

# HIGHLAND GOLD MINING LIMITED

## CODE OF BUSINESS CONDUCT AND ETHICS

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## Purpose of the Code

HGML Code of Business Conduct and Ethics (the "Code") is our commitment statement to high ethical standards of doing business. The Code defines key principles and policies of ethical conduct for the HGML Group (the "Group") and all its employees.

The Code is based on common business ethics and best Russian and global practices of corporate governance and Group-specific relationship patterns.

This Code applies to every Group employee (including managers<sup>1</sup> and top executives) and members of the HGML Board ("Group employees" and/or "employees"). The Group expects its business partners (including suppliers, contractors, etc.) to accept and comply with principles and rules similar to those set out in Code.

Each Group employee is responsible:

- to be familiar with Code provisions;
- to identify situations under the Code regulation;
- to comply with the Code while performing their job duties;
- to report any actual or supposed violations of the Code in accordance with defined procedures; to operate without Code violations and take responsibility for Code violations.

Group and Group's entities management team employees are additionally responsible:

- to promote Code-based ethical conduct primarily by personal behavior and to lead by example;
- to ensure that employees understand the requirements of the Code and applicable laws;
- to be consistent in implementing the Code and ensure that employees demonstrate ethical behavior and follow the Code;
- to encourage other employees to ask questions and express concern over ethical aspects;
- to confirm on an annual basis that there are no conflicts of interest and that their actions are within the Code.

This Code is not exhaustive and does not cover all possible situations related to business conduct and ethics. If any situations not covered of this Code arise or in case of any concern that an employee's actions do not comply with the Code the rule "ask if in doubt" shall be applied.

In practice, this means that an employee asks their immediate supervisor how to operate in a particular situation or leaves a message or question on the communications lines (**hotline@highlandgold.com or calling at 8-800-700-33-84**) in the event that the issue cannot be discussed with the immediate supervisor due to any reasons or the issue was not resolved on the appropriate level .

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<sup>1</sup> For the purposes of this Code, a manager is an employee with managerial powers, starting from the heads of departments specific to the organizational chart of the Group entities.

## OUR TEAM

### Employees' Cooperation

All Group employees are members of one team, the efforts of which are directed at achieving common goals. Hence, the Group employee relations are based on the principles given below:

- integrity and open communication, exchange of necessary information, respect to other people opinion, mutual trust and collaborative support;
- respect colleagues , avoidance of abusive treatment and conduct;
- professionalism, sound professional knowledge, achievement of personal professional success and the pursuit for continuous improvement in one's professional area;
- responsibility for own work and decisions, proactivity in problem solving and efficiency ramp-up;
- result oriented approach in efficient and timely problem solving;
- acknowledgement and appreciation of successful achievements of colleagues;
- compliance with applicable labor laws, Group HR policies and internal rules.

Any violation of these principles is a violation of the Code and shall be reported as described in the Code for further detailed investigation.

### Equal Opportunities for Group Employees

Group policies seek the provision of equal opportunities for Group employees to realize the best of employee potential and capabilities. All employees are assessed based on their professional qualities, experience and skills only.

Decisions shall not be made by taking into account other characteristics (ethnicity, religion, sex, age, marital status, physical capabilities unless related to production safety, etc.) both in employee day-to-day performance and at the time of job placement.

Every employee can count on:

- open and constructive discussions of their duties, expectations from and results of his/her work;
- one's own opinion of how to increase the efficiency of his/her own work and of the whole team and to express that opinion;
- the opportunity to develop their skills.

### Privacy and Confidentiality of Personal Information

The Group respects the right of its employees to privacy, free choice of hobbies, political thoughts, social activity, etc. This is the reason why, the Group usually does not collect or keep the information on activities of its employees outside of work unless it may have a negative impact on employee performance, threatens the Group's reputation, is illegal and/or is extremist in nature.

The Group assumes the responsibility for preserving the confidentiality of employee personal data in accordance with applicable laws. All requested personal information is required only to ensure efficient Group performance and to eliminate any Group asset damages or harm to the Group's reputation.

## **OUR CORPORATE ETHICS**

### **Compliance with Law and Group Policies**

The Group strives to ensure full compliance with applicable laws. The Group is guided by regulatory requirements in development of its internal policies (including directions, instructions, procedures, guidelines and other internal documents). 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 Group business units and the Group as a whole. In any event, employee actions must not contradict legal requirements. Group employees are responsible for compliance with internal policies.

If an employee knows about any actual or planned violations of the applicable laws, internal policies (directions, instructions, procedures, and guidelines) or if employee is not able to comply with the law and internal policy due to any reason, it is their responsibility to report such violation in accordance with Group procedures, defined in this Code and other Group's documents.

### **Health, Safety and the Environment**

Industrial and labor health, safety and environmental protection are among the Group's priorities. Based on best practice, the Group developed HSE policies and procedures. The Group is constantly working to reduce the negative impact on the environment and provide comfortable and safe working conditions.

An efficient ramp up of health, safety and environmental procedures, however, may not be achieved without an active involvement of all Group employees.

Group employees are expected to know and understand the Group's HSE policies and procedures, know their actions and duties in an emergency, be active in ensuring compliance with policies, report any HSE violation related to the Group activities by other Group employees, contractors, and other persons to their immediate supervisor or HSE supervisors.

If for any reason it becomes inconvenient or impossible to report such issues to the immediate supervisor or HSE supervisors, the communications channels specified by this Code must be used to communicate the information.

### **Prohibition to the Use of Alcohol, Drugs and Smoking**

The probability of accidents increases dramatically under influence or intoxication (including caused by drugs altering the perception of reality and the adequacy of behavior).

Alcohol and narcotic drugs are prohibited from use, possession and distribution in the Group companies<sup>2</sup>. Full compliance with the Group Anti-Alcohol Policy and individual zero tolerance to drinking and drug use at the workplace are of high importance. Overall prohibition of the consumption of alcohol and/or drugs covers the Group's contractor and service providers as well as with works and services performed at the Group's locations or by using the Group's property.

The consumption of alcoholic beverages at organized corporate or business events may be permitted but only provided that it remains within the accepted ethical limits and does not harm the Group's reputation.

Many studies have shown the negative impact of smoking on one's health and the health of people nearby. Furthermore smoking can have a negative impact on the fire safety at industrial sites. The Group shall follow the provisions of applicable anti-smoking laws. Smoking is allowed only in specifically designated areas at the Group premises.

### **Protection of Group Assets**

For the purposes of this Code, Group assets include all tangible (cash, inventory, equipment, machinery, plants, and other fixed assets) and intangible assets (customer and contractor relations, data bases, R&D data, access to computer resources and the Internet).

Every Group employee is responsible for safeguarding the Group's assets from theft, damage, and misuse or use for personal benefit or for the benefit of third parties. Group employees are also responsible for the economical and prudent use of the Group money allocated for asset purchases.

The Group assets shall be used only according to their purpose for the Group needs. Unauthorized or improper use of Group assets shall be just cause for disciplinary action on employees and a claim for damages to the Group interests.

Group employees are responsible to report cases of property damage and improper use which are committed by other Group employees and third parties (or expected to be committed) to immediate supervisor, security service employee or report such cases via communication lines defined in Code.

The Group provides mobile phones, computers with installed software and Internet access (if necessary) to some employees for discharge of such employees' duties. Employees shall use such assets to perform their duties as prescribed by internal policies and computer safety rules and Internet regulations.

### **Protection of the Group's Confidential Information**

While performing their duties, Group employees may have access to information that may be confidential and contain commercial or confidential information or intellectual property of the Group. In this case employees shall take due care and protect such information from unauthorized use and distribution.

Confidential information and intellectual property of the Group includes (but is not limited to) policies, procedures, provisions and instructions of the Group and its business units (except for those publicly

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<sup>2</sup> For more information, refer to the Group Anti-Alcohol Policy

announced), production and mining plans, unpublished financial information, employee personal data including compensation, production process engineering and equipment specifications, Group exploration projects, Group customer and supplier data including price information, other information which is a result of investigations, tests, developments, etc.

All information generated by Group employees in the course of their employment belongs to the Group. Upon termination of employment, employees must return all information they used and must not keep or use any Group documents.

## Reliability of Records and Reporting

Based on the law the Group generates and maintains various types of information concerning its activities (including accounting and reporting information). The Group requires accurate records and transparent reporting in order to make appropriate decisions, improve performance and to distribute information between the Group shareholders in a timely and precise manner.

The Group has reporting policies and document retention policies. Group employees shall follow these policies and meet deadlines for the submission of supporting documents.

Regardless of what reports are prepared by the Group employees they shall ensure that such information and initial documents are complete and accurate. The general rule for any report is that the information contained should not be misleading or contain incorrect financial and operational data.

A Group employee knowing about any violations of accounting or reporting principles including wasted money, unrecorded Group assets, etc., shall report such cases via communication lines established by the Group, including those specified in the Code.

## Conflicts of Interest

A conflict of interest can arise when private, social, financial or political interests of a Group employee may adversely affect the effectiveness of the decision-making process and actions resulting in a conflict between personal interests and interests of the Group.

A conflict of interest can arise for various reasons, including:

- **employment with another company** (or accepting remuneration of any kind for providing services or consultations, or having any other financial interest, etc.<sup>33</sup>) which can be the Group's supplier, contractor, customer or have any other business relations with the Group;
- **investments made by employees or through their close relatives**, if such investments may have a negative impact on their ability to perform job duties;
- **personal relations with the Group business partners**. The Group respects the right of its employees to establish and maintain personal relations in the course of cooperation with business partners of the Group. Employees of the Group in their turn shall cooperate with the Group business partners in good faith and to avoid situations where their personal relations can have a negative impact on business decisions. Such situations can occur when a Group employee cooperates with his/her friends or close relatives to buy, sell, procure services, etc.;

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<sup>33</sup> Gifts exchange cases are considered further

- **hiring of friends or close relatives.** The Group selects employees guided by the principle of equal opportunities for all candidates. The candidates are assessed exclusively based on their professional and personal qualities. Hiring on the basis of personal or friendly relations or nepotism is prohibited. Furthermore it is prohibited for any close relatives who are employed by the Group to supervise or control each other's work.
- **business opportunities.** Employees of the Group may not compete with the Group for business opportunities. If an employee, while performing their job duties, becomes aware of an opportunity to do business with or on behalf of the Group (such as purchasing goods or services or selling property at a favorable price), such opportunities shall be first considered by the Group.
- **insider trading in shares of the Group.** Group employees shall keep confidential all information concerning activities of the Group, except for information officially disclosed in public sources. It is prohibited to use insider information or public information until it is officially disclosed in order to buy or sell shares of the Group or to provide such information to third parties so that they could trade in shares of the Group.

Conflict of interest (or a situation that may be considered as such) may damage the reputation of the Group in the eyes of its employees and other stakeholders, including shareholders, contractors, and state authorities. For this reason, employees shall avoid any conflict of interest situations.

If for some reason a conflict of interest cannot be avoided an employee shall inform their immediate supervisor about the conflict of interest situation for further consideration or report the conflict of interest situation through communication channels established by the Code.

## Gifts and Benefits

Employees of the Group can exchange gifts, souvenirs and promotional items with business partners of the Group, take part in entertainment activities on behalf of the Group with a view to building long-term constructive relations with counterparties subject to the provisions of the Code.

Gifts, souvenirs and promotional items for the Code purposes include but are not limited to:

- money, prizes and other miscellaneous items provided by counterparties of the Group or by any other third parties for the benefit of employees of the Group as part of advertising campaigns, promotion or entertainment activities;
- either payment or free of charge provision for goods, works or services in employees interest;
- more favorable terms to acquire goods, works or services (including financial services such as insurance and personal loans) provided for the benefit of employees of the Group;
- tickets for entertainment, sport or cultural events provided for the benefit of employees of the Group;
- works of art, jewelry and other exclusive items.

Gifts, souvenirs and promotional items should be rejected, if there is a possibility that such item might be considered to be payment for preference or remuneration for making a business decision in favor of

another party or create a conflict of interest situation or may be considered by someone as such situation.

If it is believed to be an insult to decline a gift, the employee should report such to their immediate supervisor and HR Department about the situation for further consideration.

Gifts, souvenirs and promotional items may not be accepted if their amounts exceeding normal business practice and Code limits.

The Group's Anti-corruption policy describes procedures in relation of gifts in more details and each Group employee is responsible to know and follow Anti-corruption Policy.

## **OUR BUSINESS PARTNERS**

### **Business Relations with Suppliers and Contractors**

We build relations with our suppliers and contractors on mutually beneficial terms. We value our suppliers and contractors, because, it is not without their help and effort that the Group achieves its goals.

We find it important that our suppliers and contractors share our business principles and rules of business conduct. We base our relations with suppliers and contractors on the principles set out in this Code, where applicable.

Under the existing Group internal procedures and policies the Group strives to provide equal opportunities for suppliers and contractors and to provide the same information to participants of the supplier / contractor selection process. The Group does not restrict rights of suppliers and contractors to do business exclusively with the Groups; encourages open and fair competition between suppliers and contractors; and respects intellectual property rights of suppliers and contractors.

The Group believes that competition has a positive effect on social and economic development. For this reason, the Group complies with and requires its employees to comply with competition and antitrust laws, and does not enter into agreements that may be contrary to such legislation.

When selecting contractors the Group is guided by objective criteria. It is essential that contractor selection does not result in a conflict of interest, or non-compliance with any other provisions of this Code. The Group seeks to do business with reputable suppliers and contractors that are not involved in any corruption or bribery proceedings.

The use of the Group's name (or the name of any business entity which is part of the Group) or intellectual property of the Group by suppliers or contractors requires permission by Chief Executive Officer of the management company of the Group.

### **Relation with Authorities and Preventing Bribery, Corruption and Facilitation Payments**

Activities of the Group are subject to various regulations. Therefore, employees of the Group while performing their day-to-day duties may have to interact with representatives of authorities. Relations

with such authorities are based on the principles of responsibility, integrity, professionalism, mutual trust and inviolability of obligations.

For the purposes of this Code authorities include local, regional and federal bodies of executive, legislative and judicial authorities, their officials and / or employees (both elected and designated), ministries, departments, agencies, as well as any other state bodies and their employees.

The Group has Anti-corruption policy aimed to prevent the bribery and corruption and each Group employee is responsible to know and follow this Policy.

It is prohibited to give gifts, pay for goods, works or services, or provide any other tangible or intangible benefits for the benefit of state employees (or persons as directed by them, including family members and other relatives) intended to influence actions or omissions of state employees regardless of whether such actions were made directly or through agents or third parties.

It is also prohibited to make payments (or promise to make payments) for the benefit of state employees or for the benefit of state authorities in order to have them:

- permit the Group to conduct business (except for common practices as provided for in the legislation such as registration, obtaining of licenses, permits, and permissions, etc.);
- grant or retain business advantages for the Group;
- perform, improperly perform or not perform their functions;
- not enforce sanctions to the Group as prescribed by the law, mitigate such sanctions;
- treat activities or employees of the Group with tolerance.

State authorities can approach the Group to assist in the resolution of social development issues in certain areas, render aid to certain groups of citizens, or participate in social programs. The Group's participation in such projects (or a promise to participate in such projects), including provision of funds, property, etc. is subject to preliminary approval by the Chief Executive Officer of the management company of the Group.

Employees of the Group are responsible for compliance with the Code with regard to interaction with state authorities and compliance with other applicable legislative requirements and internal regulations of the Group on fighting bribery and corruption.

## **Communication with Investors, Analysts and the Mass Media**

Communication with investors, analysts and the mass media, including placement of information in specialized professional editions, requires not only specific skills, but also to be familiar with all available information. Negligent communication with investors, analysts and the mass media can result in serious damage for the Group or its subdivisions.

For this reason, only employees of the Group responsible for public relations, or senior management of the Group (members of the Board of Directors) are entitled to represent the Group in the mass media and at various public events (including conferences, public seminars, exhibitions, etc.).

Other employees are entitled to publically represent the Group only upon authorization of senior management (the Board of Directors). Employees of the Group shall refrain from any comments concerning activities of the Group in the mass media (including electronic mass media and extending to informal media such as forums, personal pages in social networks, etc.), even if such comments were made in order to protect the Group against unfair accusations.

### **Relations with Political Parties and Public Organizations**

The Group does not perform any political activity or sponsor any political parties, movements or public non-governmental organizations with any goals, nor does it make any contributions to support any such parties, movements or organizations; 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.

### **Charity and Sponsorship**

The Group may perform charity activity and sponsorship if these activities:

- are aimed at achieving community or social goals
- are in accordance with applicable laws;
- have a positive impact on the Group's reputation;
- do not impact decisions made by state authorities or their representatives, and cannot be regarded as an open or hidden payment.

All charity work and sponsorship activities rendered by the Group are subject to preliminary approval by the Chief Executive Officer of the management company of the Group. The Group reserves the right to monitor proper use of funds allocated for charity work and sponsorship activities. Group's charity expenses are presented to the Board of Directors on constant basis in accordance with the Group's Anti-corruption policy.

### **Cooperation with Local Communities**

The Group places great emphasis on transparent and constructive cooperation with local communities. Our efforts are primarily focused on those activities which bring positive change to the lives of people living within the environs where the Group operates.

In the social and economic sphere our cooperation with local communities extends to education, healthcare, culture and sports and is aimed at strengthening and developing the Group's partnerships with communities where the Group has a presence.

## **COMPLIANCE WITH THE CODE**

Compliance with the Code by all Group employees is an essential condition to the efficiency of the Group's activities, development and promotion of the Group's corporate values, protection of the interests of employees of the Group as well as the rational and careful use of the Group's assets.

The Group disapproves of any actions knowingly resulting in violation of the Code, as well as actions aimed at concealing or silencing such actions as with regard to relations within the Group as with regard to relations with business partners of the Group including suppliers and contractors.

All violations of the Code shall be reported either to an employee's supervisor, to an HR representative at the local level, or to responsible employees of other departments (in cases defined in the Code) or directly via the communication channels (ethics compliance hotline at

**[hotline@highlandgold.com](mailto:hotline@highlandgold.com) or 8-800-700-33-84).**

Sometimes complicated situations can occur, and in order to determine whether a particular situation shall be reported or not (or concerns regarding particular actions), it is recommended ask yourself the following sample questions:

- Is the situation in line with principles of the Code, other policies and procedures of the Group?
- Is the situation in line with applicable laws?
- Can the situation directly or indirectly cause any harm or damage? Is there is a risk of danger in the situation?
- Is this situation in line with your own ethical principles? Am I doing right?
- Have all other possible options been considered? Was the chosen option really the best one?

If any doubts exist, an employee shall seek further consultation. Consultations can be obtained by asking own supervisor how to operate in particular circumstances or via the ethics compliance hotline at

**[hotline@highlandgold.com](mailto:hotline@highlandgold.com) or 8-800-700-33-84**

All information reported via the ethics compliance hotline is confidential and is subject to further investigation.

The Group guarantees that any individual, acting in good faith and having reported a committed or planned violation of the Code, or unethical behavior will not be subject to any penalties, prosecution and / or any form of discrimination.

The Group requests third parties and its business partners to report any violations of the principles and rules set out in the Code by the Group, its employees, agents or business partners via the dedicated communication channels. Third parties can also use the communication channels indicated at the official website of the Group

**[hotline@highlandgold.com](mailto:hotline@highlandgold.com) or 8-800-700-33-84)**

Sanctions may be applied to persons proven to have violated provisions of the Code following the satisfactory investigation of each particular case.