committee Chair	38,000	**38,124**
Chair of other Committees	19,000	**19,062**
Committee membership fee (not payable to the Committee Chair)	13,000	**12,708**
Board and Committee meeting attendance fee	4,000	**3,812 per meeting**

Approval

This report was approved by the Board of Directors and signed on its behalf by

Christine Coignard
Chair, Remuneration Committee