

28 September 2018

## Corporate Governance Statement

The Directors of Highland Gold Mining Limited resolved in August 2018 to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code as its blueprint for ensuring an effective and transparent system of corporate governance throughout the group. Where it doesn't already, the Company plans to report against the QCA Code in all future editions of its Annual Report and Accounts and to maintain a regularly-updated corporate governance statement on its corporate website, [www.highlandgold.com](http://www.highlandgold.com).

The QCA Code lays out ten guiding principles of good corporate governance. The following is a description of how the Company seeks to comply with each of these principles.

### 1. Establish a strategy and business model which promote long-term value for shareholders

Highland Gold describes its business strategy and goals in detail in the Strategic Report section of its Annual Report and Accounts, which are published on an annual basis during the month of April. Additional information on these topics and how we aim to promote shareholder value are contained on the corporate website and communicated in regular conference calls following results announcements and in presentations to the investor community, which are also published on the website.

The Company's strategy revolves around unlocking the value of assets in its portfolio and delivering returns to shareholders through effective management, efficient operations, and paying dividends in line with the policy adopted by the Board.

### 2. Seek to understand and meet shareholder needs and expectations

Highland Gold's management holds semi-annual results conference calls, attends various industry and investment conferences, and meets regularly with institutional and private investors and other stakeholders to provide updates on the business and to elicit feedback on the Company's strategy and performance.

The Company's management and investor relations team strive to respond quickly to inquiries and to process feedback from investors. Independent non-executive directors also make themselves available to speak to shareholders.

The Annual General Meeting, held in May of each year, is another available avenue for shareholders to provide feedback to the Company.

Management regularly reports to the Board on the results of investor relations outreach, and the Board is able to use this feedback in the decision making process and determine how the Company can best meet shareholder expectations.

### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

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

Management meets regularly with local government officials and community leaders to elicit feedback and improve cooperation. Each year, the Company signs social contracts with municipal administrations in the regions where it operates that lay out a blueprint for assistance in funding pressing social needs in the regions.

Another key stakeholder group is Highland Gold's 3,000 employees across Russia, Kyrgyzstan and Jersey. Company management seeks to maintain an active dialogue with its staff, communicating key corporate objectives and soliciting comments and suggestions on ways to improve operations and workplace conditions. The Company offers a full range of employee benefits including housing, meals, medical care, social guarantees, and performance-based incentives. The Company provides training and seminars to assist staff in improving and expanding their professional skillsets, and strives to create clear avenues for career advancement. Regular staff meetings, corporate events, and an employee hotline are among the mechanisms in place to support corporate culture and solicit feedback.

#### **4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Directors have overall responsibility for the Group's internal control and effectiveness in safeguarding the assets of the Group. Internal control systems are designed to reflect the particular type of business, operations and safety risks, and to identify and manage these risks, but not all risks to which the business is exposed. As a result internal controls can only provide a reasonable, but not absolute, assurance against material misstatements or loss.

The processes used by the Board to review the effectiveness of the internal controls are through the Audit Committee, internal audit function and the executive management reporting to the Board on a regular basis where business plans, budgets and authorisation limits for the approval of significant expenditure, including investments are appraised and agreed.

The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities, accountability and succession plans. The Board engages independent professional advice on risk assessment matters. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the group.

#### **5. Maintain the board as well-functioning, balanced team led by the chair**

Highland Gold's Board of Directors includes individuals with a range of professional backgrounds, skillsets and personalities, joined by a common goal of ensuring the growth and success of the Company.

The Board is currently comprised of seven Directors, including Executive Chairman Eugene Shvidler, one executive director, and five non-executive directors. Three of the non-executive Directors – Duncan Baxter, Colin Belshaw and Terry Robinson – bring an element of independence to the Board and provide a balance to those Directors who cannot be regarded as independent. The Board considers them to be independent in character and judgement.

The Board meets on a regular basis to review the business and performance of the Group, to ensure that financing needs are appropriate and to consider operational matters, development and acquisition opportunities. A total of four full Board and two Board Committee meetings are traditionally held during the calendar year, along with two conference calls of the full Board. Over the past year, the Audit Committee met on three occasions, the Health, Safety & Environment Committee met twice, and the Remuneration and Nomination Committee met twice. Independent Board members also make occasional site visits over the year and are in regular contact with each other regarding issues that might arise between scheduled meetings. A record of attendance was not published for Board meetings over the past year but we anticipate the inclusion of this in the Annual Report in future.

It is a requirement that all Directors retire by rotation at least every three years and new appointments are elected at the earliest opportunity. The Directors are expected to commit sufficient time to the Company such that they can carry out their duties.

## **6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

Highland Gold is confident that its Directors have the requisite experience, skills and capabilities to perform the duties entrusted to them. Biographies of each Board member are available on the corporate website (<http://www.highlandgold.com/en/home/about-us/board-of-directors/>) and in the Annual Report and Accounts. Current Directors bring together decades of experience in natural resources industries, with backgrounds covering a range of capabilities including financial, technical, regulatory affairs, and investor relations.

Through continuous engagement in the Company's activities and, in some cases, their work on the boards of other public companies, Directors are able to keep their skillsets up-to-date and to bring their experience to bear on behalf of Highland. Further details of the skills and capabilities each Director brings to the Board will be provided on the website in future.

The Company Secretary, Jersey-based Ocorian Limited, ensures that the Group is compliant with relevant legislation and regulatory requirements, and keeps the Board informed of its legal responsibilities.

## **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Directors undertook a self-assessment review in early 2017 from which no material issues arose, having considered the interaction with committees, executive management and corporate governance matters. The Board will continue to undertake such reviews on a biennial basis provided there are no major changes to the Board that would render such a review ineffective.

We anticipate the next review will take place during 2019 and plan to provide a more robust analysis of Board performance for our stakeholders in line with best practice then. Likewise, further details of the Company's approach to succession planning will be provided in future.

## **8. Promote a corporate culture that is based on ethical values and behaviours**

The Company is committed to implementing the highest ethical standards in respect of our stakeholders. The Board has adopted an Anti-Corruption Policy and an Internal Code of Business Conduct and Ethics. These extend across all of our businesses and apply to every employee and all our business partners. Both documents are available on the corporate website, and a hotline is available for employees and stakeholders to report violations.

Furthermore, the Board and management have adopted a statement of vision, mission, and values, which are being promoted throughout the Company and its subsidiaries with a view toward creating a unified corporate culture and ensure that staff at all levels are aligned with the Company's strategy and standards.

## **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Board has determined and formalised matters reserved for its consideration and where appropriate has delegated certain matters under a chart of authority to Board-appointed committees. The Board meets on a regular basis to review the performance and the business of the Company, ensure that funding needs are appropriate and consider development and acquisition opportunities. The Directors have full access to the Company Secretary and independent professional advice at the Company's expense.

The Executive Chairman is the Company's senior executive officer and oversees all matters related to strategy and corporate governance. He is responsible, among other things, for leading, managing, and organizing the Board and its activities and setting the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making. The General Director of Rusdragmet LLC (Highland

Gold's chief executive officer or "CEO") is tasked with overseeing day-to-day management of the Company's operations, implementing the decisions of the Board, ensuring that the Board receives accurate, timely, and clear information on the Company's performance, and advising the Board on forward strategy.

There are three committees that operate under the Board of Directors. The Audit Committee meets three times a year to consider the annual and interim financial statements, the audit programme, the Anti-Corruption policy and an Internal Code of Business Conduct and Ethics. The Remuneration and Nomination Committee is responsible for reviewing the performance of executive management and, where appropriate, other senior executives, and for determining their appropriate levels of remuneration. The Health, Safety and Environmental Committee considers, in conjunction with management, development and training requirements and regulatory compliance matters related to health, safety and environmental issues. More detailed descriptions of each committee and their activities are available on the corporate website and in the Annual Report and Accounts.

In addition, the Company has an Executive Committee which includes senior managers, department heads, and the directors of corporate subsidiaries. The committee is chaired by the Chief Executive Officer. Its role is to ensure the implementation of decisions taken by the Board, to manage the day to day operational activities and to make recommendations to the Board. It delegates part of its duties to three internal RDM committees; the Risk Committee; Budget Committee and Investment Committee.

#### **10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

In Highland Gold's Annual Report and Accounts, its corporate website, the investor and stakeholder relations efforts described above, the AGM, and this Corporate Governance Statement, the Company seeks to keep shareholders and stakeholders informed about its strategy and operations and to elicit feedback on stakeholders' concerns.

The Company regularly publishes news and information via the RNS system and the corporate website. Contact information for one executive and one non-executive director is always included in regulatory news filings.

The Annual Report and Accounts contain reports on the activities of the Board and its committees and are available on the corporate website ([www.highlandgold.com/en/home/investors/results-reports-and-presentations/](http://www.highlandgold.com/en/home/investors/results-reports-and-presentations/)). We anticipate that future annual reports will have a more detailed description of the work of each committee in line with the spirit of the QCA code.

Highland Gold regularly publishes the results of voting at each of its General Meetings. Directors endeavour to reach out to major institutional shareholders when it is noted that there is a significant vote against a resolution at such meetings. However, this is currently done on an ad hoc manner and it is understood that a more formal process may need to be put in place prior to the 2019 Annual General Meeting.