

**RESPONSIBLE MINING: A HUMAN RESOURCES STRATEGY FOR MINE
DEVELOPMENT PROJECTS**

by

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ABSTRACT

Mining is a global industry. Most mining companies operate internationally, often in remote, challenging environments and consequently frequently have respond to unusual and demanding Human Resource (HR) requirements.

It is my opinion that the strategic imperative behind success in mining industry is responsible mining. The purpose of this paper is to examine how an effective HR strategy can be a competitive advantage that contributes to the success of a mining project in the global mining industry. It will draw on the author's experience as the Project HR Manager for Kinross Gold Corporation (Kinross) at the Dvoinoye Project in Russia, where he is currently tasked with developing a Human Resources Feasibility Study, including workforce planning, labour cost analysis, staffing and compensation strategy, and establishing processes for the ramp up schedule. This paper will analyse how HR practices contribute to the Kinross strategy, specifically as applied to the Dvoinoye Project in Russia. The paper is also anticipated to serve as a project development model that could be adapted within a global mining setting when embarking on a venture in any jurisdiction. The proposed model will consider current best practices and recommend strategic inclusions aligned to business imperatives, emphasizing staffing, retention and development.

The paper will present a general description and analysis of the industry and Kinross, and a detailed description of the Dvoinoye Project. A more detailed examination using value chain and Porter's five forces analyses that focuses on Kinross Russia will be presented. To clarify Kinross' competitive position, a competitive analysis will explore and identify the opportunities and threats for Kinross's growth in Russia. These analyses will identify Key Success Factors (KSF) with particular emphasis on the KSFs relevant to our discussion of the Human Resources Strategy development and implementation for the Dvoinoye Project.

Keywords: Mining, Human Resources

DEDICATION

Without her unconditional support and dedication to our family, I would not be who I am today. I dedicate this paper to my wife, Neelima Sriram.

In addition, I would like to dedicate this paper to my parents for instilling the values and courage that kept me going and achieving results as I have been on autopilot from the age of 19, since I left India on an international journey [...and the journey continues..]

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GLOSSARY

CAGR: Compound annual growth rate

FEENSA: Federal Environmental, Engineering and Nuclear Supervision Agency

FEL Front End Loading

FIFO: Fly-In-Fly-Out

MP Management Preference

NIM Northern Indigenous Minorities

1: Introduction

Mining is a global industry. Most mining companies operate internationally, often in remote, challenging environments and consequently frequently have respond to unusual and demanding Human Resource (HR) requirements.

1.1 Objective and Focus

The purpose of this paper is to examine project development in the global mining industry from a HR perspective. It will draw on the author's experience as the Project HR Manager for Kinross Gold Corporation (Kinross) at the Dvoinoye Project in Russia, where he is currently tasked with developing an HR Feasibility Study that includes workforce planning, labour cost analysis, staffing and compensation strategy, and establishing processes for the ramp up schedule. This paper will analyse how HR practices contribute to the Kinross strategy, specifically as applied to the Dvoinoye Project in Russia. The paper is also anticipated to serve as a project development model that could be adapted within a global mining setting when embarking on a venture in any jurisdiction. The proposed model will consider current best practices and recommend strategic inclusions aligned to business imperatives, with a particular emphasis on staffing, retention and development.

1.2 Scope

The paper will present a general description and analysis of the industry and Kinross, and a detailed description of the Dvoinoye Project. Chapter 1 will include a general overview of Kinross. A more detailed examination using value chain and Porter's five forces analyses focused on Kinross Russia will be presented in Chapter 2. To clarify Kinross' competitive position, a competitive analysis will explore and identify the opportunities and threats for Kinross's growth in Russia. These analyses will identify Key Success Factors (KSF) with particular emphasis on the KSFs relevant to the discussion of HR strategy development and implementation for the Dvoinoye Project.

1.3 Theory and Methodology

The analyses in this paper will consist of an amalgamation of the “Diamond-E Framework” (Crossan et al, 2009), Porter’s five forces and value chain analysis. We will observe that three major components - management preference, organizational capabilities and resources - that form sub-systems of a general system under the “Diamond-E Framework” can be integrated to provide focus for a comprehensive microscope to a unit of analysis (Parsons et al, 1984). These analyses will allow us to identify HR Strategy as a key success factor and we will discuss how to operationalize the HR Strategy in Chapter 3.

Although I have received permission to disclose considerable corporate information, due to the confidential nature of the Kinross Dvoinoye underground mine development project, I am unable to disclose actual cost figures. Cost figures are significant because they are a key competitive advantage. However, to protect Kinross’ business interests, the actual numbers have been altered. The costs presented are relatively proportional to actual costs for a mining development project but will not correspond to any publicly available financial information for this particular project.

1.4 Industry Overview

In this introductory section, we will review the gold industry as whole, including history, culture, and supply and demand.

1.4.1 History and Culture

One reason why gold is so respected throughout the world is due to its incredible history. From the ancient Egyptians to James Bond, from Homer’s ‘Odyssey’ to the Californian gold rush, gold has played a fascinating part in world history and culture for thousands of years. In the ancient world (pre 400 AD), prisoners of war, slaves, and criminals were sent to work in gold mines by various civilizations, all during a time when gold had no monetary value but was just considered a desirable commodity in itself. Throughout history, gold ornaments have not just been adored, they have also symbolized wealth and power.

Beginning in the 20th century, extensive research has proven gold to be extremely valuable in various industrial applications. Beyond its obvious and ancient use in jewelry, gold is essential to a wide variety of applications in medicine, space science, electronics, dentistry and nanotechnology, to name only a few. In practice, gold remains an economic anchor. The Euro is

partly backed by gold reserves. Gold is recognized as an important reserve asset. Over 20% of above ground gold stocks are held by central banks and institutions, like the International Monetary Fund (IMF), around the world. On average, each country holds approximately 10% of their reserves in gold.

1.4.2 Supply and Demand

The gold market is deemed to be the annual total mine production (in metric tons) multiplied by average annual price for gold, using London Metal Exchange prices. In its 2011 report, Thomson Reuters GFMS (GFMS), one of the world's leading economics consultancies in precious metals, indicated that about 66% of total aboveground stock of 158,000 tons has been mined since 1950. The largest gold producing regions are Africa, Australia, USA, Latin American, and China. Total global production stands at about 2500 tons per annum. Gold supply and demand, and gold mine production by countries are illustrated in Figures 1 and 2, respectively.

Supply and demand

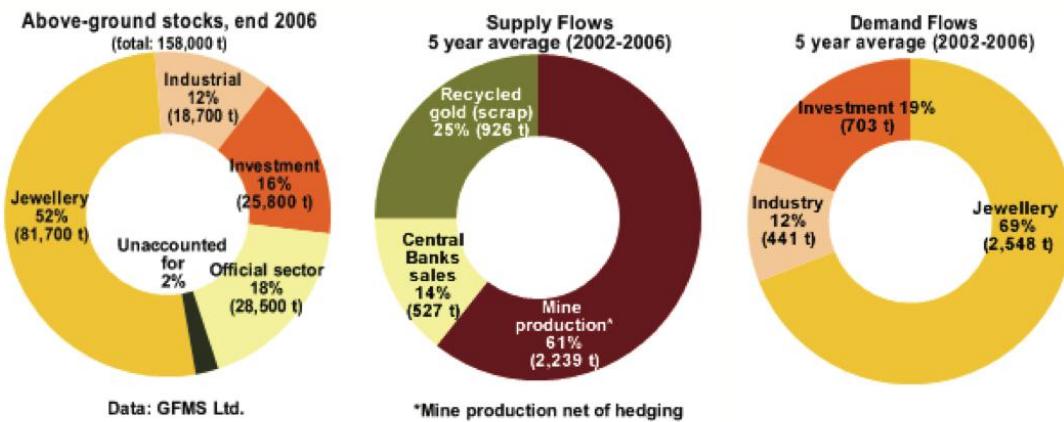


Figure 1 Gold: Supply and Demand

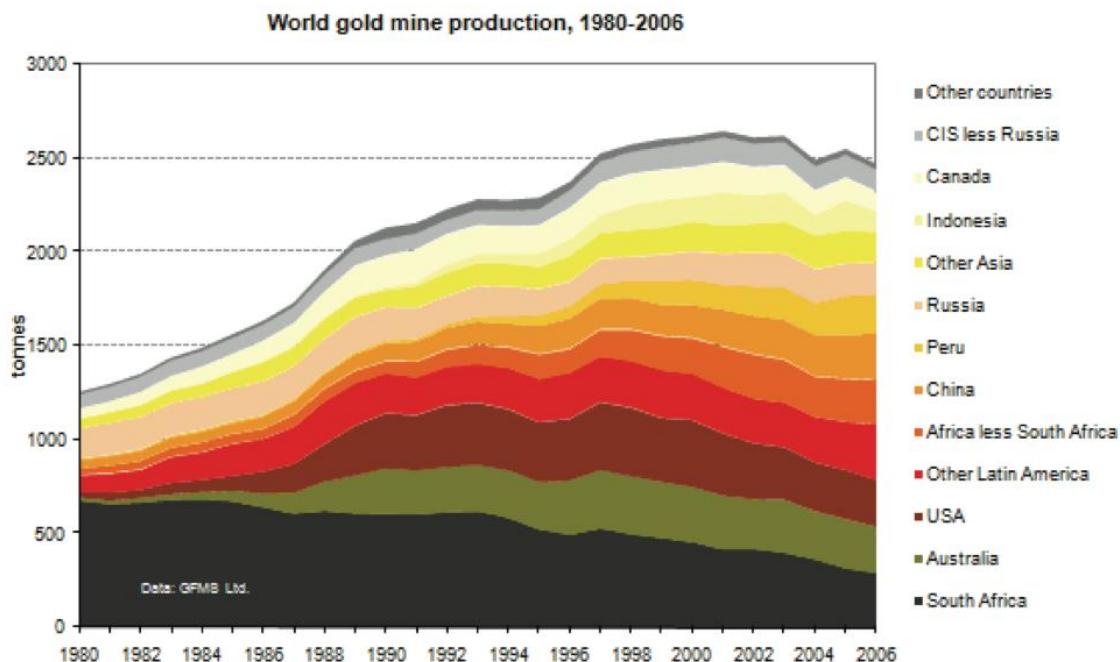


Figure 2 World Gold Mine Production, 1980-2006.

Source: GFMS

1.4.2.1 Growth

GFMS's recent survey reported that production rose strongly in the first half of 2011, up 4.9% year-on-year, to 1,343 tons. It seems inevitable that 2011 will mark a new all-time high in mine production. The continued growth has been underpinned by on-going production gains from new large scale project start-ups; stand-out project additions were noted in Kazakhstan (Altyntau), Burkina Faso (Essakane), Eritrea (Bisha) and Côte d'Ivoire (Tongon), each adding four to six tons in the first half of the year. Importantly, but less prominently, relatively few mines have ceased operating over the past year. However, mine output of gold is expected to remain flat for the next few years and may drop slightly, primarily driven by lack of resources devoted to exploration.

1.4.2.2 Gold Prices

Central banks and the IMF play important roles in establishing gold prices. To the extent that gold behaves like other commodities, one would expect that a sudden unanticipated rise in the demand for gold that cannot be matched by an immediate increase in supply should, all things being equal, drive the price of gold up. However, it can be argued that the supply of gold is perfectly elastic, given the existence of large, homogeneous and liquid above-ground stocks. The

price of gold is mainly affected by changes in sentiment, rather than changes in annual production.

The first half of 2011 saw gold rally to a then record high of \$1,552.50, lifting the period average by 25.4% to \$1,444.74. Safe haven based investor buying was the key driver of the rally, although resilient jewelry off-take also contributed.

1.4.2.3 Demand and Demand Drivers

According to the World Gold Council (2010), the annual gold production in the last few years has been approximately 2,500 tons. The annual demand for gold falls within three major categories: jewelry, investment, and industrial demand.

The jewelry market accounts for the largest share, around 70% of total demand, valued at approximately \$44b in 2006. The demand, which is seasonal, is affected by various cultural and social factors, such as Valentine's Day, Diwali, weddings and anniversaries. The largest gold jewelry market is in India, followed by the USA and China. Marketing, the distribution of quality products, and the promotion of occasions on which to buy gold are stimulants to gold purchases. Improvement in income levels and changes in consumer attitudes also have influence. Figure 3 illustrates not only how the top three countries contribute to jewelry sales but also spikes that reflect the seasonality of demand.

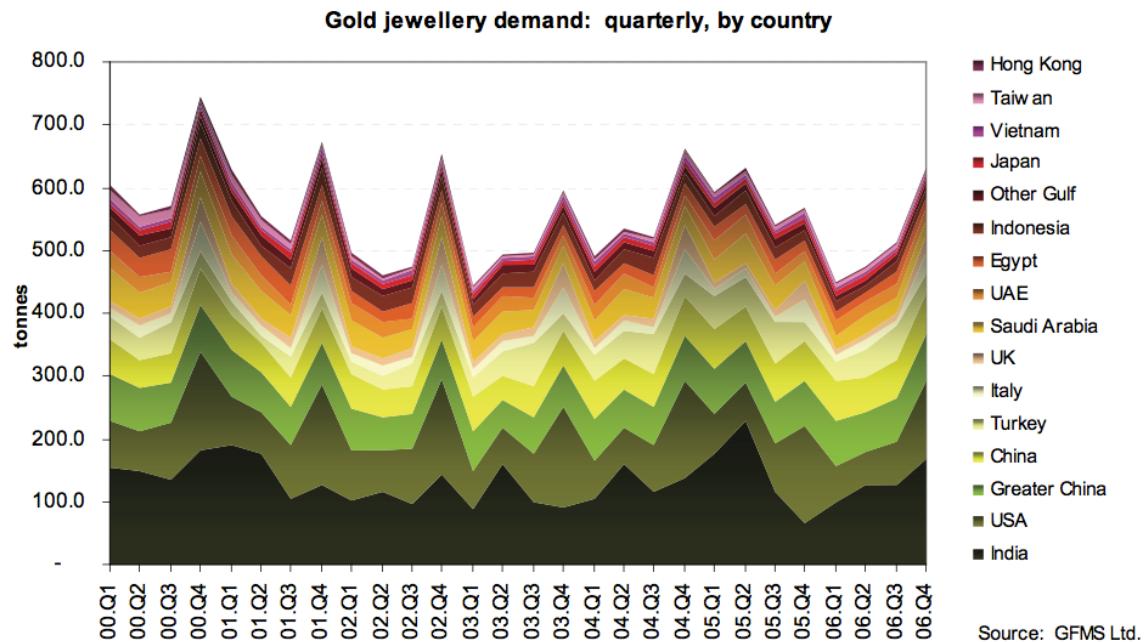


Figure 3 Gold jewelry demand: quarterly, by country

Industry accounts for about 12% of total annual gold demand. The share consumed by the electronics industry (about 7%) has grown over the past decade, but it also fluctuates according to global GDP and the performance of the electronic industry.

Investment in gold has a long history; gold is seen as safe haven, a store of value, and a monetary asset. There is no statistically significant correlation between returns on gold and changes in macroeconomic variables, such as GDP, inflation, and interest rates; consequently, providing evidence that gold is an effective portfolio diversifier (Lawrence, 2003) is not at all straightforward. Investor holdings or private investor stocks account for 16% of total gold stocks. It should be noted that there is undoubtedly a significant overlap between consumption (jewelry) and investment demand, particularly in India where gold jewelry is both an important status symbol and an investment. Figure 4 illustrates how the investment portfolio trend and the volume have changed over the years.

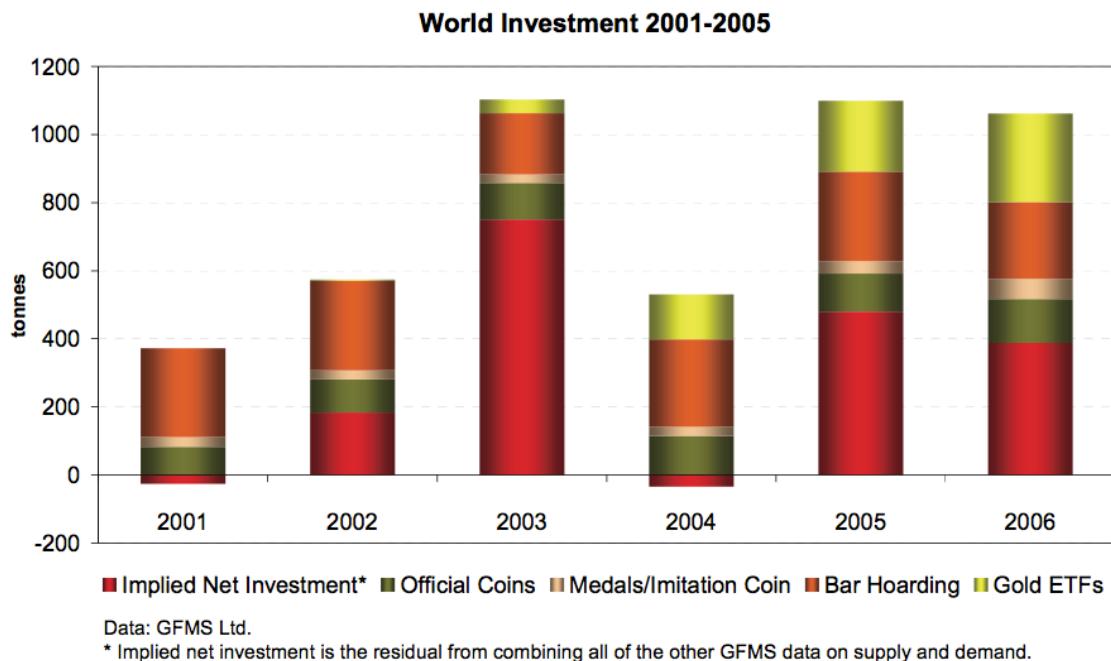


Figure 4 World Investment in Gold 2001-2005

1.5 Kinross Gold Corporation

Kinross is a publicly listed company, headquartered in Toronto, Ontario. Employing over 7,000 people, the company has operations and development projects in Canada, the United States, Russia, Chile, Brazil, Ecuador, Ghana and Mauritania.

In August 2010, Kinross completed the acquisition of 100% of the Dvoinoye and Vodorazdelnaya exploration and mining licenses in the Russian Far East. Operating inside the Arctic Circle, the project presents unique challenges for planning and implementation of HR strategies for both construction and operational phases.

1.5.1 Background

Kinross was founded in 1993 by Robert M. Buchan (P. Eng) through an amalgamation of CMP Resources Ltd., Plexus Resources and 1021105 Ontario Corporation. In June of 1993, the company was listed on the TSX and NASDAQ and in October of 1994, it was listed on the New York Stock Exchange under the ticker symbol “KGC”.

Kinross acquired the Macassa Mine in Kirkland Lake, Ontario from Barrick Gold Corporation in 1995. In 1996, primary mining operations included the QR Mine in British

Columbia, the Hoyle Pond Mine in Ontario, the DeLamar Mine in Idaho, the Denton-Rawhide and Candelaria Mine in Nevada and in the same year Kinross expanded overseas with the Blanket Mine and the Golden Kopje Mine in Zimbabwe. 1998 saw significant expansion with the acquisition of Amax Gold Inc., a 50% interest in the Maricunga Mine in Chile and a 50% interest in the Kubaka Mine in the Russian Far East. Kinross acquired La Teko Resources Ltd. and solidified its interest in the Truth North Property in Alaska in 1999.

By 2001, with production approaching one million ounces, Kinross became the fourth-largest primary gold producer in North America and by 2003 it was the seventh-largest producer in the world.

1.5.2 Kinross in Russia

Kinross has been active in Russia since 1995. It is the largest Canadian investor in the Russian Federation with over \$2.2b invested. Kinross is developing two strategic gold deposits in Russia at Kupol and Dvoinoye. Cyanide is used in the ore processing to extract gold. Kupol became the first mine in Russia to achieve full certification under the International Cyanide Management Code. Kupol's transportation group was also certified, making it the first mine-operated transportation group in the world to be certified.

As the largest foreign investor in Russia's gold mining industry, Kinross is focused on its Kupol and Dvoinoye gold mines, and the associated Vodorazdelnaya property, in Russia's north-eastern Chukotka region. The Kupol mine is located in the sub-arctic permafrost zone, 400 kilometres to the northwest of Anadyr, Chukotka's capital. Kupol is a major employer and taxpayer and a significant contributor to local economic development. Kupol provides jobs for over 1,500 people, including contractors. In 2009, Kupol paid \$135m in taxes, accounting for 30% of the regional budget.

1.5.3 Dvoinoye Project

Kinross acquired 100% of the high-grade Dvoinoye deposit and the Vodorazdelnaya property on August 27, 2010. Both properties are located approximately 100 kilometres north of Kinross' Kupol operation (see Figure 5). The Vodorazdelnaya property encompasses approximately 922 square kilometres surrounding the Dvoinoye license area and includes an exploration and mining license.



Figure 5 Dvoinoye Project Location and Scope

Source: Kinross

Dvoinoye is an underground mine development project with a mine life of at least eight years. The support infrastructure at the Dvoinoye site will include accommodations, administration, warehousing, laboratory and medical facilities. The operational infrastructure will include power generation, fuel storage and distribution, explosives storage, an equipment maintenance shop, water supply, storage and distribution, and waste treatment.

A management team has been assembled for the construction phase, and planning for an operational management team and employees is underway. Kinross plans to process ore mined from Dvoinoye at the existing Kupol mill. The average gold grade of Dvoinoye feed is expected to be approximately 17.5 g/ton (approximately 180-190 thousand ounces of gold per year) and processing of Dvoinoye ore at Kupol is targeted to commence in the second half of 2013.

The Dvoinoye operation is extremely remote (see Figure 6) and has a fly-in-fly-out (FIFO) arrangement; about 97% of the employees work 4 weeks on and 4 weeks off, which means hiring cross shifts for each position at Dvoinoye is essential to ensure operational continuity. When the project becomes operational in late 2013, the mine will have over 300 employees.



Figure 6 West Portal Dvoinoye Mine

Source: Kinross

1.5.4 Structural Characteristics

In the initial phase, the Dvoinoye organization consists of two major components: a project study, i.e. planning team, and an execution team, responsible for the actual project development and construction of mine. Consistent with corporate operating procedures, the project study team was formed very shortly after the business opportunity was identified. For this project, the vision of the organization is to leverage as much existing infrastructure as possible, such as resources available at Kupol and in the region. In several areas, particular support functions, a high level of synergistic opportunities have been identified and some are already in the works.

It should be noted that this is a very standardized environment. Due to the hazardous environment, the majority of operating processes are rigidly standardized. Job hazard assessments and other leading indicative measures are an integral part of day-to-day operations to proactively prevent employee safety incidents.

1.5.5 Complexity

Dvoinoye is fairly a complex organization from a HR management standpoint, with a number of moving parts and overlaps in planning (study team), construction, as well as specific functions in operational positions. There are 16 different sub-systems within the organization, with over 150 different job titles. (See organization chart. Appendix 2). This does not include contractors and consultants.

It is anticipated that there will be a relatively high level of specialization within the Dvoinoye organization. The division of labour is very explicit all through the organization. When fully operational, the degree of specialization may result in higher manpower numbers, which will be exacerbated by the need for duplicate FIFO crews. In the planning and construction phase, it is evident that managers tend to seek people to perform certain specific tasks on a short and medium term basis.

The complexity is compounded by the fact that Kinross needs to bring the Dvoinoye into operation as quickly as possible to ensure cash flow, while continuing to work on other large multi-billion dollar projects in West Africa and South America. There is a sense of urgency. However, Kinross will not compromise employee safety in the interest of extracting rents, so they believe and preach the safety philosophy “no job will be done if it can’t be done safely”

1.5.6 Organizational Environment

Dvoinoye operates in an environment with multiple stakeholders that include:

- Government regulators that enforce stringent permitting, licensing, and compliance requirements for developing and operating mines;
- A community that can impact the organization’s social license to operate. Engaging the community from the area of direct influence is of paramount important;
- Suppliers of mine equipment, construction materials, and service providers. This includes logistics service providers as they play a critical role in this logistically challenging arctic environment. In addition to moving supplies, these suppliers also move employees by road transportation, special chartered fixed wing and/or rotary wing aircrafts, depending on the weather conditions.
- Labour is a significant part of the project development and operational story, where Dvoinoye, like Kupol, will require that their employees and contractors are ready to stay away from their homes for an extended period while working.

1.5.7 Values

Kinross views itself as an entrepreneurial and nimble organization that takes pride in being different. The company places significant importance on corporate social responsibilities, particularly with regard to safety and minimizing environmental impacts. Kinross promotes and promulgates stated values internally and externally. The following value statements are extracted from a booklet distributed to Kinross employees (Kinross Booklet, nd). These values also known

as “The Kinross Way” are meant to serve as the Management Preferences (MP) that guide the Kinross strategy.

Putting People First

Kinross emphasizes that health and safety among employees, partners, suppliers, and in the communities in which Kinross operates is Kinross’ number one priority. Kinross will always treat its employees with fairness and respect, and will seek constantly to provide opportunities for professional development and personal growth. Kinross will foster a working environment that celebrates and supports diversity and recognizes that, as a global company, they must remain sensitive to local cultures, customs and practices. Kinross will ensure all of their people are kept informed of important company developments and issues.

Outstanding Corporate Citizenship

Kinross is committed to the highest ethical and governance standards in the industry and values integrity and transparency in all activities. Corporate responsibility will remain a key business priority for the company and will remain uncompromising regarding these commitments.

High Performance Culture

Kinross is a results-oriented company, with a relentless focus on the delivery and execution of high business objectives, valuing innovation, adaptability, and accountability in executing against our business strategy. Kinross wants their people to be known across the industry for their passion, sense of urgency, ability and initiative. Teamwork is essential to what it means to work at Kinross and continuous improvement is central to its business culture. Kinross recognizes and rewards excellence.

Rigorous Financial Discipline

Kinross will at all times be prudent with shareholders’ money; fiscal discipline is central to its management philosophy. Kinross will always seek new, more efficient ways to use the company’s resources.

Kinross’ core value proposition is to lead the world in generating value through responsible mining. In June 2009, Kinross was named one of Canada’s Top 50 Socially Responsible Corporations by Jantzi Research and MacLean’s magazine.

1.5.8 Kinross Current Activities

In February 2007, Kinross completed the acquisition of Bema Gold Corporations, which included mining operations in Chile and the Russian Federation. Kinross acquired Red Back Mining in a \$7.1b transaction. Kinross is now recognized as a high-growth senior gold producer with a market capitalization of approximately \$13b. Kinross is active in eight mining-friendly countries, with ten operating mines and five high-quality development projects.

1.5.9 Market Strategy

The Company's strategic focus is to maximize net asset value and cash flow per share through a four-point plan built on:

- delivering mine and financial performance;
- attracting and retaining the best people in the industry;
- achieving operating excellence through "The Kinross Way"; and
- delivering future value through profitable growth opportunities.

While Kinross' core value proposition is to lead the world in generating value through responsible mining, it is of paramount importance that it continues to be profitable to ensure its existence. Responsible mining is an integral part of any mining company, particularly if it wants to operate at a larger scale. Responsible mining does carry a cost, which is often fairly fixed in nature and depends on the operational jurisdiction. This cost is built into the economic model. Each company strives to achieve low cost through effectively managing the whole mining value chain, which includes a) land positioning, b) development (exploration), c) construction, d) mining operations, e) ore processing/metallurgy, and f) closure and reclamation strategies.

1.5.10 Human Resource Strategy

Until recently, Kinross has been a centralized organization, which looked geocentric in orientation. Geocentrism focuses on a world-oriented approach to multinational management. As the company plans to grow significantly in the next 3-5 years, Kinross has come up with an initiative called "organizing for growth" to drive more accountabilities out to the regions, which currently would be more regiocentric than geocentric. Regiocentrism is very similar to geocentrism, but focuses on a more regionally-oriented approach to multinational management. Moving towards regionalization does mean change for the organization and requires planning and resources to drive the implementation.

Figure 7, extracted from a recent presentation delivered by Kinross HR Executives, provides an overview of Kinross' overall HR Strategy:

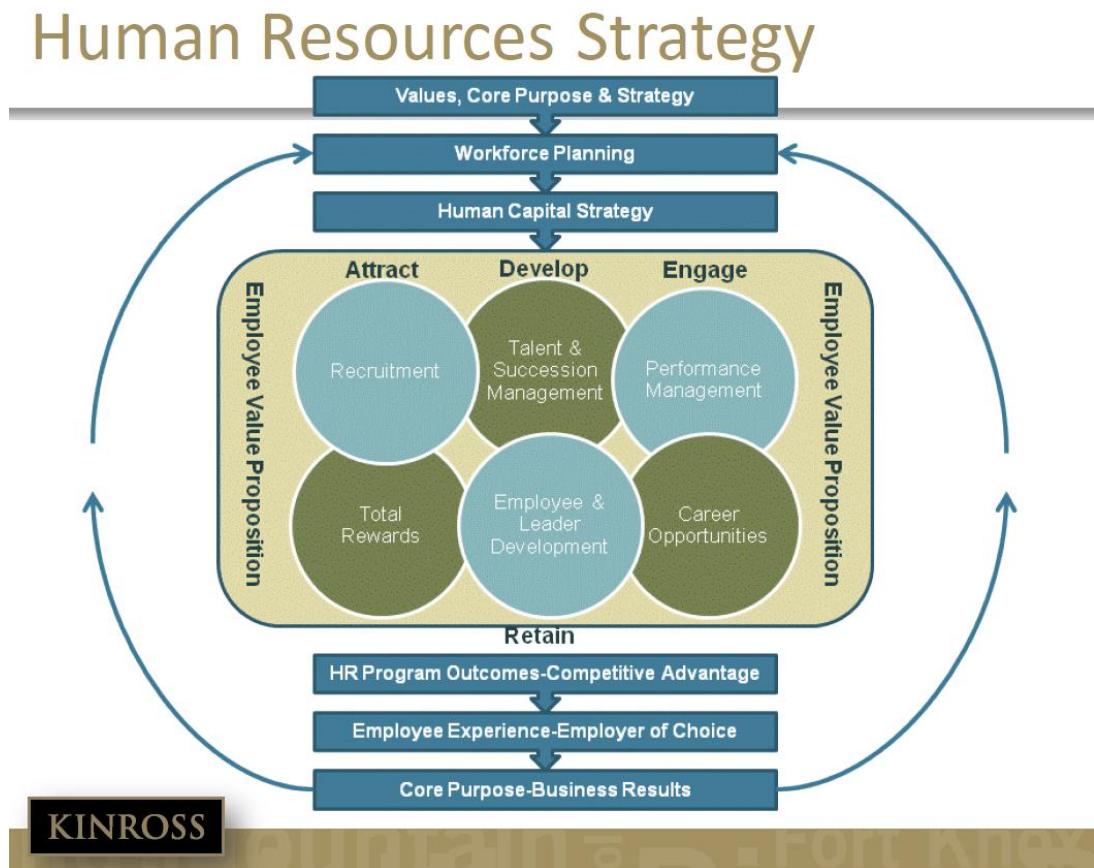


Figure 7 Kinross Human Resources Strategy

Source: Kinross

The key HR initiatives aligned to Kinross business strategy are:

- Global Talent Acquisition – Implement comprehensive recruitment strategy that delivers people required for growth;
- Retention through employee engagement – Engaged employees are aligned, proud, and willing to contribute resulting in high level of safety and business performance; and
- Leadership Development – Deliver a comprehensive Leadership and Employee Development strategy

Dvoinoye is a start-up project and the problem being addressed in actuality and in this paper is how to effectively employ the HR function to implement a HR Management strategy that

will successfully facilitate Kinross' responsible mining strategy guided by Kinross' values, which are articulated in "The Kinross Way".

In Chapter two, we will use "Diamond-E Framework" (Crossan et al, 2009), Porter's five forces, and value chain analysis. Three major components - management preference, organization capabilities and resources - that are sub-systems in the "Diamond-E Framework" will be integrated. This would mean that HR strategy, which will be identified as a key success factor and a sub-system of the general system, will reflect the same three components of internal capabilities that characterize company as a whole. The same framework will be used to analyse and describe the HR strategy, whereas, we will use Porter's five forces and value chain analysis to address the environmental aspect.

2: External Analysis: Industry Analysis

2.1 Introduction

In this section, we will review the mining value chain, analyse the precious metals mining industry in Russia using Porter's Five Forces, and identify sources of advantage and relative competitiveness for Kinross in Russia. This analysis will assist in deriving the key success factors, which are presented at the end of the section. This section includes extracts from reports presented by Datamonitor on "Metals & Mining in Russia" and "Global Gold" and other referenced materials.

2.1.1 Mining Value Chain

A good understanding of the mining value chain is imperative. Value chain analysis is a useful tool to determine how a company can create the best possible value for their key stakeholders and can also indicate where the company's competitive advantage lies.

Figure 8 presents the key components of the value chain within gold industry. Note that feasibility includes environmental assessment and permitting.

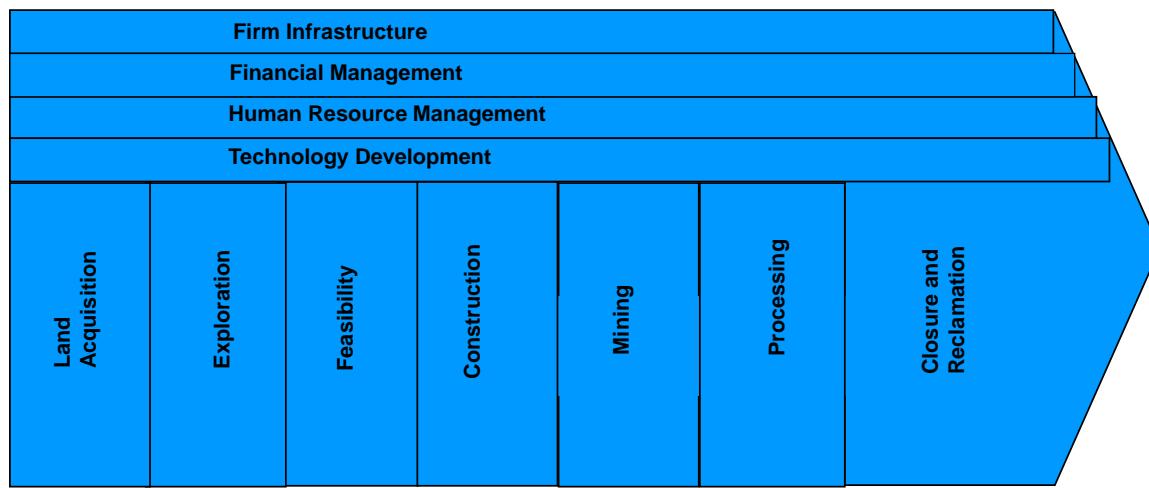


Figure 8 Gold Mining Value Chain

Source: Author

2.1.1.1 Land Resources

The search for minerals can occur on government or private land. Having access to as much of the land base as possible is critical to improving the likelihood of finding mineral deposits. Deposits that are large and/or valuable enough to be developed are rare. Normally, lease and or royalty agreements are signed with the landowners for the right to access the land resources.

2.1.1.2 Exploration

An exploratory search for mineral deposits is the first step in the mine cycle. At the preliminary exploration stage, large areas are often evaluated by airborne or ground-based mapping, or sampling surveys of the Earth's surface by prospectors and geologists. From maps and existing data, specific areas are singled out for more detailed studies. If valuable mineral potential is indicated, a 'claim' is staked by way of an online computer based application system.

The second stage of exploration involves more detailed surveys including mapping, sampling, and diamond drilling (often at great depths) to determine the size and shape of the mineral deposit. In addition, data collection for environmental studies begins at this stage. Application of technology is relatively high in this step of the value chain. Large gold mining companies spend significant amounts on exploration, as this stage offers organic growth, which is fairly cost effective but could be time consuming (5 to 10 years from the time of discovery). For example Barrick, the largest gold company, plans to spend close to \$400m in 2011.

Kinross has been allocating significant exploration spending to Russia, including the Dvoinoye and Vodorazdelnaya licenses. Due to years of extended exploration programs and the fact that there is an existing ore deposit (Dvoinoye), the probability of finding another resource base is high.

2.1.1.3 Feasibility, Environmental Assessment and Permitting

Assessment and approval form the second phase of the mining cycle. Deposit details and environmental and socio-economic information collected during exploration are used to plan and design the mine. Such planning includes assessing the potential value of a mineral deposit and determining if it can be mined economically and in a responsible manner. Development must limit impacts to the environment and bring social and economic benefits to the mining company, local communities, and the jurisdictional government. The mineral deposit must be valuable

enough to pay for the costs of design and construction (capital costs), the costs of mine operation (operating costs), and mine closure and reclamation costs.

Consultations with government agencies and local communities are intensive during this phase to gain their input into project plans and to make sure that their needs and requirements are addressed. Financial, socio-economic, and environmental impacts are evaluated. In general, it takes two to three years for test work and data collection (environmental baseline studies and feasibility studies) plus one to three years for environmental assessment and permitting.

Throughout the exploration and assessment periods, the company is raising money to support these two expensive and high-risk steps. The investors can be private individuals, venture capitalists or other mining companies. They all monitor the political activities in the jurisdiction to ensure a fair return on their investment.

Mining companies often adopt stage gate processes that allow them to move the properties (projects or resources) identified through various stages. At each stage, the company management looks for specific deliverables (e.g. drilling results, geological models, existence of options of business plan, pre-feasibility and feasibility study) before a decision to approve further allocation of resources to move to the next stage. Kinross has a structured and disciplined approach to the stage gate process called front end loading (FEL), which can be considered a key success factor. At Kinross, FEL is part of the capital management process, which covers the full project lifecycle; encompasses scoping study, pre-feasibility study, feasibility study, implementation plan and start-up and operations.

2.1.1.4 Construction

The construction of the mine and associated buildings, as well as necessary infrastructure such as roads, bridges, and airports, takes place during this phase. Mine development can take anywhere from five to ten years and is often much longer. The time needed depends on where the mine is located, how large and complex the development is (including infrastructure needs and availability), and the complexity of regulations and review processes.

Kinross has been present in the Russian Far East since the 90s, so has the experience of developing infrastructure and constructing mines in the harsh Russian Arctic conditions. The majority of the local employees have continued to stay with Kinross to date. The experience and the ability to retain trained personnel is a real key success factor for Kinross Russia to build Dvoinoye. It is anticipated that majority of the underground mine development and part of the

surface infrastructure will be carried out by the owners' (Kinross) team, which offers significant control over timelines and quality, efficiency and cost by avoiding more expensive and often these less reliable contractors and consultants.

2.1.1.5 Mining

In preparation for mine operations, in addition to mining equipment, recruitment, hiring and training of a wide range of personnel is required. Mine production involves the extraction of ore, separation of minerals, disposal of waste, and shipment of ore minerals. Additional exploration may lead to the discovery of additional mineralization that leads to expansion of the operation during the mine life. These expansions involve the full cycle of studies, evaluations, and permitting processes that are required for a new mine development.

Dvoinoye project is taking full advantage of operational experience at the Kupol mine. A number of senior mining and construction personnel are being regularly transferred to Dvoinoye; transferred to pass on the knowledge and offer training to new hires, which reduces the learning curve significantly. Dvoinoye is also adopting Kupol technical training programs. Having the operational experience in the Far East Arctic is another key success factor for Kinross as it relates to Dvoinoye. This could lead to the possibility of bringing the mine into commercial production earlier than scheduled.

2.1.1.6 Processing and Refining

Coarse gold may be removed by gravity concentration. The processing required to recover fine gold from crushed ore is determined by the free-milling or refractory nature of the ore. Free-milling ore is ore from which gold can be recovered by crushing, grinding, and cyanidation (treatment with a dilute cyanide solution) without additional processing. Free-milling oxide ores are suitable for direct cyanidation of the crushed and ground ore. In refractory ore, gold is locked in the sulphide minerals. To achieve satisfactory levels of gold recovery, additional processing, such as roasting or biological leaching, is required before cyanidation.

Several processes, such as chlorination, electrolytic and aqua regia, are used to refine gold. At the end of the process, refined gold is cast into bars.

Dvoinoye will be transporting ore to Kupol for processing. Kupol in return is upgrading and expanding its processing facility to accommodate Dvoinoye needs. This is another example of how identifying synergies with Kupol by expanding economies of scale and reducing learning

curve can offer significant cost benefit for Dvoinoye. Maximizing synergies between Dvoinoye and Kupol is another key success factor for Kinross.

2.1.1.7 Closure and Reclamation

Mine closure is the last phase of the mining cycle. Shutdown and decommissioning involves the removal of equipment, the dismantling of facilities and the safe closure of all mine workings. Reclamation, which in fact occurs at all stages of the mine life cycle, involves earth work and site restoration, including re-vegetation of waste rock disposal areas. The final stage is monitoring, which includes environmental testing and structural assessments that commonly continue long after the mine is closed. Mining is a temporary land use. The goal of a reclamation plan is for areas affected by mining activity to host self-sustaining ecosystems that provide a healthy environment for fish, wildlife, and humans.

Kinross is an industry leader with significant growth profile, where their competitive advantage lies in their ability to acquire strategic land position in a various jurisdictions, explore and execute mine development and operate in a socially responsible manner in challenging sometimes harsh (e.g. Russian Far East Arctic) environments whilst keeping the cost under control.

2.1.2 Five Forces

The analysis of the gold market will focus on gold mining and refining companies as key players. Bullion banks are the key buyers, and landowners and companies providing energy and refinery chemicals are the key suppliers. As per Datamonitor's "Precious Metals & Minerals in Russia" report, the Russian precious metals and minerals industry had total revenues of \$16.1b in 2010, representing a compound annual growth rate (CAGR) of 11.5% for the period spanning 2006-2010. Industry production volumes increased with a CAGR of 2.5% between 2006 and 2010, to reach 1,716.8 thousand metric tons in 2010. The performance of the industry is forecast to decelerate, with an anticipated CAGR of 10.1% for the five-year period 2010-2015, which is expected to drive the industry to a value of \$26b by the end of 2015. Gold sales proved the most lucrative for the Russian precious metals and minerals industry in 2010, with total revenues of \$8b, equivalent to 50% of the industry's overall value. Comparatively, the European and Asia-Pacific industries will grow with CAGRs of 11% and 11.2%, respectively, over the same period, to reach respective values of \$30.5b and \$72.6b in 2015.

The market is composed of a fairly small number of large companies, but they tend to operate in several regions and have some diversification in their product portfolio; thereby minimizing competition.

2.1.2.1 Threat of Entry (Strong)

High capital outlay and fixed costs involved in setting up, running, replacing, and modernizing mines and refineries serve as entry barriers within the gold industry. Gold reserves are often found only in remote parts of the world, and gaining access to suitable sites constitutes a significant barrier to entry. In addition, gold deposits may be located away from power lines and transport infrastructure. Setting up an adequate power supply and reliable distribution channels may be costly and therefore dissuade new entrants.

Complex regulatory environments may be further complicated by geopolitical, environmental, and safety issues. Companies are coming under increasing pressure to develop cleaner and more efficient technologies, and violating environmental regulations brings financial punishments and even criminal penalties in some jurisdictions, both of which threaten profit margins. Responsible mining is becoming an industry standard and inevitably comes with a cost. Not all companies are successful in engaging host communities and failing to do so can jeopardize their ability to obtain the social licence to operate.

However, it is possible to enter this market on a small scale, including artisanal production. While gold prices can be volatile, entry is favoured by the continued strong gain in gold prices. Overall, there is a strong likelihood of new entrants.

Kinross has been operating in the Far East Russia from the 90s and they found the success formula, which encompasses their ability to engage with key regulatory and non-regulatory stakeholders, sound understanding of the local culture including sub-cultures prevalent in the Far East and among Russian miners. Here we could identify a key success factor for Kinross, which allows them to keep themselves ahead of their competitors. This is possible due to the fact that, in addition to their cultural knowledge and relationships, is their ability to find gold resources and reserves, plan and execute capital projects and successfully operate while keeping the cost under control in such harsh climatic conditions.

2.1.2.2 Customer Power (Strong)

In the first instance, refined gold is sold to bullion banks: registered commercial banks and investment houses that act as intermediaries between producers and buyers in the different

end-markets. The end-markets include jewelry manufacturing, which accounts for 57% of global demand each year; other industries, such as electronics, and medical applications, which form a further 11% of demand; and private and institutional investors, which account for 31% of demand.

The end-markets are diverse and fragmented. For example, there are an estimated 1,500 jewelry fabricators in the United Kingdom alone. Although gold usually forms a part of a jeweler's manufacturing operation, it is not truly essential, as other precious metals could be used instead. Similarly, although gold has many properties that make it very useful in electronics, such as its resistance to corrosion, it is generally not absolutely vital. The price of gold is determined to some degree by the balance of supply and demand between producers and end-users; however, the market is more complex than this.

Central banks hold gold reserves and may buy or sell in the same market; recycled gold is also a significant component of global supply. As gold mining companies have relatively little control over the price of gold, buyer power in this market is strong.

Gold is a commodity and mining companies do not often forward integrate; for example, by engaging in producing value added products such as jewelry or industrial applications. As commodity prices are fixed, often companies try not to be price leaders, rather they strive to become and sustain low cost producer positions. Kinross' ability to identify resources, convert them into minable reserves, construct and operate in a cost effective manner is their key success factor.

2.1.2.3 Supplier Power (Strong)

Mining is labour intensive, although in Russia much of the precious metals mining industry is located in fairly low-labour-cost regions. However, due to hardships caused by remoteness and harsh weather conditions, the government mandates that companies operating in the Far East and Northern regions of Russia offer additional incentives, which can be as high as base salary multiplied by three or even more. For example, Novolipetsk Steel, a Russian company, indicates that their average salary in 2009 was an equivalent of about \$1000/month, whereas salaries in the remote arctic are lot more. (KLMK, 2011) Other cost components for remote mine sites are transportation, meals and accommodation, and maintaining complex logistics, which significantly adds to the overall cost. Employee health and safety needs to be a top priority for mining companies. This means that companies such as Kinross set global standards that are often over and above the legal minimum in Russia. The safety awareness and

monitoring programs and safety training for operating specialized, often imported, equipment, including providing personal protective equipment, also carry their own costs.

Russians are known for an affinity for an authoritarian leadership style. This poses unique challenges for large western companies. To some extent, it is a struggle to maintain the balance to ensure Western management practices, which are based on an open door approach, including whistle blower policies. Despite over twenty years of transition from the Soviet system, identifying and developing the right local talent to fill leadership roles in the Far East locations continues to be a challenge for most Western companies. Consequently, many companies invest heavily in change management and leadership development programs to maintain a good balance between prevalent local expectations and Western management practices and develop the local talent pipeline. Here, for Kinross, with their management preference as articulated in “The Kinross Way”, responsible mining is a key success factor. Kinross here again has a formula for attracting and retaining workforce by engaging their employees through rigorously applying “The Kinross Way” philosophy.

Often new gold deposits are found in the areas where gold mining is already taking place, which is often called a gold belt (e.g. Timmins, ON, Canada or Nevada, US). This would mean there are possibly competitors operating in the region. The same applies to Far East Russia, which has a history of mining, and the region continues to be a significant player in today’s Russia’s resource sector. This obviously means that there is a number of competitors exist for Kinross that include small, medium and large predominantly Russian mining companies. These competitors are known for adopting unconventional methods in the times of war for talent. Unconventional method for example could include establishment discretionary pay packages that can be way above the market conditions and ignoring the internal equity or offering non-standard work conditions. This can pose stiff competition for Kinross in attracting and retaining talent particularly for hard to fill positions in the Far East Russia. Therefore, the supplier power in terms of labour is considered “Strong”.

The large-scale mining and production of gold is also fairly energy intensive, and key suppliers are companies providing energy, particularly in the form of electricity. In the majority of countries, electricity markets are dominated by a small number of large, highly vertically integrated companies, which increases their power.

Mining companies view their ore reserves as key assets, and gaining access to land on which they can establish mining operations is vital. This may involve negotiating with private landowners or with government agencies. It is common for mining companies to pay royalties on

their production; this is analogous to a cost of sales, as it is usually calculated as a percentage of the company's metal revenues or production. In addition to this, it is very important to recognize the role of impacted or host community, which plays a significant role irrespective of they are part of land owners or not. Community engagement through modes such community consultation and benefits sharing mechanisms can make or break mine construction efforts. Within the communities in which they operate, Kinross has a competitive edge in terms of community engagement. Kinross achieves this through consistent application of its responsible mining philosophy, "The Kinross Way". This clearly reflects MP.

Raw material differentiation is significant in this context. Higher quality reserves (e.g. ores with higher content of the metal of interest) should offer a better return on expenditure; lower quality ore or a mine location that is difficult to develop and operate in would offer a lesser return. Deciding on whether it is economic to acquire and exploit a new reserve may depend on current and forecast metal prices, which means that supplier power can also vary.

Mining companies often adopt stage gate processes that allow them to move the property (project or resources) identified through various stages (evolution) of a project. At each stage, the company management look for specific deliverables (e.g. drilling results, geological models, existence of options of business plan and pre-feasibility/or feasibility study) before a decision to approve further allocation of resources so to move to the next stage. Kinross structured FEL approach to the stage gate process can be considered their key success factor.

Other important inputs in the production of precious metals are mining equipment and chemical reagents. Supplier power in general is weakened somewhat by the fact the mining equipment can be highly specialized, and such equipment manufacturers would find it difficult to find alternative buyers of their products outside the precious metals and minerals market. Given the current demand for metals, mining companies are engaged in bringing numerous development projects into production. However, equipment manufacturers have not increased their production proportionate to these expansions, which means that mining companies will wait for a considerable period of time for equipment to be supplied. Individual suppliers in this field often use technological innovations to differentiate their services and increase market players' reliance on them. Manufacturers of the chemical reagents used in gold production include financially powerful multinational companies, such as Dow Chemicals and Dupont; thus, the precious metals industry is not a critical source of revenue, further increasing supplier power. Overall, supplier power is assessed as strong. Overall threat of supplier power, particularly labour, is strong from a cost standpoint.

2.1.2.4 Substitutes Power (Weak)

A discussion around substitutes for gold can be tricky since the substitutes are various and depend on the application in question. For example, other precious metals and gems can be substitutes for gold jewelry production. Also, simulated or imitation gold can be used in jewelry. Using another precious metal may be cheaper than using gold, but the appearance of the item will not match that of gold. Likewise, using imitation alloys may be relatively cheap, but care must be taken that the alloys do not lose their luster and begin to tarnish quickly. In any case, customers may be happier to pay a higher price for the kudos of having solid gold jewelry; in India, for example, certain items are required to be made of gold for traditional reasons. In investment, minerals, such as silver and platinum, have been offered as substitutes, but gold seems to be preferred. Silver, for example, has not maintained its traditional proportionate value to silver in the recent gold run-up.

With respect to the application of gold in industry, it is difficult to find another metal with comparable properties of malleability, ductility, reflectivity, resistance to corrosion and ability as a thermal and electrical conductor. Again, other metals may be cheaper but the use of substitutes would compromise the high quality and reliable performance provided by gold.

Despite the expense, gold is still commonly used in dentistry because of its aesthetic and superior performance: it is chemically inert, non-allergenic, and malleable. However, there has been a rise in the popularity of ‘metal-free’ dentistry in recent years and many metals in dentistry may be replaced by biocompatible ceramics thanks to their durability and natural look. Overall, the threat of substitutes is assessed as weak.

2.1.2.5 Rivalry (Strong)

The gold market is fragmented and comprises a large number of companies ranging from small-scale domestic producers to international companies. A number of companies in this market have diversified into other areas of mining. For example, Newmont Mining Corporation also mines copper and reported 9,420 million equity pounds of copper reserves at the end of 2010. This kind of diversification reduces market players’ reliance on the revenues generated by gold and reduces rivalry in this market to some extent.

The cost of expansion is likely to be high, as this would involve extensive exploration activities and the creation of new mines. Significant output expansion can only be achieved on a timescale of years. However, having entered the industry by acquiring mines and setting up

extensive, product-specific manufacturing facilities, exit costs are likely to be high. The fact that it is difficult to differentiate pure gold also increases rivalry in this market, as does the presence of low switching costs for buyers. Gold is a fairly low volume product and storage costs are therefore unlikely to be an issue.

Labour cost is a significant component of developing and operating a gold mine. As gold prices have been rising steadily, many companies are trying to increase output through expansions. When gold prices dipped significantly during the late 1990s and early 2000s, many people switched jobs from gold mining to other industries. Consequently, the next generation of students then started to opt for study streams other than mining and earth sciences. This created a huge gap in the labour force and experience curve. As many companies are trying to expand at a time when qualified labour is scarce and switching costs for employees is low, rivalry for qualified labour is significant. While companies can only stretch so far in term of pay, if they can successfully differentiate themselves by creating appropriate employer branding, improve employee engagement and experience through proper planning and execution of HR programs aligned to company strategy and management preferences, then they can reduce the cost and rivalry risk. For now rivalry is assessed as strong overall.

Here, for Kinross, responsible mining is a key success factor. This management preference is clearly articulated in “The Kinross Way”.

2.1.3 Key Success Factors

Most successful gold mining companies have well balanced portfolios of significant land positions with rich resources and reserves. Exploration and mining properties, along with a pipeline of capital projects in safe jurisdictions offer mine operators significant advantages over their peers with medium or high-risk portfolios. Country risk, mining-friendly transparent legislation, and community relations often serve as good measures here.

The ability to deliver capital projects on time, on budget, and within scope is extremely important. Managing the complexity of major capital projects in today’s mining and metals landscape has never been more challenging or critical. Global demand for commodities continues to drive substantial capital investment within the sector. In 2011, the top five diversified mining companies are set to advance over US\$180b of projects, with some individual projects exceeding US\$10b (“mega” projects). This increased demand has placed additional pressure on already constrained owners and contractors. The strategy to switch from organic growth is under threat as delays and cost increases impact comparative rates of return. Mining and metals companies that

best manage project execution risk will derive great competitive advantage. (Ernst & Young, 2011)

Gold mining companies that are able to manage large capital projects with minimum use of contractors and consultants seem to avoid cost overruns and deliver projects on time and at the desired quality. Human capital is scarce and companies that can build and sustain specialized project execution talent have an addition advantage. In addition, companies using stage-gated processes for identifying and developing viable opportunities minimize the risk of cost overruns. As detailed in the discussion of rivalry in the industry, effective HR policies are a KSF for mining companies.

Based on the industry value chain analysis and Kinross five forces analysis, we arrived at the following key success factors, which have been listed in order of priority:

1. Management preference (MP) for responsible mining as articulated in “The Kinross Way”. Rigorously applying “The Kinross Way” philosophy.
2. Ability to successfully engage communities through their responsible mining program, aka “The Kinross Way”.
3. Kinross has a structured approach to the stage gate process called front end loading (FEL).
4. Experience developing infrastructure and constructing mines in the Russian Arctic in harsh conditions.
5. Kinross operational experience in the Arctic (e.g., Kupol mine) with the ability to keep the cost low.
6. Synergies with Kupol by expanding economies of scale and reducing learning curve can offer significant cost benefit for Dvoinoye.

Based on the above analyses we can arrive at the conclusion that the responsible mining, i.e. in Kinross language “The Kinross Way”, is the major key success factor. In the remainder of the paper, we will discuss how Kinross’ HR practices, which have significantly contributed to Kinross’ global success, can be applied in the Dvoinoye start-up project.

2.1.4 Competitiveness of Kinross in Russia

Renaissance Capital’s Russia Gold Report says, “In a world where mine production has been in a declining trend for 10 years, Russia has consistently grown production, increasing at a CAGR of 3.2% between 2000 and 2009. We expect this to accelerate between 2010 and 2013”.

Figure 9 shows the growth trend for the Russian gold industry, which stands well above South Africa and North America, and, in fact, beats the world total.

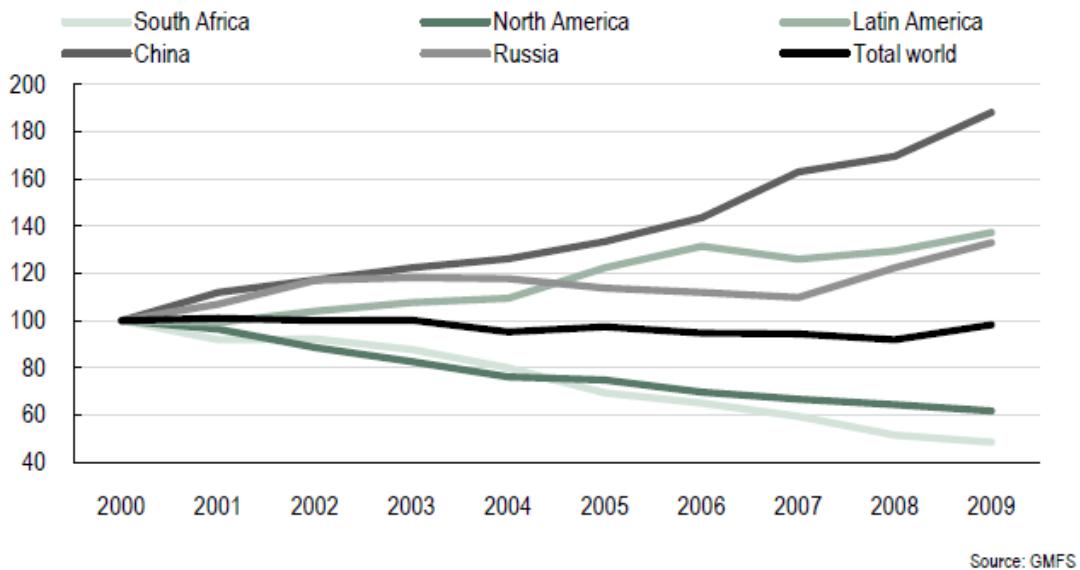


Figure 9 Production growth for selected major producing nations

Kinross has the first mover advantage in Russia as a foreign investor. Kinross has invested over \$2b into its operations and projects in the Far East Russia. Figure 10 shows the total gold production for Kinross compared to its competitors in Russia.

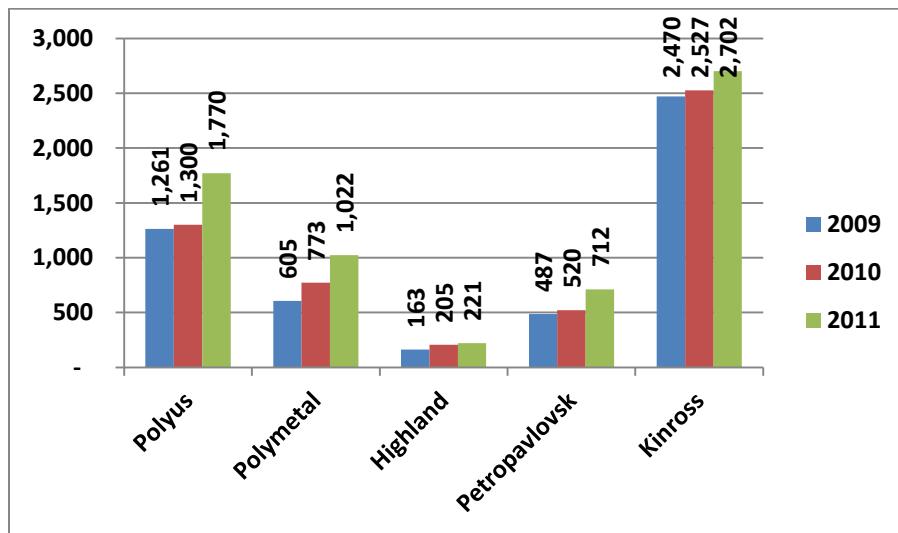


Figure 10 Production comparison with Russian gold producers

Source: Author

Grade

While cash is king in any business, grade is “King” in the gold mining industry, because the grade is what will determine whether it is feasible to mine. For example, in the case of open pit mining, less than a gram of gold contained in one ton of ore may make it feasible, while 2 or even 5 grams per ton several hundred meters below ground could be unviable as underground mine development and operations are very expensive. Companies constantly review their grade portfolio to ensure competitiveness. Figure 11 illustrates how Kinross is positioned against its Russian competitors grade. Most of these Russian mines are open pit, whereas Kinross is operating underground mines, which would mean that the Russian companies are processing low grade ore. However, Kinross seems to have an edge over its competitors, even after discounting for the cost of high grade underground mines.

Grades and recoveries have typically been in decline across the Russian gold space in the past few years. In our view, the lack of availability of capital has led to many of the major producers mining at grades in excess of their average reserve grades, taking profit now at the expense of the future. Sterilization of ore bodies compromises the economics of mining projects and threatens to shorten mine lives as costs rise through the life of mine.

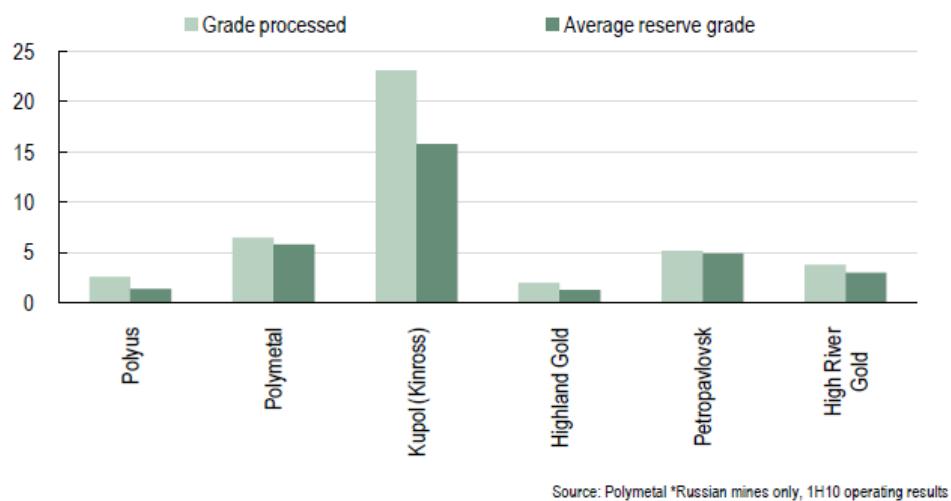


Figure 11 Current mined grades are in excess

Ore Processing

Gold deposits are also becoming increasingly difficult to process. Free milling greenfield deposits are in short supply and in the current gold price environment, ore bodies are being economically exploited. As a result, however, as indicated in Figure 13, recoveries are in decline across the Russian gold space as the metallurgy becomes increasingly challenging.

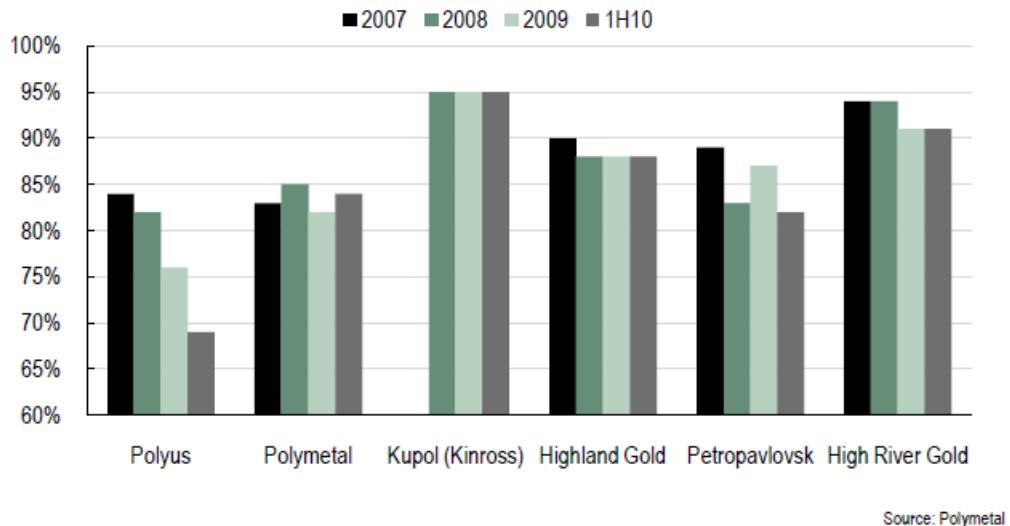


Figure 12 Recoveries are falling across the Russian gold space

Summary

Generally, Kinross still appears to have an edge over its competitors. However, declining recovery rates will affect revenue; hence finding various ways to reduce capital and operational costs will help reduce the risk of decreased profitability.

There is no opportunity for product differentiation given the commodity nature of gold. Increased capital costs, declining ore grades and recovery rates increase the pressure on mining companies to find ways to remain profitable. Continued escalation of labour and energy costs further adds to challenge. Practice shows that implementing appropriate HR strategic plans helps organizations achieve profitability through either increased productivity or by reducing costs, or a combination of both. In the case of Dvoinoye, we will assume that to reduce operational costs, we need to have a robust “feasibility study” that encompasses workforce planning, organizational development strategy, labour cost analysis, and implementation of HR programs to ensure a highly engaged high performance workforce. Therefore, the key success factors identified in the previous section of this chapter do apply in the context of Kinross’ Dvoinoye project. In the remainder of the paper, we will discuss how Kinross HR practices that contributed to Kinross’ global success can be applied in the start-up project of Dvoinoye.

Based on the feasibility study, we can say Kinross has an edge over its competitors in the following areas related to the execution of Dvoinoye project:

- **Design:** Metallurgical recovery estimates accurately reflect actual operating results; design plant throughput will be achieved; estimated hydrogeological and geomechanical parameters will be similar to actual field conditions and the resource estimate will accurately reflect gold/silver grades.
- **Execution:** Equipment/materials can be purchased and delivered to site during the shipping and road transport windows, sufficient temporary and permanent accommodation can be provided to meet requirements.
- **Operability:** Sufficient labour can be sourced to staff the underground development and training will be successful so that the number of expatriates can be reduced as planned, which helps keep the cost under control.
- **Approvals and permitting:** The necessary approvals and permits can be obtained within the bounds of the financial and design assumptions used in the feasibility study.
- **External stakeholders:** Due to existing cordial relationship with local communities including authorities, project will not be opposed by local groups.

2.1.5 Project Risks and Opportunities

Kinross carries out risk assessment and conducts on-going assessments at regular intervals. Over the past two years, formal risk workshops were held in July and December 2011, and again in February 2012. In addition, the project team maintains a project maturity matrix, which is the project director's assessment of the level of project definition by area. Kinross' standard maturity matrix has been customized to reflect the specific requirements of the project.

2.1.5.1 Risks

The top risks as identified by the Kinross team are:

- Inability to source skilled trades labour to undertake construction
- Inability to source managers and professional staff
- Delay in completion of infrastructure facilities
- Delays in AFEs and procurement
- Logistical delays such as delay in customs clearance and missing shipping window
- Budget impacted adversely by scope creep
- Insufficient tailings storage capacity at Kupol for Dvoinoye tailings
- Inability to meet IFC requirements for ESIA

- Insufficient construction equipment on site.

2.1.5.2 Organizational Risks and Mitigation

The Project Director, who reports to the Regional Vice President, is the formal head of the project responsible for leading and executing the project. However, there is a second official position whose rights are established by Russian legislation and by the company charter. The position of General Director for the Dvoinoye entity is filled by a Russian national. The General Director has control over workflow and documentation and, as such, could cause duplication of efforts, which can potentially lead to inefficiencies. Maintaining the position of Director General is a regulatory requirement; therefore, any problem, real or perceived, must be managed on a case-by-case basis.

Team dynamics and change management during the development and construction stage are part of any mining project. A 2-4 year horizon for a development project would mean that the organization leaders should anticipate change and prepare the organization to embrace and effectively execute change management programs, while, at the same time, ensuring minimum disruption to work in progress. For example, when the project was initiated, the Dvoinoye leadership team reported to corporate office. Early 2011, the structure changed and, as part of the regionalization plan, the project was passed onto the region. This meant that the Project Director reports directly to the Regional Head of Kinross, i.e. Regional VP, Russia.

Additionally, once construction is completed in late 2013, it is envisioned that, as part of the operational structure, Dvoinoye will report under the Kupol Mine GM. To a certain extent, this is another change for Dvoinoye, Kupol and the region. It indicates that Dvoinoye management should consider not just organizational synergies but also how to ensure that all stakeholders are engaged at the appropriate level without distracting Kupol from their focus on production, which currently earns the bread for Kinross Russia. To accomplish this, it would be helpful to have a stakeholder engagement strategy in place that has identified the risks as well as the associated key stakeholders. Areas of engagement for stakeholders should include strategy development, construction and organizational decisions, including long-term hires.

2.1.5.3 Opportunities

Compared to risk assessment, the project opportunities have been defined and quantified in a much less structured approach; however, they are based on the key success factors discussed

in the previous chapter. The following is the list of project opportunities, which form another set of competitive advantages for Kinross related to the Dvoinoye project:

- Earlier gold production
- Increase resource base
- Maximize benefits of synergies between Dvoinoye and Kupol
- Optimize tailings placement and storage at Kupol
- Low grade ore treatment at site
- Optimize backfill cost
- Optimize Kupol process plant expansion program

Based on the above analyses, which used Porter's five forces and value chain analysis to identify key success factors, we can conclude that the appropriate HR strategy here is responsible mining, which is central to the success of a high performance mine. In the remainder of the paper, we will discuss how to operationalize the HR strategy, i.e., Kinross' strategic HR policies that have significantly contributed to their global success, and apply it to the Dvoinoye start-up project.

3: Implementation Analysis (Internal Analysis / Human Resources)

As we have seen in the analyses in the previous chapter and from the Kinross' corporate strategy, the appropriate HR strategy is responsible mining. An implementation analysis for the Dvoinoye start-up project determines whether the internal capabilities of Kinross Russia are, or could be made, capable of achieving the strategic choices identified in Chapter two. The "Diamond-E Framework" is used to evaluate the strategic choices based on the environment, resource requirements, management preferences, and organizational capabilities (Crossan et al, 2009). In this chapter, the strategic choice to keep cost low through effective HR management practices is assessed. Three major components - management preference, organization capabilities, and resources - used in the internal analysis can be integrated in a coherent analysis (Parsons et al, 1984). This would mean that the HR function, which is identified as a key success factor and a sub-system of the general system, will be comprised of the same three major components considered in the internal analysis. Operationalization of the HR, which encompasses strategies around staffing, organization structure, compensation, labour, employee relations, and training and development, will be discussed in detail throughout the chapter.

3.1 Evaluation Criteria

The evaluation criteria include required management preferences, required organizational capabilities, and required resources. Management preferences are what senior managers are trying to achieve by making a decision based on the criteria, their personal competencies and their values, as well as their attitudes and goals based on prior experience. Organizational capabilities are the fitness of the strategies within the existing systems, structures and culture of the company. Resource requirements are the operational, human, and financial constraints affecting the company.

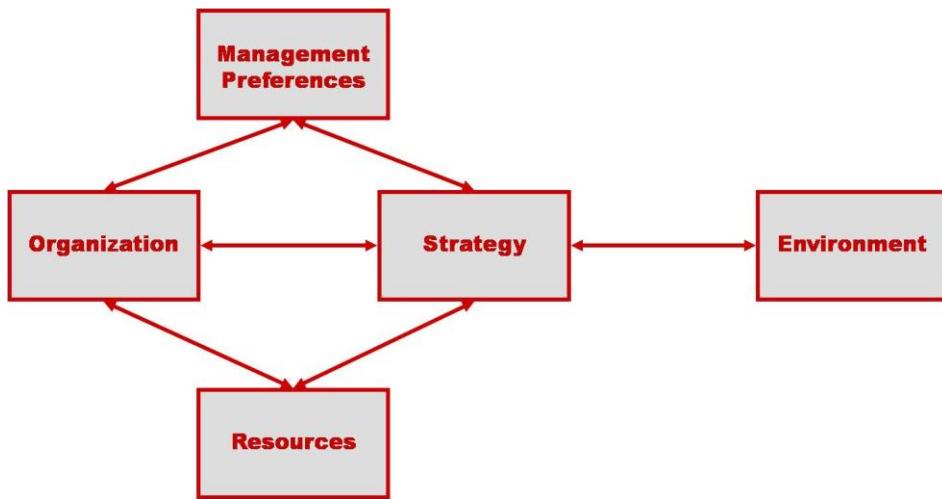


Figure 13 Diamond E

Source: Crossan et al, 2009.

3.2 Implementation of Human Resources Strategy at Dvoinoye

In this section, we will review Kinross management preferences, internal organizational alignment consistent with management preferences, financial resources, and performance.

3.2.1 Management Preference

The HR strategy for Dvoinoye will be consistent with the company's management preferences. The establishment of an effective HR strategy for the Dvoinoye start-up project will require a concerted effort to develop partnerships with local and regional communities, using the internal Kinross Russia support services located in Magadan and identifying synergies with Kupol and other Kinross mine sites. Success in these areas will lead to efficiencies, cost savings and potential developmental opportunities for employees. These partnerships will provide the foundation for the development of an effective local recruitment, training, and learning strategy specific to the industry and the Dvoinoye project.

The strategy will require the use of identified HR database systems and resources to support the sourcing, recruiting, and training of Dvoinoye employees. Dvoinoye has an opportunity to take advantage of existing infrastructure and potential synergies with Kupol during the development phase, recognizing that while doing so it must not disrupt Kupol's production.

Support systems for Dvoinoye will be centralised in the regional office in Magadan, Russia. Recruiting will be supplemented with outsourcing and contracted support during the initial hiring phases. Relationships with providers are already established, which will expedite the

recruiting process. This collaborative approach also applies to the training and development of employees.

To provide context for the scope and complexity of the Dvoinoye project, Table 1 summarizes the Project Development Milestones.

Table 1 Project Development Milestones

Activity	Date
Start project-exploration	Late June 2010
Start Scoping study	1 August 2010
Complete acquisition agreement	27 August 2010
Collar east portal	10 January 2011
Start feasibility study	7 February 2011
Start site preparation	14 March 2011
Collar west portal	12 August 2011
Complete feasibility study	Q1 2012
Receive Kinross board approval of project	Q2 2012
Make Russian TEO (Feasibility) submission	31 May 2012
Receive Russian project approval	Q4 2012
Complete environmental and social impact assessment	Q4 2012
Start trucking ore to Kupol	1 July 2013
Complete infrastructure	23 September 2013
Project Handover to Operations	Q3 2013

Source: Kinross

3.2.2 Background and Organization

This section will describe the HR implications of the region in which the Dvoinoye mine will operate. A detailed understanding of the location and population is necessary to understand the complexities of sourcing, recruitment, and employee development.

3.2.2.1 Location and Population

The Dvoinoye license is located 98 km north of the Kupol mine in the Chaunsky district of the Chukotka Autonomous District or Chukotka Autonomous Okrug (ChAO) in the Far East of the Russian Federation. Nearby settlements and sites that are of interest in developing the deposit are the village of Ilirney (central village of the Vpered deer state farm), the village of Aliskerovo (central to the Aliskerov placer mine), the town of Bilibino (a district centre and host of the

Bilibinsky mine and Bilibinsky nuclear power plant) and the Karalveem mine. The straight-line distances to the communities are 70 km to Ilirney, 70 km to Aliskerovo and 130 km to Bilibino.

The deposit can be accessed by helicopter from the Pevek airport (about 1.5 hours), from the Kupol mine (about 40 minutes) or the Bilibino airport (about 45 minutes).

Det Norske Veritas based in France conducted a study for Kinross Russia entitled “Complex Report on the Changes in the Social and Economic Situation in Chukotka Autonomous District 2007–2010”. The study provides a detailed overview of the ChAO, the indigenous people, and an assessment of the current engagement level of Kinross Russia in the areas of community relations, employment, and development of indigenous people.

The ChAO is in the extreme northeast of the Russian Federation. Lengthy distances from the federal centre and an almost complete absence of roads with harsh environmental conditions constricts the number of district residents and their distribution within the district. Most of the settlements are located on the seacoast and only a small number are in the continental areas of Chukotka.

Analysis of socio-economic conditions from 2007 to 2009 and part of 2010 revealed the following features of the territory and the key challenges of operating in the ChAO. Although the region is rich in mineral resources, the harsh environmental conditions increase production costs and present a number of significant challenges. Generally, the region is poorly developed. Specifically, the transportation infrastructure is such that the cost of production and transportation of extracted products and produced goods is increased. Year-round heating, food deliveries and costs for other life-supporting services are high. As well, the region is sparsely populated and out migration is high, depriving the area of a skilled workforce. Alcoholism is a problem among the local population, particularly the indigenous people.

According to the district administration’s draft Strategy for Development of the ChAO for the period until 2010 and for the period until 2020, the option of intensive development of the region’s economy has been approved as the main strategy. A key goal of the development strategy is to raise personal income and quality of life of the regional population. Associated with this goal is a desire to minimize the support from the federal budget. The development strategy also addresses the needs of the indigenous people and specifically references the importance of preserving their living environment.

The work performed by the district administrations of the ChAO and regions has been very successful, producing significant change over the past three years. From 2007 through 2010, the positive economic trends for the region include:

- ranked second in the Russian Federation for production of gold (greater than 20% share of total production);
- average wages per employee ranked third among Russian Federation entities;
- ranked first by physical index of industrial production;
- ranked fifth in terms of investment in fixed assets per capita.

Key indicators of economic well-being are the unemployment rate and the percentage of the population with incomes below the subsistence minimum. Nevertheless, despite the overall socio-economic recovery in the region, a number of complex social problems remain. Unemployment remains high. The decline of national land use and a decreased quality of life have led to alcoholism and social problems requiring prompt decisions at all levels of government, as well as community and business involvement.

Kinross is very aware of local conditions in the ChAO and attempts to implement policies and procedures that are consistent the region's socio-economic goals. Kinross is the largest taxpayer in Chukotka, which allows the ChAO administration to implement many social programs. Independent of the contribution Kinross makes to the region through taxes, the company has instituted a number of programs, consistent with the ChAO's development goals. Kinross undertakes extensive charitable work in the region. For example, the Kupol Fund provides support to programs to reduce alcoholism. The fund has contributed to a project initiated by the Red Cross that has been successful in slowing the rate of growth of alcoholism. The company cooperates with the Russian Association of Indigenous People of the North and other stakeholders to help solve problems of environmental management by the indigenous people. Kinross also offers training program and supports its employees in upgrading their education. In addition, the fact that working conditions at Kinross' mines are in line with the best international standards sets an example for other foreign and domestic companies operating in the region.

Kinross operates in three municipalities in the ChAO: Anadyr, Bilibino and Chaun; these three areas are considered within the Kinross area of direct influence. Each area presents unique opportunities to contribute to local communities. Kinross' Chukotka headquarters are located in Anadyr. Where possible, Kinross uses local suppliers, particularly those that employ local and indigenous workers. For example, Kinross purchased venison from SHP Markovskoye in the Anadyr municipality. Kinross strives to hire local residents and local subcontractors to work at the Kupol mine and the Dvoinoye project. Bilibino is a good source of labour. The majority of the workers live in Bilibino, which is a transportation and communication hub with a winter road, airport, and temporary hotel. Bilibino is also an area of close contact with indigenous peoples and

reindeer herders' crews. Kinross has an office in Bilibino. The Chaun area is important for the Kupol operations and the Dvoinoye project as a major transport centre. The region has a winter road that facilitates the delivery of cargo, which arrives at the regional seaport of Pevek.

The Dvoinoye project will be one of the major underground mining projects in Far East Russia and has the opportunity to leverage and build on Kinross' reputational capital. The ChAO is well known for its mining history and the quality of its mining workforce. As such, the Dvoinoye project is well positioned to attract and develop skilled nationals. Due to local demographic trends and the challenge of hiring from the indigenous population, up to 95% of the skilled workforce may be flown in from Magadan and 3% of the workforce will be flown in from other parts of the Russia Federation. Based on the fact that Kupol did not have huge success hiring from the local area, this indicates that there will also be a challenge for Dvoinoye.

The Dvoinoye project will require expatriates in several senior management roles during the construction and operations phases. However, expatriates will be less than 2% of the workforce. Dvoinoye will leverage Kupol operation's model and processes for most HR practices, while it will continue to benefit from regional and corporate expertise and shared services in certain areas. Dvoinoye will adopt the Kinross approach to transferring knowledge from expatriates to nationals through various in-house training programs.

3.2.2.2 Recruitment and Sourcing

The employee sourcing and selection strategy is focused on four sources of employees:

- the three local municipalities (Anadyr, Bilibino and Chaun);
- nationals (primarily from Magadan area);
- non-resident Russians; and
- expatriates.

A concentric approach will be used for sourcing employees, with a recruiting focus beginning in the area of direct influence (the three local municipalities) for unskilled positions. According to the 2002 census data, 51.9% of the local community's population is Russian. Chukchi and Ukrainians comprise 23% and 9%, respectively. The rest are multinationals. The project will recruit as many employees from the local municipalities as practical.

The 2002 census also provides information about the composition of the indigenous population. Indigenous people make up 31% (16,859 people) of the population, with the remaining 69% being categorized as incomers. Chukotka municipality is inhabited by 20 different

northern indigenous minorities (NIM). The census data indicates that 99% of all ethnic groups are Chukchi (74.87%), Eskimos (9.10%), Evens (8.35%), Chuvans (5.64%) and Yukagirs (1.10%).

More recent data provided by the Social Update report indicates indigenous people living in rural areas numbered 14,859 (90% of the total rural population) in 2009. Most of the indigenous population reside in Anadyr and Chukotka municipalities, each with 25% of the total number of indigenous peoples in Chukotka (see Table 2). Five percent of the indigenous population resides in the Chaun municipality.

Table 2 Summary of the distribution of the indigenous population by municipalities (2009)

Municipality	Number of Northern Indigenous Minorities (persons)	Share in the Total Number of Northern Indigenous Minorities in ChAO (%)
Anadyr Municipality	4183	25
Bilibino Municipality	1805	11
Iultinsky Municipality	1840	11
Provideniya Municipality	1920	11
Chaun Municipality	874	5
Chukotka Municipality	4237	25

Source: Kinross

While Kinross does not have any formal commitment to maintain certain hiring targets or percentages from the NIM or other indigenous populations, local hiring (including indigenous populations) will be considered a recruiting priority for Dvoinoye. Benchmarking against Kupol, most of their indigenous hires are employed in entry level positions, such as labourers. The Dvoinoye Project will strive to hire indigenous people during the construction phase and there is an opportunity to hire indigenous people in the areas of camp catering and housekeeping, and exploration.

Kinross Russia's initiatives around training and development programs for indigenous people will complement Dvoinoye's indigenous staffing efforts. Dvoinoye proactively adopt these and new programs to continue to increase indigenous representation in the workforce. Kupol employed a number of indigenous people during their construction period and maintained the staffing database that will be used by Dvoinoye to source indigenous people during the construction period.

In addition to this, Kinross maintains relationships with indigenous associations. These associations maintain their own database of employable indigenous people, which will also be utilized in sourcing people during construction and operations.

The majority of the skilled workforce required for the project's construction and operations phase will be sourced and flown from Magadan, Central Russia, and other parts of the Russian Federation (via Magadan and Kupol) and accommodated on site. Magadan is the central "staging point" for the workforce, and Dvoinoye will provide relocation assistance (the cost of moving expenses) for new hires residing outside of the Magadan area (consistent with regional and Kupol's practices).

The scope of search for technical personnel will be predominantly focused on Magadan, the ChAO, but will occasionally be expanded to Central Russia. These locations are selected because of their proximity to Dvoinoye, the greater availability of the population, and the good quality of miners and technicians (mechanics, electricians and maintenance). The technical schools in Magadan and Central Russia have mining industry related programs, including:

- Mechanical engineering
- Civil engineering
- Industrial engineering
- Chemical engineering
- Petroleum engineering
- Geological engineering
- Electrical engineering
- Electricians, mechanics, electronics technicians
- Business administration, accounting, audit professionals and
- Mining engineering and geology

Magadan has a local university offering geology, engineering, mine engineering and survey engineering programs. Kupol has done some campus recruiting but has found that most students are approaching the company directly so a strong campus presence has not been required in Magadan. Kupol has also collaborated with the Ural Mining and Geology University in central Russia, and participated in the Gold Rush Program, offering internships to third and fourth year students. Anadyr also has a polytechnical institute that offers senior surveying and geotechnical programs. Developing stronger ties to universities and technical schools requires further investigation.

As of September 1, 2011 the Branch of Federal State Autonomous Educational Institution of the Higher Vocational Education “Northeastern Federal University n.a. M.K. Amosov”, is working in the Chukotsky Autonomous District. For the first time, students in Chukotka can study full-time, funded by the federal budget. The first intake of students consists of two groups in specialties essential for the region: “Mining” (15 people), and “Electrical power engineering and Electrical power supply” (20 people).

Based on the current understanding of the national labour market, Dvoinoye’s primary competitors for skilled labour will come from other Russian mining companies operating in the ChAO area and to some extent the oil and gas industry. The ChAO faces challenges with a shrinking population due to out-migration, which may impact talent acquisition plans. Surveys of the Russian universities and technical schools will be conducted to gain a better understanding of the quality of the programs and students coming through the system. Gaps will be identified and recommendations will be developed to address the gaps.

Dvoinoye will also proactively locate talent using Kinross’ companywide market intelligence, including identifying Russians wanting to return to their home country. Dvoinoye will be an attractive project for returning Russians, as they will have an opportunity to join a company that is investing and growing in Russia, as well as globally.

The Russian government closely monitors the labour market, tracking unemployment, welfare, education, improvements to school facilities, and training and development. Data is readily available and a copy of the Labour Market study has been included in Appendix 1.

Initially, a number of senior management level positions will be filled with expatriates (highly experienced and well-trained mining professionals). Ideally candidates will speak Russian or will have worked in Russian speaking countries and will have the proven ability to train and transfer their skills and expertise to nationals. Expatriates will be sourced internally within Kinross and externally from Canada, US, South Africa, Australia, and other countries on short term assignments (less than two years in length) and long term assignments (typically three to five years in length).

3.2.2.3 Attracting Applicants

The remote location of Dvoinoye presents a challenge in attracting top talent. The Dvoinoye Project will continue to improve its understanding of a quickly changing labour market to ensure its employment value proposition continues to position the Company as an on-going

“Employer of Choice”. Russia, including the ChAO has a long mining history and a well-developed mining industry; and hence the availability of a skilled national workforce does not pose a significant challenge. However, longer-term issues exist and will need to be taken into consideration. These include declining demographic trends, falling educational standards in the ChAO, and loss of skilled national workers to expatriate assignments.

Dvoinoye will successfully attract, motivate, and retain talent through a variety of strategies. In attracting candidates, Dvoinoye will leverage from Kinross, using its unique employment value proposition and building on its strong reputation in the mining industry. Kinross recently launched a global initiative to develop an employment brand that effectively articulates the Company’s employment value proposition and a branding program is being implemented in Russia. Dvoinoye will adopt the Kinross recruitment mission statement whereby Dvoinoye will be an equal opportunity employer, attract high performing candidates through innovative talent acquisition, offer industry leading financial rewards and an engaging work environment and development opportunities, and through in-house coaching and mentoring programs.

3.2.2.4 Selection of Employees

It is envisioned that Dvoinoye will be a multi-cultural pool of employees from the start of construction and into the initial three to four years of operation. A successful balance and blend of cultures will need to be established and it will be critical for all employees to integrate and work as a team. A thorough screening process of potential candidates will assist in increasing the rate of successful hires.

Expatriates will be thoroughly screened to assess their level of cultural sensitivity (which will be key to their success in adapting and integrating quickly) as well as their effectiveness as trainers and in transferring their expertise. Diversity will be embraced and a diversity policy will be implemented.

In developing the recruitment strategy, the site jobs were divided into four groups based on levels, allowing for a more detailed analysis of the labour market/area from which the categorized roles could be sourced. Figure 14 provides an outline of the levels and sources:

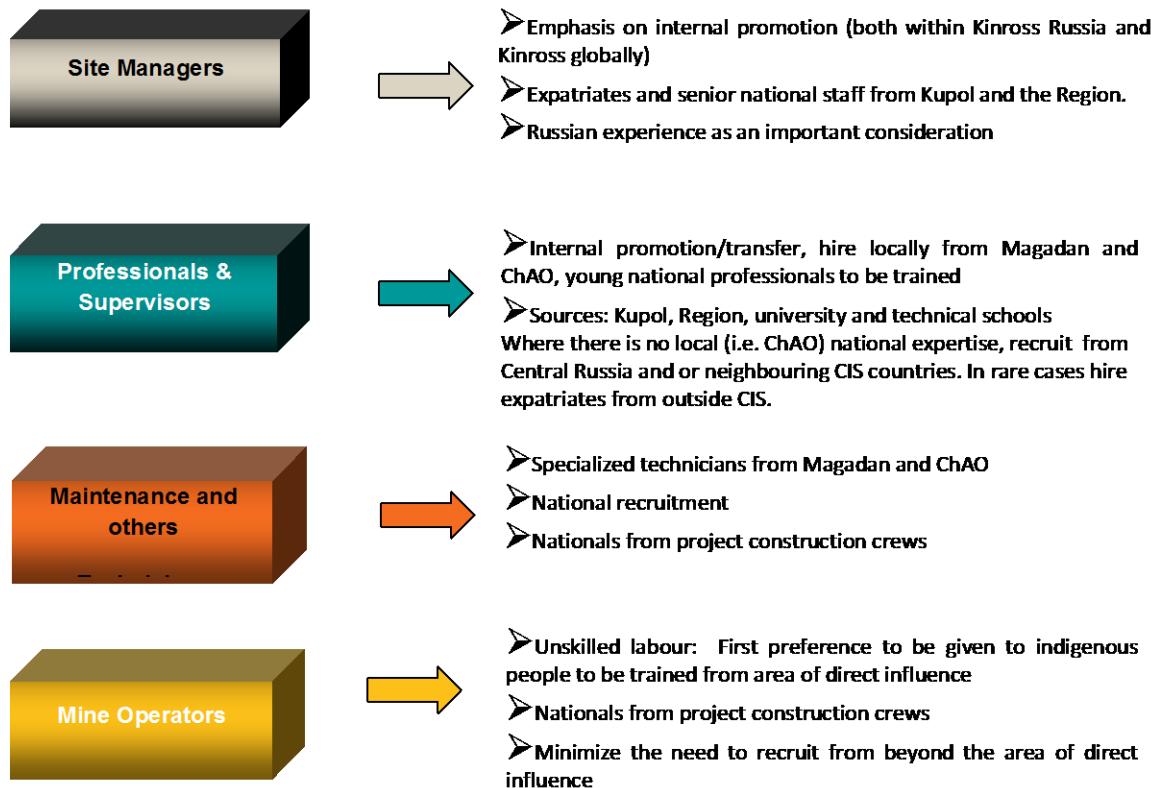


Figure 14 Source of Employees by Level

Source: Kinross

The strategy for recruiting and selection is designed to search for the best talent in the market, filling positions that range from entry level to senior management, which includes operators, line management and specialized positions. Table 3 provides an estimate of the number of employees, split into nationals and expatriates by year, that must be hired.

Table 3 Number of positions that must be filled (by year)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nationals	189	293	307	312	314	280	226	206	172
Expatriates	6	6	6	7	7	5	4	1	1

Source: Kinross

3.2.2.5 Recruitment Process

Highly qualified recruiters will be selected and trained to provide a full lifecycle recruiting process. This will eliminate search firms (for at least 90% of the positions) and will reduce costs and delivery time while building sustainable internal capabilities. Dvoynoye will utilize third party recruitment consultants who have memberships and access to professional

associations and social media networks. Their role will include sending out direct mailing to potential candidates identifying opportunities with Kinross Russia. Industry leading search consultants will be engaged to assist in recruiting for select senior level positions (10% or less of total senior level hires). An employee referral program is being considered to incentivize employee engagement and assist in the recruitment process. A high level overview of the recruitment process is presented in Figure 15.

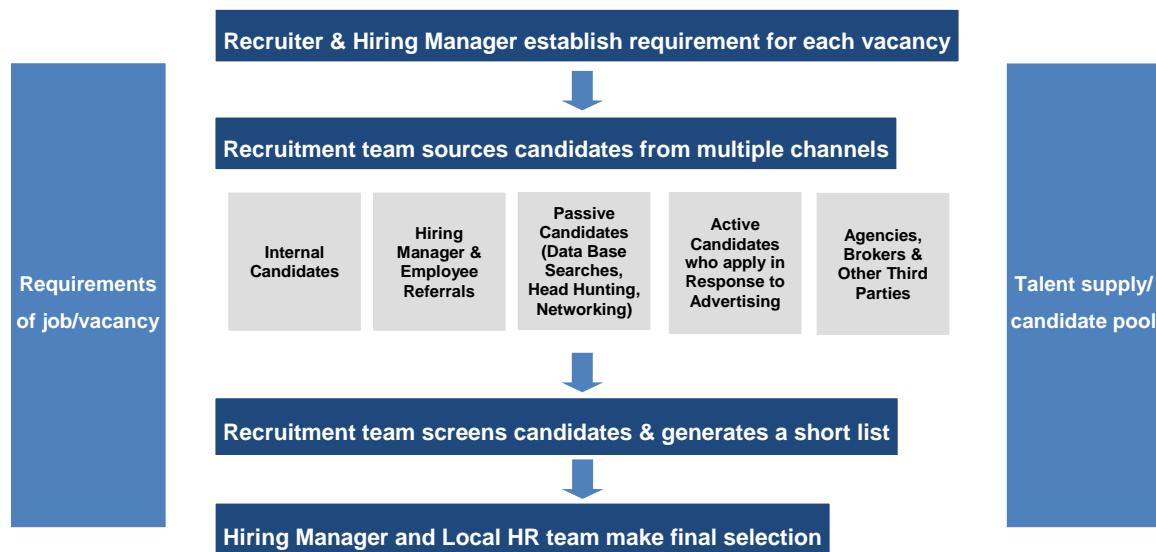


Figure 15 High Level Overview of Recruitment Process

Source: Kinross

Dvoinoye will invest in on-going training of its full time recruiters to ensure they are up-to-date on current recruitment trends and able to effectively use modern tools, such as online full-cycle recruitment tools, social media (Facebook, LinkedIn, etc.), and other effective means of communication. Training will include site tours of competitors' operations and industry-leading companies selected from the Top 50 Employers of Russia and possibly the Commonwealth of Independent States (CIS). Recruiters will also attend mining related conferences to network and represent the Company. This will help drive innovation in recruiting and ensure Dvoinoye will be in a position to effectively source and screen talent.

Pre-employment assessment tools will be utilized to help reduce the risk of poor choices in the selection process. The performance and effectiveness of the recruitment process will be constantly assessed and improved through:

- conducting and evaluating post recruitment and hiring surveys of the candidate or employee's experience in the recruiting process;

- monitoring metrics, such as time to fill positions, time to review resume (by hiring managers), and response time to potential candidates; and
- reducing potential delays through monitoring and reinforcing stringent service level agreements with external providers for pre-employment processes (for example pre-employment medicals, drug and alcohol screening, reference and criminal background checks).

3.2.2.6 Approaches for Identifying Talent

Job fairs have proven to be very successful in Russia providing the Kinross with the ability to attract people on a massive scale. It is a forum for the company to present its message track to large groups of people, providing people with information about the company, the opportunities for professional development, and the company's business plans. Recruiters will team up with Line Managers to represent the company and will be able to interview potential candidates on the spot. Job fairs in Magadan have yielded strong results in the recent past for Kupol, and job fairs are relatively inexpensive. With the upfront planning and execution efforts this is one of the most viable recruiting options for the start-up of Dvoinoye.

Technology will also be used extensively to identify talent. It is possible to use sources of recruiting based on technology, accessing people through social contact portals. The advantage of this approach is that it is low cost; however, it requires a more powerful screening process. The Dvoinoye technology based recruiting process will utilize the Kinross ATS system. Jobsite portals and social networks will also be used as a method of sourcing of talent, both nationally and internationally.

3.2.2.7 Strategy for Recruitment and Selection in Local Communities

Implementation of candidates sourcing will use a concentric approach that focuses on identifying candidates from the area of direct influence. The Recruiting Team in collaboration with Community Relations/ Corporate Responsibility Team and Line Managers will focus efforts to attract indigenous people from the local municipalities to work at Dvoinoye. In collaboration with the Community Relations group, they will identify the best forms of communication (radio, community bulletin boards, newspapers, etc.) as well as design the communication “package”, ensuring the material is culturally sensitive and suitable for the varying levels of literacy. Direct communication forums will also be conducted, such as open community hall sessions describing the project, the opportunities, and the training required. The audience’s reception to the methods

and material used will be carefully monitored and adjusted to ensure the program's success. It is important to present an attractive and realistic offer of opportunity, developing a solid understanding of the commitment required to be successful in the mining industry. The local recruiting effort will consider:

- The use of interview techniques for the unskilled workforce that are structured and designed to verify dimensions, such as learning capacity, commitment, and motivational compatibility. People must want to work in an underground mining work environment.
- Assessing the commitment to learning and developing on the job. The company will be investing in training an unskilled workforce and it will require a strong commitment on behalf of the participant.
- Diligent evaluation of people's orientation to safety, in order to better assess people's ability to assimilate to regulatory and non-hazardous work patterns.

The Recruitment team will track new local hires and their job performance, integration, and development. The Community Relations team will monitor the impact on communities and provide feedback for the Recruitment team to generate changes and/or improvements.

3.2.2.8 Evaluation Tools and Methodology

The national recruitment process will include a wide range of tools and methodological procedures. HR will develop robust job descriptions that will assist in evaluating the candidate's ability to fulfill the role and assess the potential for development. The job descriptions will reference competencies and behaviours such as leadership, self-confidence, communication skills, initiative, and judgment. The recruitment process will also involve a general aptitude test, intelligence test, and competency based interviews. Particular emphasis will be placed on the candidate's commitment to training. Before a hiring decision is made, HR will check references and gather additional background information. For example, candidates will be subject to security checks and medical exams.

The recruitment process methodology will focus on the selection of internal/external sources for attracting candidates. This will include advertising in local and national newspapers, searches in selected portals, searches on Company databases (ATS), employee referrals, associations and memberships, and relationships with technical universities and search firms. In addition, Kinross will promote the industry and the Dvoinoye Project using a branding campaign

at both a national and international level in collaboration with the Kinross global employer branding team.

3.2.2.9 Development of Employees

The development and progression of employees within the organization will be a core activity for Dvoynoye's management and HR team. The project will generate developmental opportunities within Kinross and Dvoynoye will need to attract those who are interested in advancing their career and who are highly capable in effectively transferring their skills and expertise to others. Although the expatriate numbers are relatively small, the number of expatriates will decrease with time, as knowledge and skills are successfully transferred from expatriates to nationals, as shown in Figure 16.

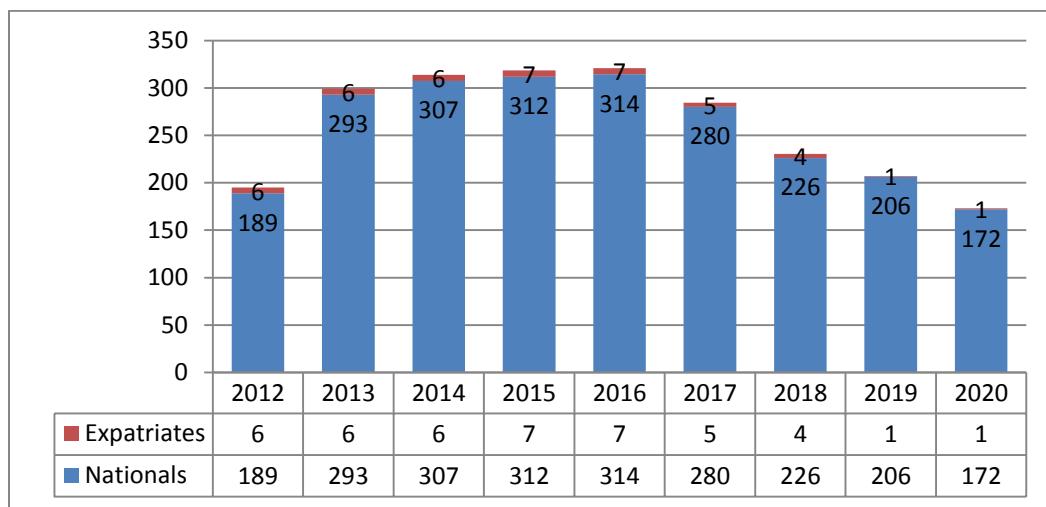


Figure 16 Workforce headcount versus time

Source: Kinross

Career Development practices as applied at Kinross will be similarly applied at Dvoynoye. The foundational principle for any Career Development planning is the broader philosophy and practice of Performance Management. The Performance Management process at Kinross is predicated on an annual cycle that breaks down into the following key activities:

- Performance goals are established
- Ongoing coaching and feedback
- Mid-year “check-in”
- Year-end performance review
- Development Planning.

The Kinross Performance Management process is supported with tools that offer different options for training managers and helps them apply the Performance Management process at their location. Performance management and developing strong supervisory and leadership skills within the national workforce will be key. Training and tools will be selected for Dvoinoye and will be made available in the required languages.

Career planning at Dvoinoye will stem from the broader Performance Management process through the Development Planning process. Kinross recognizes that employees' development and advancement interests vary considerably and Dvoinoye will be no exception.

3.2.3 Organizational Structure

In this section, we will review organizational structures for the region, Dinoye, and Dvoinoye HR (during the construction phase).

3.2.3.1 Regional Structure

The Kinross corporate office provides management, financial, and technical support to regional offices located in geographic proximity to the mining operations and projects. The regional office that will support the development and operation of Dvoinoye is located in Magadan (Far East Russia). The regional structure in Magadan is presented in Figure 17. Note that during the construction phrase, the Dvoinoye Mine Manager reports to the Project Director. When the mine is operational, the Mine Manager will report to the General Manager of Kupol operations.

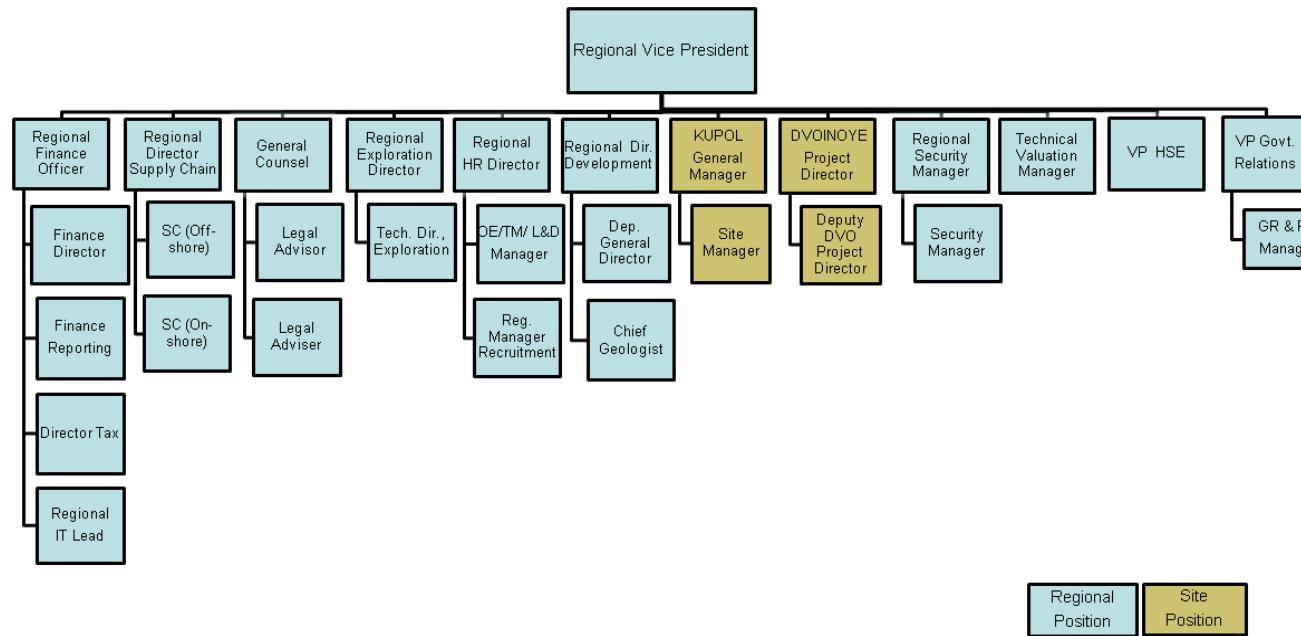


Figure 17 Russia Regional Organization Structure

Source: Kinross

3.2.3.2 Dvoinoye Organisational Structure

The organizational structure for Dvoinoye operations is shown in Figure 18. The management organization is such that each department manager reports directly to the Mine Manager. The hierarchy model is based on organizational structures currently utilized in many Kinross and mine operation models and consists of essentially four levels of reporting: managers, superintendents, supervisors, and labourers. The positions are strategically placed to encourage recruitment and development of Russian nationals, minimizing expatriate positions as much as possible. All four levels report to a single site Mine Manager.

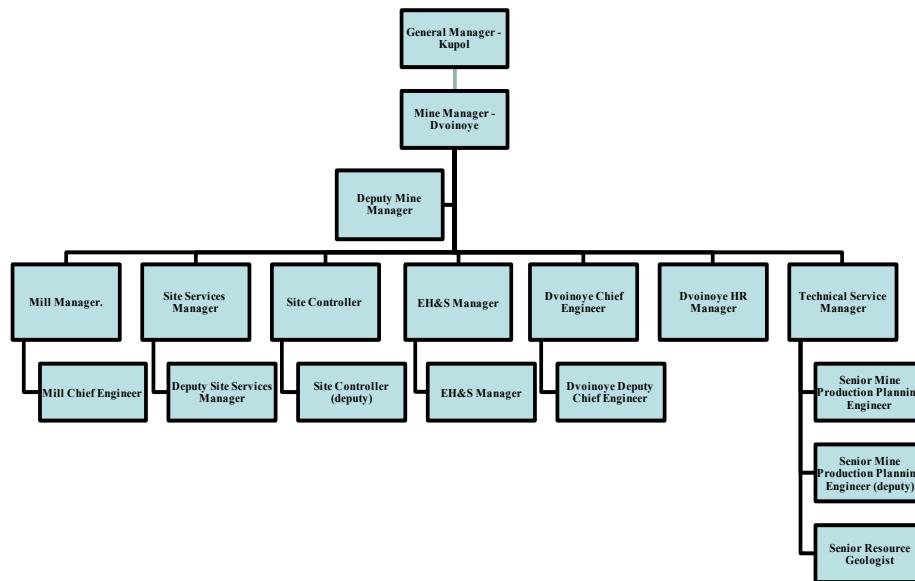


Figure 18 Dvoinoye Operations Management Organization Structure

Source: Kinross

In addition to the office in Magadan, an office is located in Moscow (Corporate Development office). The Magadan office will support the community relations efforts and recruitment activities. Organization charts by department are included in Appendix 2.

3.2.3.3 Human Resources Organization Structure

The HR Team will be focused on providing efficient and quality service. The Dvoinoye HR function has site-based positions, with support provided from the HR staff in the Magadan office. Support will also be provided by the Toronto corporate office, primarily with expatriate recruitment. Figure 19 illustrates the HR organization structure for the construction phase. Lists of services provided appear below the positions.

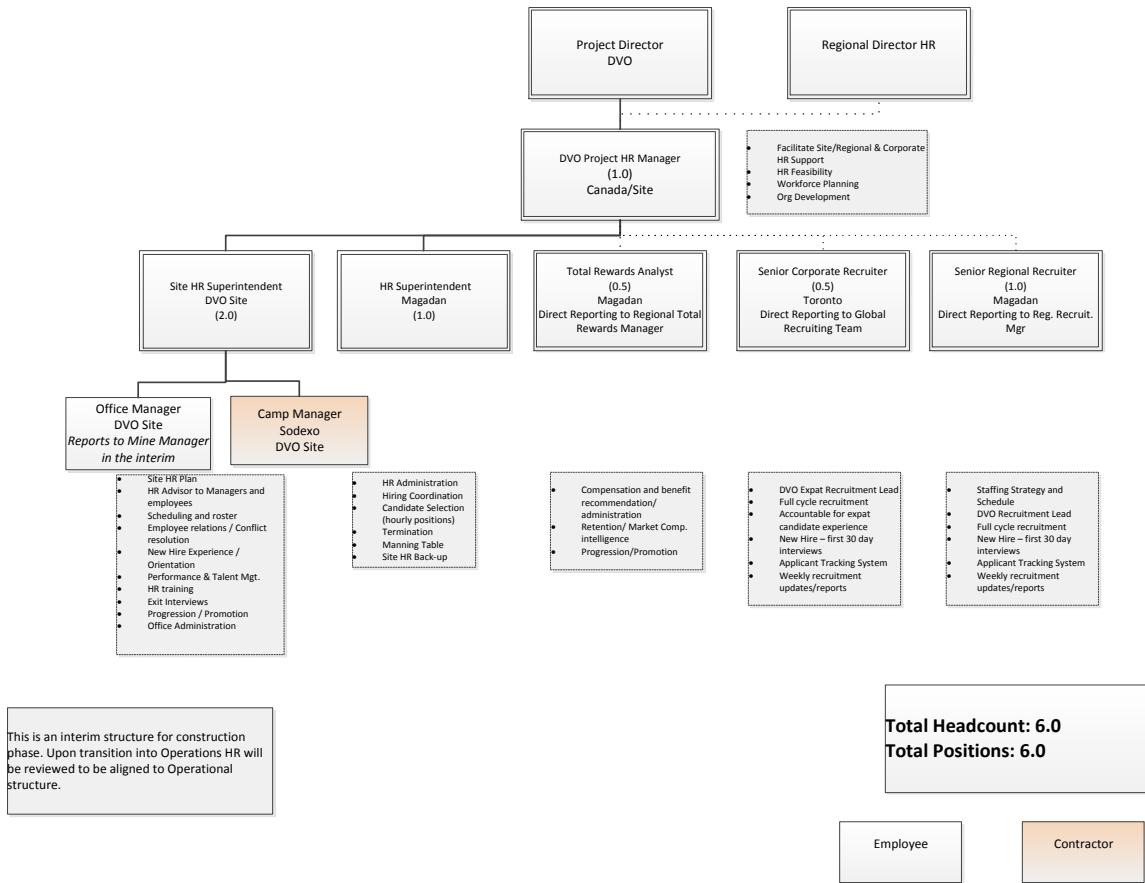


Figure 19 HR Organization Structure for Construction Phase

Source: Kinross

3.2.3.4 Outsourcing

Contractors will be engaged for camp catering and housekeeping, and security guard functions. Contractors' HR practices will be consistent with Dvoinoye's concentric approach to recruitment and its training strategy for indigenous people.

3.2.3.5 Compensation

In this section, we will review Kinross Russia compensation philosophy, strategy, and the processes and methodology that support the implementation.

Compensation Strategy

The compensation structure for Dvoinoye is similar to Kupol and is designed to recognize outstanding performance and achievement of goals by teams and individuals. Benefits will also be similar to Kupol's and are designed to satisfy, in a flexible manner, the real needs of employees, and maintain a competitive advantage over competing projects and job opportunities.

The salary and benefit package for employees will be consistent with Kinross' comprehensive rewards package philosophy, which reflects a culture that puts people first, and values health and safety, teamwork, diversity, communication, and respect. In addition to incentives such as top quartile cash and non-cash compensation for top quartile performance, Kinross provides global opportunities for skill development, and personal and career growth. Kinross' cash compensation package is in the 60th percentile for base salary and the 75th percentile for total cash, which includes base salary, short-term incentives, and other guaranteed cash compensation components.

Paying at the 75th percentile places Kinross in the top quartile of the market; the majority of competitors pay less. Pay is determined based on competitive market practices and the compensation strategy balances both internal and external competitiveness in Russia. The policy is to provide an overall compensation structure that will reinforce the alignment of behaviour with the business strategy and support the achievement of goals with compensation. The compensation structure for Dvoinoye is illustrated in Figure 20.

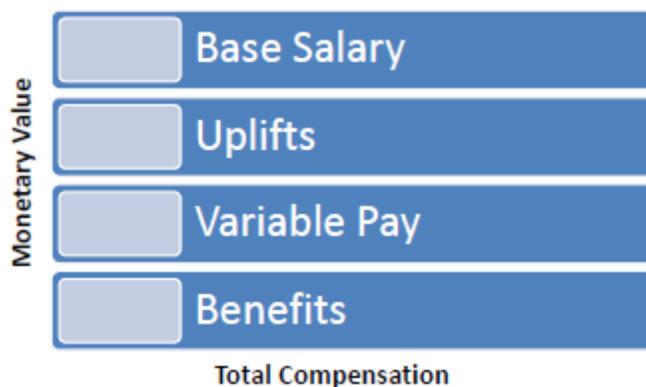


Figure 20 Compensation structure

Source: Kinross

The over-arching purpose of the compensation structure and policy is to ensure fair, consistent and equitable practices when determining payment. It is designed to attract and retain the skilled talent required by Dvoinoye at all levels and from all sources. Once on the job, the compensation package and associated incentives and benefits will reward employees for contributing to Dvoinoye's success by motivating employees to align their performance and behaviour in accordance with Dvoinoye's requirements. Given the nature of the work, the compensation policies are also designed to motivate high levels of individual, team, and organizational performance and differentiate between individuals and teams based on the impact of their performance and the value of their contribution to the success of Dvoinoye. Coupled with

the compensation package, Dvoinoye will have a competitive advantage by providing employees with the opportunity to gain start-up experience and be part of a new operation.

Compensation administration for Dvoinoye will be provided by the Regional Office for national employees and the Corporate Office for expatriates. The Dvoinoye HR organization will be provided by a Compensation Analyst (0.5) based in Magadan. This position will ensure that compensation services, such as job evaluation, salary recommendations, promotions, bonuses, and annual merit increases, are carried out smoothly within the Kinross compensation framework. A detailed compensation policy for Dvoinoye is presented in the next section.

3.2.3.6 Dvoinoye Compensation and Rewards Policy

Employee compensation and rewards policy (hereinafter – Compensation Policy) for Dvoinoye has been developed in compliance with the Labour Code of the Russian Federation, the Company Charter, and effective internal regulations. Labour rates by job classification, including all additional and incentive payment amounts, are commensurate with the complexity and responsibility of work fulfilled, level of general knowledge and expertise of an employee, significance of his/her profession (specialty), title, degree of independence, and level of problem solving required. General provisions are as follows:

- the Company uses a time-based pay system;
- the base monthly salary (not including employee incentives and bonuses), may not be less than the legally established minimum wage for all skilled/unskilled workers having performed the standard number of hours under normal working conditions; and
- wages are set in the Employment Contract according to the Compensation Policy.

Wages consist of a base salary (hourly rate or monthly), uplift payments (hereafter referred to as uplifts) and variable pay, including incentives and bonuses. An hourly rate is applied to employees working on a rotation basis with a shift schedule. It is a fixed pay rate for performance of labour at a specified level of complexity, less compensatory, incentive, and social payments. For these employees, cumulative hours are recorded and based on a work period established in the Employment Contract. A monthly salary is paid to employees working a 36 or 40-hour week and is fixed pay for completion of employment duties of a certain complexity per one calendar month less compensatory, incentive, and social payments. Dvoinoye will offer incentive programs consistent with the Kinross compensation philosophy. The incentive programs are compliant with Russian labour legislation and local market practices.

Uplifts are derived from a complex set of requirements, primarily established by the Russian Federation. Uplift payments include:

- Regional Coefficients to wages, as provided for in the labour legislation of the Russian Federation (in ChAO it equals 100% of the hourly rate (salary))
- Northern Allowance, as provided for in the labour legislation of the Russian Federation (in ChAO it equals 100% of the hourly rate (salary))
- Additional Pay = 46, 235%
- Night shift premiums in the amount of a minimum of 20% of the hourly rate (salary)
- Rotation premiums as set by the Order “Prikaz” of the Company General Director. A rotation premium is meant to compensate for employee's expenses associated with the requirement to work away from their place of residence, when the workplace is located far away from the employee, in remote, undeveloped areas or in specific natural environments.
- Payment for travel time to and from the place of work, as established by the employee's rotation schedule and for any delays during travel due to poor weather conditions, will be payable in the amount of a day rate (salary) based on a seven hour working day
- Overtime premiums as per the labour legislation of the Russian Federation. The overtime premium is calculated based on the hourly rate (salary) including the Regional Coefficient and Northern Allowance.
- A Hazard Premium for hazardous working conditions will be paid in an amount set forth by the Order “Prikaz” of the Company General Director.

Table 4 provides an example of a salary calculation for the month of January for a Processing Crusher Operator on night shift.

Table 4 Salary Calculation for a Processing Crusher Operator (January)

UPLIFT	DESCRIPTION	CALCULATION	AMOUNT (EUR)
Base Pay “Month”	Base rate x hours per day x days at site	$0.76 \times 11 \times 31$	260.25
Night Shift Premium	Max 217 hours per month; premium is 40% of 0.76 (Base Rate); night hours are 10 p.m. to 6 a.m.	$0.76 \times 40\% \times 217$	66.25
Holiday Pay	January (example) = 6 days Base Rate x hours per day x number of holidays	$0.76 \times 11 \times 6$	50.37
Off-Shift Premium	Law defines standard hours of work for the month of January as 120 hours	$((11 \times 31) - 120) \times 0.76$	168.67
Site Travel Premium	One round trip per month; 7 hours each way x Base Rate	$7 \times 2 \times 0.76$	10.68
Regional Bonus	(Base Pay + Night Shift Premium + Holiday Pay + Seniority Pay) x 100%	260.25	376.87
Northern Bonus	(Base Pay + Night Shift Premium + Holiday Pay + Seniority Pay) x 100%	260.25	376.87
Additional Pay	(Base Pay + Night Shift Premium + Holiday Pay + Seniority Pay + Regional Bonus + Northern Bonus) x Factor of 0.46235	260.25 66.25 50.37 376.87 376.87	522.74
Monthly Bonus	If budget target of 100% is achieved, 555.06 RUB per day is paid to employee (17.35)	17.35×31	537.85
Travel Compensation	23,127.5 RUB per 24 months, allocated monthly (RUB 23,127.5 / 32 = 722.73)	$722.73/24$	30.11
Total Pay January			2,400.67

Note: Base rate: EUR 0.76 per hour

Shift: 11 hour day

Rotation: 31 days at site

Calculation does not include Regular and Additional Vacation Pay

Estimated production bonus during operations for calculating labour costs is 11.6%

Source: Kinross

3.2.3.7 Training

Employee training and development is a key ingredient for Kinross' success during start-up as well as steady state operation. This section will explain how Kinross Russia's training programs are aligned with Kinross' commitment to "Putting People First" by ensuring employees' safe work performance and their further development.

Training Strategy

The training strategy will address the needs of the organization and role requirements. Certain roles, such as entry level positions, may require technical, task-specific training, including safety training. Other roles may be broader in nature and training will include supervisory and

management skills. Upgrading supervisory and leadership skills is an area that will require significant focus. Dvoinoye will leverage Kupol's experience and expertise to establish a formal training program. Training will be offered in the following trades:

- Underground electrical fitter
- Miner
- Blast-hole drill operator
- Underground labourer
- Carpenter
- Underground mechanic
- Automobile electrician
- Tireman
- Surface mechanic
- Maintenance clerk
- Plumber
- Water treatment operator
- Compactor operator
- Crusher operator
- Grader operator
- Handyman
- General labourer

Induction

Induction training is provided to all new employees. The purpose of the induction training is to ensure new employees settle in their roles in the time possible. This training may span from several hours to a few days, depending on the position and role. In the mining industry, induction training plays a very critical role from a safety standpoint. In addition to helping employees understand their job, benefits, and the company, the Kinross induction program offers job specific safety and operational orientation. Currently, induction programs are all delivered in face-to-face sessions; however, in the future, Dvoinoye will explore the possibility of making the induction program content available in E-Learning format, enabling faster paced induction for some of the employee population.

Dvoinoye Work Site Induction for Construction

All construction workers will be required to complete an induction program. Details of the initial HR and Safety induction are outlined below. A modified version will be delivered for

business travellers and site visitors. Content will be delivered in Russian and/or English to accommodate language differences and ensure consistency in understanding of training objectives. Table 5 provides an overview of the worksite induction program.

Table 5 Dvoinoye work site induction program

	All Construction Personnel (Kinross Employees/Contractors and Sub-Contractors)
Pre-Deployment	<ul style="list-style-type: none"> • Travel briefing • Security briefing • Work permits/visas (as applicable) • Medical testing • Vaccinations (as applicable)
On-Site	<ul style="list-style-type: none"> • Registration (security badge, new file, emergency contacts forms) • Work permit verification • Distribute visitor briefing package • Camp/Site rules • Camp Tour – Living accommodations, food services, office locations, camp boarders • Security – Issue PPE, overview of security provisions on site
On-Site	<ul style="list-style-type: none"> • Welcome to Kinross – mission, vision, values • Overview of Project – gold mining in Dvoinoye • Kinross policies – whistleblower, etc. • Social responsibility – community relations • Environmental issues – basic safety (harsh winter climatic conditions, sanitation, food, etc) • Cultural orientation (Russian and North American, etc.); respect & communication • Conflict resolution at Kinross Dvoinoye • Key Contacts: HR Team, Safety and Training Team, Direct Supervisors • Project Organization Chart overview • Overview of training program • Safety – Introduction to Health & Safety overview
On-Site	<ul style="list-style-type: none"> • Comprehensive Health & Safety overview

Source: Kinross

Dvoinoye Worksite Induction for Operations

The operations induction program builds on the induction program outlined above and provides a more detailed orientation for new employees, allowing them to be more effective and productive when they start in their role. It also fosters a more engaged workforce, improving their understanding of the company and the business. The program includes:

- Kinross' strategic pillars: Mission, vision, values and purpose;
- Induction to Administrative and Technical Areas, Industrial Safety and Health, Occupational Health, Environmental Management Plan and Emergency and Evacuation Plans;
- Code of Conduct, company rules, camp rules and key HR policies with regard to probation, training and employee relations; and
- Mine visits, Kupol visits (if appropriate) and, when possible, construction site visits.

In addition, a cultural awareness module will be included in the induction program and will be available in two different versions; one designed for those new to Russia and the other for Russian employees. The latter focuses on understanding western culture and the Kinross way of managing people and conducting business. The cultural awareness programs will generally be one to two days long and will provide a basic understanding of the Dvoinoye mission and key operating processes.

3.2.3.8 Steady State Training Culture

Training and development will play a significant role in developing Dvoinoye's culture of continuous improvement and self-development. To be successful, it requires supportive management, trained and dedicated front-line leadership, and an engaged workforce trained in the use of problem solving and improvement tools. Supervisory training, technical training, the Kinross leadership development programs, coaching and mentoring, safety leadership, cultural integration, Kinross ethics and culture, the four-point plan – a Kinross performance management process – and teamwork will be part of the Dvoinoye curriculum. The opportunity to train and advance quickly based on performance will be part of the attractive “value proposition” to offer to potential candidates.

In addition to formal training programs, on-the-job training of national employees will be provided and effectively used. Managers and expatriates will be measured by their success in transferring their skills and expertise to their employees. Their success will be reinforced through incentive compensation as part of the Short Term Incentive program. The HR department will work with expatriates and managers to ensure they have the training and the resources to fulfill their role as coaches and trainers. Resources will include courses and training programs, as well an employee development plan program. The program applies to all Dvoinoye employees and each employee will have a development plan outlining the skills and competencies they need to develop for their current role, as well as selected and potential career paths with training

requirements. Training for advancement requires supervisory approval and endorsement, and the training must be in line with individual career aspirations and aligned to Kinross business goals.

3.2.3.9 Leadership Training

Kinross has a variety of leadership development programs that will serve two purposes for Dvoinoye. The programs will establish the expectations and requirements of those in a leadership position and provide the skills required to meet them. The current portfolio of leadership programs is designed to address broad, collective learning requirements at different points in the leadership lifecycle. An outline of these programs is illustrated in Table 6.

Table 6 Kinross Leadership Training Programs

Course title	Content focus	Target Audience	Structure/ Format	Other comments
Safety Leadership (SAFEmap)	Values-based leadership: focus on setting the vision, engaging & motivating team, leading by example.	Supervisor to GM	3-day classroom-based. Interactive and fast-paced: small & large group activities and discussions. Led by external facilitator. Involves 360 feedback and self-administered leadership profile process as pre-work and requires participants to complete an “Individual Leadership Project” following the program.	Best for leaders with some experience/time in a leadership role. Pre-work is completed on-line. Optimally presented in 3 consecutive days. Effective at illustrating expectations of leadership practices and the “Kinross Way” of leadership.
Kinross Values & Accountability	Emphasis on the practice of “Accountability” and the behaviours that support a culture of accountability AND each of the Kinross values.	All employees	1-day - series of 5-6 modules. Content is largely video-driven with group discussions/ activities following the video segments.	Program is intended to be delivered by internal operations supervisors. Consultant does 3-day Train-the-Trainer. Can be delivered in modular format if necessary.
The Professional Supervisor (Decker & Assoc.)	Supervision fundamentals: role of supervisor, Safety, SOP compliance, Communications, Leading by Example, Getting on Board.	Front-line supervisor to Foreman (Operations)	3 days classroom; 1 follow-up classroom six months later; “field coaching” for selected more senior level supervisors. Senior management coaching.	Program designed and taught by examining senior leaders. Training days can be spread over a 2 week period.
Schulich School of Business	Strategy Execution (leading change focus) Baseline management skills	Corporate or regional office managers & directors	Classroom training (2-3 days) with pre-work, follow up e-learning and virtual coaching.	Other business-specific programs are available in a variety of areas.

Source: Kinross

The nature and format of the leadership training programs is such that they will be adapted for the needs of the leadership teams at Dvoinoye. In addition to ensuring instructors, training content, and materials are available in the appropriate language, content can be amended, streamlined, or certain modules emphasized to ensure specific development needs are met.

3.2.3.10 Organization of Professional Training on Basic Skills for Dvoinoye Site Employees

The following sections provide detailed descriptions of Dvoinoye's training methodology, strategy, and tactical execution. The approach reflects stringent national regulations relevant to mine training that are prescriptive and require significant documentation and approvals.

General Terms

Professional training programs and testing methodologies for Dvoinoye site employees will be developed taking Russian Federal Mine Inspection regulations into account. The regulations outline the requirements that must be considered when organizing and conducting training and testing employees to ensure they have adequate knowledge to perform their duties in construction, operations, expansion, reconstruction, modernization, conservation and liquidation of hazardous production facilities, power facilities, heating plants, and waterworks. Other professional classifications, which do not fall under the above categories, are also governed by regulations.

Work on site can be performed independently only by authorized personnel over 18 years of age (employees must be over 21 years old for underground work), and they must have successfully completed appropriate professional training, a job specific medical examination, site safety induction, and work procedures tests.

Professional Training

Professional training involves two separate departments, training personnel and FEENSA, a Russian government agency. The site Safety Department will provide direction, management, and organization of technical and safety training. The HR Department will be responsible for leadership training. Professional training will be delivered by specialists who are familiar with basic training skills and have appropriate education and work experience. They will be certified in accordance with the regulations for the organization of training and certification for training company specialists, as supervised by the Federal Environmental, Engineering and Nuclear Supervision Agency (FEENSA).

Professional training of employees includes training of newly hired employees, training and re-training of existing employees, trades training, and professional enhancement. Upgrading or retraining of an employee's qualifications is aimed to improve their professional knowledge and skills.

It is offered to employees who are to change their current specialty, as well as for employees who have been recommended for modified duties. Training will be delivered at the Dvoinoye site training centre. The training centre will implement training programs in compliance with the training license granted by the Russian Federal Mine Inspection Department. The site training centre carries out work in accordance with the common legal act, standard documents and regulations of the Russian Federation, and is responsible for the quality and timeliness of the training of employees for site operational departments, the health and safety of trainees, and conditions for training, labour, and rest. The training curriculum and testing methodologies will be developed based on the job specific professional training program requirements. The programs must be approved by the FEENSA or its regional agency. Professional training will be carried out as per the training schedules and programs approved by the FEENSA. Employees of the Dvoinoye training centre and lead specialists at the site can be appointed as trainers by Order (Prikaz), which specifies trainers' compensation. Professional training programs include both classroom (theoretical) and on-the-job training.

Theoretical training occurs outside of work hours in classrooms for groups of employees. A small premium is paid to the employee for attending. Those with graduate diplomas or polytechnic diplomas will be exempt from theoretical training under the current training program for newly hired employees. Instead, they will enrol only in on-the-job training. On-the-job training will be delivered at site production facilities (training labs, workshops, etc.) or at the work place under the supervision of a trainer or qualified supervisor. Training must be carried out under strict compliance with safety and environmental protocols. In addition, the trainees will be taught job specific environmental and safety protocols.

Trainees will undergo knowledge and skills testing at the end of the training program. Upon passing the test, the Qualification Committee will issue certificates to trainees, which will permit employees to perform corresponding work at the site. The Qualification Committee will be formed by the Order (Prikaz) and will include representatives of the Regional Environmental, Engineering and Nuclear Supervision Agency. Trainers are not permitted to be a part of the Qualification Committee.

3.2.3.11 Labour Relations

Labour relations are an important component of HR management. To ensure operational continuity, Kinross' approach to labour and employee relations and associated processes is grounded in principles consistent with its corporate values. Labour relations policies emphasize a positive work environment and employment engagement, constant and open communication, cooperative and win-win relationships, respect, and competitive and equitable internal compensation.

Kinross' Labour Relations Strategy

The Dvoinoye leadership team must lead by example by endorsing the company's labour relations principles and strategy, and by building a positive productive work environment. Any labour disruptions at Dvoinoye may impact the construction and development timeline and may negatively affect Kupol's labour relations as well. Strong management, fair and equitable employment practices, and effective communication with the workforce will minimize the risk.

Kinross' labour relations strategy recognizes the differences among various groups of employees and has been developed to reflect those differences. There are somewhat different strategies for hourly employees, supervisors and professionals, and contractors.

The strategy for hourly employees is designed to foster a high performance culture by linking compensation or rewards to individual contributions and alignment with Kinross values and business results. The employee value proposition is based on market competitiveness, asset conditions, size and profitability. As well, Kinross is committed to offering this category of employee career opportunities through development and advancement.

Similarly, the strategy for supervisors and professionals also fosters a high performance culture and links compensation or rewards to individual contribution. Initially, Kinross attempts to minimize labour relations problems by attracting and retaining key talent. Empowerment and close alignment with the management contributes to a high retention rate. Professional development and career opportunities through the succession planning program are important aspects of labour relations for this group of employees. Effective communication is fundamental to maintaining good labour relations. Kinross has instituted employee surveys to monitor engagement and levels of satisfaction.

Contractors constitute a unique group that requires particular consideration with regard to labour relations. The reputation of third party companies can benefit from an effective and successful relationship with Kinross. In fact, the association with Kinross can contribute to the companies' internal labour relationships, financial strength, and safety record. Kinross attempts to build strong relationships with contractors' management teams. Where possible, Kinross outsources whole functions or processes rather than partial piecemeal projects and always provides the subcontractor with guidelines and procedures. In addition, Kinross routinely audits the legal and safety compliance of subcontractor companies, ensures competitive and equitable compensation, implements incentive schemes for subcontractors' employees based on business contract results and quality of service, and offers standard facilities and conditions for contractors' and their employees. Kinross constantly works to enhance an internal contractor's administrative accountability, which can, in part, be facilitated by the register of contract workers that Kinross maintains.

3.2.3.12 Internal Employment Rules

This section provides an overview of Dvoynoye hiring and dismissal procedures, fundamental rights and duties of the employee and the employer, work schedules and their administration, and rewards and disciplinary actions (all compliant with Russian labour legislation).

Hiring and Dismissal Procedure

Employment is confirmed by the Order (Prikaz) on the basis of an employment contract signed by the employee. As per the governing legislation, an employment contract may not be granted to an individual less than 16 years of age. If the job involves working in a hazardous environment, the employee must be over 18 years. The employer may establish a probationary period of up to three months in order to confirm that the employee is fit for the position. The probation period shall not include days of sick leave and other employee absences from work. Upon successful completion of the probationary period, permanent employment will be confirmed. The employer may terminate the employment contract before the end of the probationary period by providing the employee with written notice three days in advance of termination. The notice will contain reasons serving as grounds for termination.

3.2.3.13 Rotational Method

Dvoynoye is a remote site. Employees are flown in from various locations. The “Rotational Method” applies to situations where the work site is located at a distance from the employee’s permanent residence, and it is impossible to arrange for daily return of the employee to their permanent place of residence. Employees under 18 years of age, pregnant women, women with a child (children) under three years old, and those with medical restrictions may not be considered for rotational work.

The particulars of the rotational method are as follows. One rotation constitutes the overall continuous time at the time. Work hours and rest hours within the counting period are regulated by the rotational work schedule approved by the employer and acknowledged by the employee no later than two months before it comes into effect. The employer maintains individual records of work hours and rest hours for each rotational employee on a monthly basis and for the whole counting period. A cumulative method of counting all work hours is used for rotational work. The counting period covers works time, travel time, and rest time. Travel time includes departure from the employer’s staging point to the work place and back. As the rotation period is four weeks, rest time is mandatory. However, the total work hours for the counting period shall not exceed the number of regular work hours established by the current laws. Overtime work hours within the rotational work schedule can be

accumulated during a calendar year, rounded up to full days, and granted to the employee in the form of additional days-off. Work time is accumulated on a calendar-year basis.

Work Time

Work time is defined as time during which the Employee performs his/her work duties according to company policy. A regular statutory work week may not exceed 40 hours, and a reduced statutory work week for employees working in hazardous work conditions may not exceed 36 hours (as provided for by legislation). Night work is defined as 10:00 p.m. until 06:00 a.m.

Work Schedule

Work schedules will vary among professional staff and operational departments at Dvoinoye and office employees in Magadan. Employees based in Magadan work a five-day week - Monday to Friday with Saturday and Sunday off. For professional staff at the Dvoinoye site, the work schedule is rotation-based. Normally, the length of rotation will not exceed one month; however, under exceptional circumstances, it may be extended up to three months. Professionals work a 10 hours day from 7:00 a.m. until 6:30 p.m. Operational work is also rotation-based. Like the professional staff, the rotation period is normally one month but may be extended up to three months. Employees engaged in operations work shifts that do not exceed 12 hours per day. A rest period for these employees is not less than 12 hours. Employees change shifts on a regular basis. As a rule, the shift changes every four weeks, with the exception of expatriates, according to the rotation schedule. Operational employees are subject to the following procedural requirements:

- all employees shall clock their time-in and time-out before and at the end of the work day respectively with their immediate supervisor;
- administration shall arrange for work sign-in and sign-out registration;
- under uninterrupted operations it is prohibited to leave the work place before the cross-shift arrives at the workplace; and
- should a cross-shift person fail to report for work, the employee shall report this to his/her immediate supervisor who must take measures to find a substitute.

Rest Time

Rest time is the time when the employee is free from performing his/her work duties; employees may use rest time at their discretion. Rest time includes:

- breaks during the work day (on shift)
- daily rest (off shift)
- days-off (off-rotation);

- vacation
- non-working public holidays
 - January 1-5 New Year Holidays
 - January 7 Christmas
 - February 23 Motherland Defender's Day
 - March 8 International Women's Day
 - May 1 Holiday of Spring and Labour
 - May 9 Victory Day
 - June 12 Russia Day
 - November 4 National Unity Day

When a day-off falls on a public holiday, it is shifted to the next day following the public holiday. Rotation-based production operations may not be discontinued for public holidays; days-off (off-shift rest) are granted according to the shift schedule.

Vacation

Employees are entitled to an annual paid vacation. The standard vacation, in calendar days, will be 28 basic vacation days plus 24 days for working in the Extreme North. The length of additional vacation days granted for working in a hazardous environment is determined in compliance with current legislation. For surface workers the regulations stipulate 52 days per annum and 76 days per annum for underground workers.

Rotation and vacation allowances have a significant impact on staffing requirements and hence costs. Annual and additional vacation procedures are determined in the Dvoinoye Vacation Policy.

3.2.3.14 Foreign Employees

Recent amendments to regulations governing non-nationals in Russia resulted in changes to the work permits and visa issuance procedure for highly skilled workers effective July 1, 2010. Under law No. 86-FZ of May 19, 2010, an individual employed by a Russian legal entity (or an accredited affiliate of a foreign entity) who receives an annual income of not less than RUB 2m (approx. US \$70,000), may take advantage of the new work permit application and visa issuance procedures. The new procedure for highly skilled workers is a one-stage process (previously a multi-stage process) under which it will take approximately 14 business days to obtain a permit. A permit may be requested

either by the employer or by the employee and will be valid for up to three years (in contrast to the 12 month permit obtained under the previous process).

The tax status of highly skilled workers changed effective July 1, 2010. The regular income tax rate of 13 percent will apply to highly skilled workers from the first day they reside in Russia. There are also additional formalities for employers of non-nationals whereby they will be required to register these employees with the Russian tax authorities and must provide employees with medical insurance. For more details, please refer to Appendix 4 “Legislation for Foreign Citizens Residing in the Russian Federation for the Purposes of Business and Labour”.

3.2.3.15 Employee Relations

A preliminary employee relations strategy will be established for the Dvoinoye project to achieve the following:

- best practices in employee relations;
- appropriate treatment of employees/employer organizations; and
- a communications methodology for the project.

The above objectives will be met by establishing specific and measurable standards and a communications plan for employee relations. Measurable items will include:

- results of Kinross Employee Survey including engagement levels;
- frequency of employee complaints;
- employee attendance for company functions; and
- employee retention.

3.2.4 Financial Resources

This section will present an analysis of the financial resources required to bring Dvoinoye to operational and the feasibility of the project. This analysis will expose the impact of labour costs on a mining operation and provide overview of operating and capital expenses.

3.2.4.1 Labour Cost Impact

As identified previously, the strategy for recruiting and selection is designed to search for the best talent in the market to fill positions that range from entry level to senior management. Table 3 in Section 3.2.2.4 provides an estimate of the number of employees, divided into nationals and expatriates, that must be hired by year.

3.2.4.2 Recruitment and Selection Cost Projections

A recruiting budget has been developed to estimate the costs incurred for recruiting on an annual basis from 2012 to 2018. In preparation for operations, recruiting expenses for hiring expatriates and filling senior roles with highly qualified national workers will be significant in the first two years. Outsourcing these types of positions to search firms will expedite the recruiting process, allowing the project immediate access to databases of candidates. This is particularly helpful in a currently competitive mining labour market, where traditional methods, such as advertising, are less effective in attracting qualified candidates. Estimated recruiting costs by year are given in Table 7.

Table 7 Recruiting Costs (by year)

Recruiting Costs, EUR:								
	2011	2012	2013	2014	2015	2016	2017	2018
International Recruiting	115638	115638	115638	28909	14455	14455	14455	14455
National Recruiting	46255	57819	57819	57819	23128	23128	23128	23128
Community Recruiting	0	9251	9251	0	0	0	0	0
Branding	0	6938.25	6938.25	6938.25	2312.75	2312.75	0	0
Other (Portal and etc.)	4626	4626	4626	4626	4626	4626	4626	4626
Total	166518	194271	194271	98292	44520	44520	42208	42208

Source: Kinross

3.2.4.3 Severance Costs

In addition to wages, salaries, and benefits, government regulations impose additional cost through the provisions of the Labour Code. In certain circumstances, these regulations require payment of severance equal to a minimum of two week's average earnings when an employment contract is terminated. For example,

- when an employee enlists or is drafted into military service;
- is an employee refuses to be transferred to work in another location when the company relocates its operations; and
- reinstatement of an employee who previously performed the work.

In the event of the dissolution of a company, institution, or organization, or in the event of staffing cuts, the Labour Code requires a payment of one times the employee's monthly average earnings, with additional payments if the dismissed employee is unable to find work (to a maximum of two months average earnings). The regulations also apply if the company determines that an employee is redundant and eliminates his or her position. In this circumstance, the employee must be given at

least 60 days' notice and severance pay must be made in an amount equal to two months' salary. In addition, if the employee is unable to find alternative employment, then up to a maximum of two additional months' salary may be claimed by the former employee.

3.2.4.4 Training Costs

Facilities for theoretical and operational training must be provided on site. Typically, the equipment required includes furniture, display stands, computers, a TV with video player, and a video projector. In addition, resources must be expended for visual aids, training reference materials, standard technical documents, educational and technical literature, and educational videos and programs. The site training and production facilities should include appropriately equipped labs, workshops, and stand-alone workstations.

The training centre at Dvoinoye will be located in the Administrative building and will include two well-equipped classrooms. One training room will be located on the main floor (37.5 m^2) and a larger training room will be on the second floor (53.5 m^2). It is envisioned that the training centre will cater to all of Dvoinoye's training needs.

Based on the Kupol experience, it is anticipated that the training costs for Dvoinoye will be minimal during construction as well as the operations phase. This is due to the availability of a qualified workforce as outlined in the sourcing strategy. The majority of the training programs delivered will focus on safety, skills upgrading, and employee progression, using fulltime, in-house trainers and adapting the Kupol curriculum. In addition to the training rooms, a nominal amount will be invested in training room equipment. As per the industry average, a Dvoinoye employee is anticipated to undergo training for 40 hours per year (the training programs include Functional, Technical, Management and Personal Effectiveness training). Seventy percent of the training needs are anticipated to be addressed through on-the-job and in-house training. Projected training infrastructure costs are shown in Table 8.

Table 8 Cost of Training Infrastructure

Item	Amount EUR
Equipment	26273
Furniture and misc	23128
Total	49400

Source: Kinross

3.2.4.5 Training Resources

A training budget has been prepared that includes the training centre, safety programs, trade skills upgrading, induction programs, training for the process plant, fixed and mobile maintenance, mine operations, commissioning, training team and administration. Table 9 provides an outline of the estimated annual employee training costs.

Table 9 Annual Employee Training Cost

Description	Qty	Unit Cost	Amount, EUR
Number of Employees	324		0
Tuition Reimbursement (5%)	16	2313	81062
KGC Leadership & related (trainer, travel)	3	9251	27753
Team Effectiveness for DVO Leadership Team	1	13877	13877
On-the-job and In-house Training (70%)	227		0
Off-site training (30%)	97		0
Training fee	97	463	97136
Travel & Lodging	97	1041	218555
Total			438382

3.2.5 Overview of Operating Cost

The operating cost structure developed for the feasibility study consists of the following major cost categories: mining, trucking to Kupol, processing (Kupol process plant), general and administration (G&A) at the Dvoinoye site, and regional G&A. The majority of the operating costs have been developed from detailed estimates of consumable and material requirements based on a review of the production and development schedule and on historical cost data provided by Northern Gold from the Kinross CMGC operation at Kupol.

Operating Cost Summary

The average cash operating cost has been estimated to average EUR 125.00/t of ore. Table 10 shows the breakdown of operating cost by component. Due to the high grade of ore processed in the early years, operating costs will be lowest in the early years and increase as the ore grade declines.

Table 10 Life of Mine OPEX Breakdown

Dvoynoye OPEX	Life of Mine EUR million	Life of Mine EUR /t ore	Life of Mine EUR/Au Equiv.
Mining	78.86	37.41	69.63
Trucking to Kupol	32.87	15.59	29.02
Processing Costs – Kupol Site	57.80	27.42	51.03
G&A On-site	84.25	39.96	74.38
Regional G&A	9.10	4.32	8.04
Total Kinross OPEX	262.88	124.70	232.10

Source: Kinross

Table 11 provides details for life of mine mining operational costs.

Table 11 Life of Mine: Mining Operational Cost

Mining Costs	EUR million LOM	EUR/t Ore	% of total
Direct Mining Costs			
Labour - mine	14.79	7.01	8.67
Labour - mine trucking	1.67	0.79	0.98
Labour - Support Services	0.98	0.46	0.57
Development	4.71	2.23	2.76
Development - extra ground support	0.92	0.43	0.54
Diamond drill holes and service holes	0.62	0.29	0.36
Stoping - production drill, blast and muck	6.13	2.91	3.59
Stoping - backfill	9.53	4.52	5.59
Mine services equipment fuel	0.54	0.26	0.32
Mine services equipment maintenance parts	0.24	0.11	0.14
Electrical power - underground	6.98	3.31	4.10
Truck haulage	4.80	2.28	2.81
Underground support equipment	1.65	0.78	0.97
<i>Subtotal direct mining Cost</i>	53.54	25.40	31.40
General and administration: mine and mine maintenance			
Staff labour	7.90	3.75	4.63
Mine general and administration materials	1.09	0.52	0.64
Mine general and administration small equipment fuel	1.51	0.72	0.89
Mine general and administration small equipment maintenance parts	0.18	0.08	0.10
Electrical power - mine surface area	14.65	6.95	8.59
<i>Subtotal general and administration: mine and mine maintenance</i>	25.32	12.01	14.85
Total mining cost	78.86	37.41	46.26

Source: Kinross

Capital Costs Summary

The life of mine capital cost for the project is estimated to be EUR 191.9m. The initial capital cost is estimated to be EUR 169.5m. The sustaining capital cost is estimated to be EUR 22.4m. Table 12 provides a summary of capital costs.

Table 12 Life of Mine Capital Cost Summary EUR

Description	Initial Capital	Sustaining Capital	Life of Mine Capital
Infrastructure Construction	80,594,582	8,893,412	89,487,994
Mine Development	26,100,583	13,504,164	39,604,747
Management and Design	12,507,430	0	12,507,430
Site Management and Support Services	34,743,309	0	34,743,309
Regional and Corporate General and Administration	4,847,841	0	4,847,841
Contingency	10,702,414	0	10,702,414
Total	169,496,159	22,397,576	191,893,734

Source: Kinross

3.2.5.1 Dvoinoye Financial Summary

The findings of the economic analysis, based on current financial assumptions, are summarized in Table 13, which shows the results for two gold prices cases. The “Revenue Case” is based on Kinross’ forecast gold price of \$1,500/oz for the project duration. The “Reserve Case” is based on the Kinross guidance gold price of \$1,200/oz to establish the project reserves. The financial results are presented for a base date of January 2010, prior to project execution and for a base of January 1, 2012, reflecting the current valuation.

Table 13 Dvoinoye Financial Summary

Economic Parameter	Unit	Revenue Case (\$1500/Oz)	Revenue Case (\$1200/Oz)
Life of mine	Years	7.8	7.8
Total run of mine ore mined and processed	kt	2,108	2,108
Average gold grade	g/tonne	17.33	17.33
Average silver grade	g/tonne	21.02	21.02
Total gold recovered	oz	1,104,106	1,104,106
Total silver recovered	oz	1,139,678	1,139,678
Average annual equivalent gold production	oz	143,583	143,583
Average cash cost (Kinross)	EUR/ oz AU equiv.	268.3	258.1
Initial capital expenditures (Kinross)	EUR Million	169.3	169.3
Uncommitted initial capital expenditures	EUR Million	90.2	90.2
Sustaining capital	EUR Million	22.2	22.2
Closure and severance cost	EUR Million	4.6	4.6
2010 Valuation Date Financials (Cash flow to Kinross)			
Unlevered total net after tax cumulative cash flow	EUR Million	221.1	104.1
Unlevered after tax net present value (5% discount rate)	EUR Million	130.4	44.4
Unlevered pre-tax internal rate of return (IRR)	%	11.70%	6.61%
Unlevered after tax internal rate of return (IRR)	%	9.57%	5.09%
Project payback	years from start-up	1.1	1.5
2012 Valuation Date Financials (Cash flow to Kinross)			
Unlevered total net after tax cumulative cash flow	EUR Million	300.2	183.2
Unlevered after tax net present value (5% discount rate)	EUR Million	225.7	131.4
Unlevered pre-tax internal rate of return (IRR)	%	26.50%	17.99%
Unlevered after tax internal rate of return (IRR)	%	22.90%	15.50%
Project payback	years from start-up	0.6	0.8

Source: Kinross

4: Conclusions

As we have seen in the analyses and from Kinross' corporate strategy, the HR strategy here is responsible mining. An implementation analysis for the Dvoinoye start-up project determines whether Kinross Russia has the internal capabilities to achieve a HR strategy that is aligned with the company strategy. Operationalization of an HR strategy that encompasses strategies around staffing, organization structure, compensation, labour, employee relations, and training and development is central to the success of high performing mine.

To develop and successfully implement a HR strategy for the Dvoinoye Project, it is of paramount importance to understand the environmental, social, and regulatory challenges and constraints. Kinross' international experience has provided a sound foundation for its development in the Russian Federation. It is currently operating a successful mine at Kupol and is well positioned to benefit from that experience in the Dvoinoye project. In addition to this invaluable experience, several other key success factors will contribute to Kinross' success. The industry value chain analysis and the identification of strengths and weaknesses through Porter's five forces analysis revealed a number of key success factors that bode well for Kinross' success with the Dvoinoye project. In order of priority, they are:

1. “The Kinross Way”. Kinross is committed to responsible mining. The principles underlying this philosophy are embedded in Kinross' human resources programs and applied across the board – from talent acquisition, through total rewards programs, performance enhancement opportunities, talent management, and development programs.
2. Recognizing the importance and committing resources to engaging with local communities and indigenous populations, is inherit in Kinross' responsible mining philosophy.
3. Kinross has a structured approach to the stage gate process called front end loading (FEL).
4. Kinross has experience developing infrastructure and constructing mines in the Russian Arctic.

5. Kinross operational experience in the Arctic (i.e. the Kupol mine) is a strong indicator of an ability to control costs.
6. Synergies with Kupol by expanding economies of scale and reducing learning curve will offer a significant cost benefit to Dvoinoye.

Given these key success factors, it is evidence that Kinross' commitment to responsible mining should shape the development and implementation of the HR strategy for the Dvoinoye project. A HR strategy based on "The Kinross Way" will successfully support the execution of efficient mine operations at Dvoinoye.

Appendices

Appendix 1 Labour Market of Chukotka Autonomous District

О ситуации на рынке труда Чукотского автономного округа	On situation at labor market of Chukotka Autonomous District
По состоянию на 19.10.2011 года уровень регистрируемой безработицы составил 2,3 %, что на 0,7 % ниже, чем на начало текущего года (3,0%) и равен уровню по состоянию на 01.10.2010 года (2,3%).	As of October 19, 2011 level of registered unemployment makes 2.3% that 0.7% lower than at the beginning of the current year and equals to the level of October 1, 2010 (2.3%).
Численность зарегистрированных безработных граждан 726 чел., что на 244 чел. меньше, чем на начало текущего года (970 чел.) и на 9 чел. меньше, чем на 01.10.2010 года (735 чел.).	Number of unemployed citizens is 726 people that is 244 people less than at the beginning of the year (970 people) and 9 people less than on October 1, 2011 (735 people).
Коэффициент напряженности составил 0,6 ед., что на 1,0 ед. меньше, чем на начало 2011 года (1,6 ед.) и на 0,2 ед. меньше, чем на 01.10.2010 года (0,8 ед.).	Tension coefficient makes 0.6, that is 1.0 less than at the beginning of 2011 (1.6) and 0.2 less, than on October 1, 2010 (0.8).
Управлением государственной службы занятости населения Чукотского автономного округа еженедельно осуществляется мониторинг высвобождаемых граждан в связи с сокращением штата или ликвидацией организаций.	Civil Employment Service Department of Chukotka Autonomous District performs weekly monitoring of citizens becoming unemployed due to personnel reduction or liquidation of organization.
По итогам мониторинга за период октябрь 2008 года - октябрь 2011 года 163 предприятия округа заявили о высвобождении 1648 работников. В течение указанного периода были уволены 1425 граждан, из них нашли работу 744 человека, в том числе 652 человека через службу занятости округа. Доля трудоустроенных работников составляет 52,2 % от числа уволенных граждан.	According to the monitoring results for the period from October 2008 throughout October 2011, 163 organizations of the district announced 1648 employees' release. During the mentioned period 1425 people had been terminated, 744 people of this amount were employed among them 652 people employed through the Employment Service. Rate of the employed people is 52.2% from the number of terminated citizens.
В январе-октябре 2011 года 39 предприятий Чукотского автономного округа заявили о предстоящем сокращении штата и ликвидации организаций в количестве 416 чел.	In January-October 2011 39 enterprises of Chukotka Autonomous District announced oncoming reduction of personnel and liquidation of organization releasing 416 people.
Государственными казёнными учреждениями Чукотского автономного округа центрами занятости населения проводились следующие мероприятия:	State Agencies of Employment Service Department in Chukotka Autonomous District performed the following steps:

<ul style="list-style-type: none"> - направлены на общественные работы 326 чел.; - трудоустроены 63 безработных гражданина, относящихся к категории испытывающих трудности в поиске работы; - трудоустроен 1 безработный гражданин в возрасте от 18 до 20 лет из числа выпускников образовательных учреждений начального и среднего профессионального образования, ищущих работу впервые; - трудоустроены несовершеннолетние граждане в свободное от учебы время – 965 чел.; - организованы стажировки выпускников образовательных учреждений - 16 чел., за выпускниками закреплены наставники - 16 чел.; - направлены на обучение 67 чел., по следующим специальностям: частная охрана, водитель категории «В», машинист бульдозера, оператор ЭВМ (ГКУ ЧАО Анадырский ЦЗН), плотник, машинист бульдозера, оператор ЭВМ, портная, повар, водитель категории «В» (ГКУ ЧАО Билибинский ЦЗН); водитель категории «В», вышивальщица, маляр (ГКУ ЧАО Иультинский ЦЗН), бухгалтер (ГКУ ЧАО Провиденский ЦЗН), делопроизводитель (ГКУ ЧАО Чаунский ЦЗН), основы предпринимательской деятельности (ГКУ ЧАО Чукотский ЦЗН), <p>в т.ч. направлены на профессиональную переподготовку 13 женщин, находящихся в отпуске по уходу за ребенком до трех лет;</p> <ul style="list-style-type: none"> - получили услуги по психологической поддержке – 95 чел.; - приняли участие в «Клубе ищущих работу» - 143 чел.; - получили услуги по профессиональной ориентации 963 гражданина, обратившихся в службу занятости населения и 447 учащихся 	<ul style="list-style-type: none"> - Assigned 326 people to welfare works; - Employed 63 people falling into category of specialists having difficulties with employment; - Employed 1 unemployed citizen at the age of 18 to 20, graduated from educational institution of primary and secondary vocational education and seeking work for employment for the first time; - Employed under-age citizens to work during non-study time – 965 people; - Arranged on-the-job training of people graduated from educational institutions – 16 people, assigned to Trainers – 16 people; - Sent 67 people for training on the following specialties: Private Security Service, Driver Class B, Dozer Operator, Computer Operator (State Agency of Employment Service Department in ChAO), Carpenter, Dozer Operator, Computer Operator, Tailor, Cook, Driver Class B (Bilibino State Agency of Employment Service Department in ChAO), Driver Class B, Embroiderer, Painter (Iultinsky State Agency of Employment Service Department in ChAO), Accountant (Providensky State Agency of Employment Service Department in ChAO), Document Controller (Chaunsky State Agency of Employment Service Department in ChAO), Basic Entrepreneurship (Chukotsky State Agency of Employment Service Department in ChAO), <p>Including 13 women on maternity leave (on leave to attend to a child up to the age of three years), that were sent to professional retraining.</p> <ul style="list-style-type: none"> - 95 people got psychological support; - 143 people participated “Seeking-for-
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<p>граждан в учебных заведениях округа;</p> <ul style="list-style-type: none"> - 11 безработных граждан заключили договоры (ГКУ ЧАО Анадырский ЦЗН, ГКУ ЧАО Беринговский ЦЗН, ГКУ ЧАО Билибинский ЦЗН, ГКУ ЧАО Иультинский ЦЗН, ГКУ ЧАО Провиденский ЦЗН, ГКУ ЧАО Чукотский ЦЗН) по организации содействию самозанятости. Самозанятость организована по следующим видам деятельности: «торговля автотранспортными средствами», «предоставление услуг по монтажу, ремонту и техническому обслуживанию прочего оборудования общего назначения», «рыбный промысел», «организация детского досуга», «розничная торговля книгами», «предоставление услуг по монтажу, ремонту и техническому обслуживанию прочего электрооборудования», «производство стульев и другой мебели для сиденья», «изготовление изделий народных художественных промыслов», «производство отделочных работ», «парикмахерские услуги», «деятельность в области документальной электросвязи»; <p>кроме того, предпринимателем, организовавшим собственное дело в 2009 году созданы 2 рабочих места по виду деятельности «рыбный промысел»;</p> <ul style="list-style-type: none"> - ГКУ ЧАО Анадырский ЦЗН, ГКУ ЧАО Беринговский ЦЗН, ГКУ ЧАО Билибинский ЦЗН, ГКУ ЧАО Провиденский ЦЗН и ГКУ ЧАО Чукотский ЦЗН трудоустроены 8 инвалидов на специально оборудованные рабочие места. Для оборудования рабочего места инвалидов с организациями были заключены договоры на приобретения необходимого оборудования в размере 50,0 тысяч рублей; 	<p>employment Club”</p> <ul style="list-style-type: none"> - Occupational guidance was provided for 963 citizens who addressed to the Employment Service and 447 citizens undergoing training in educational institution of the District. - 11 unemployed citizens closed contracts (Anadyr State Agency of Employment Service Department in ChAO, Beringovsky State Agency of Employment Service Department in ChAO, Bilibino State Agency of Employment Service Department in ChAO, Providensky State Agency of Employment Service Department in ChAO, Chukotsky State Agency of Employment Service Department in ChAO, Iultinsky State Agency of Employment Service Department in ChAO) to support self-employment. Self-employment provided on the following specialties: “vehicle selling”, “services on repair, installation and maintenance of other general-purpose equipment”, “fishery”, “children’s social work”, “books selling”, “services on installation, repair and maintenance of other electrical equipment”, “manufacturing of chairs and other furniture to sit on”, “craftwork manufacturing”, “finishing services”, “hairdresser’s services”, “activities in the area of documental electrical communication”. <p>Besides, entrepreneurs set up their own business before 2009 created two working places n the area of “fishery”;</p> <ul style="list-style-type: none"> - Anadyr State Agency of Employment Service Department in ChAO, Beringovsky State Agency of Employment Service Department in ChAO, Bilibino State Agency of Employment Service Department in ChAO, Providensky State Agency of Employment Service Department in ChAO, Chukotsky State Agency of Employment Service Department in ChAO employed 8 disabled persons on specially equipped working places. To equip working places for the disabled persons contracts were closed to purchase
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<p>Заключены 3 договора о содействии трудоустройству многодетных матерей с организациями:</p> <ul style="list-style-type: none"> - ГУЗ «ЧОБ» - филиал Иультинская районная больница - санитаркой; - МОУ «Центр образования п. Беринговского» - помощник повара; - МУК «Центральная библиотека Билибинского муниципального района»- заведующей отделом обслуживания № 6 с. Омолов. <p>Для оборудования рабочих мест многодетным матерям с организациями заключены договоры на приобретение необходимого оборудования в размере 50,0 тысяч рублей.</p> <p>ГКУ ЧАО Анадырский, Билибинский, Иультинский, Провиденский, Чаунский и Чукотский центры занятости населения провели ярмарки вакансий рабочих мест.</p> <p>Провели Дни открытых дверей ГКУ ЧАО Анадырский, Беринговский, Билибинский, Иультинский, Провиденский и Чаунский центры занятости населения.</p> <p style="text-align: center;">Система образования</p> <p>По состоянию на 1 июля 2011 года в Чукотском автономном округе функционируют 83 образовательных учреждения, из них 42 общеобразовательных учреждения, 15 учреждений дошкольного образования, 3 учреждения начального профессионального образования, 20 учреждений дополнительного образования детей (из них в ведении Департамента образования, культуры и молодёжной политики Чукотского автономного округа находятся 19 учреждений и 1</p>	<p>necessary equipment worth a total of 50,000 RUR;</p> <p>Closed three contracts to employ mothers of many children in the following organizations:</p> <ul style="list-style-type: none"> - State health-care institution “Chukotsky County Hospital” – branch of Iultinskaya District Hospital – Nurse position; - Municipal Educational Institution “Education Centre of Beringovsky Settlement” – Cook Assistant - Municipal Cultural Administration “Central Library of Bilibino Municipal Centre” – Manager of #6 Service Department in Omolon Settlement <p>Contracts were closed to purchase necessary equipment worth a total of 50,000 RUR to equip working places for mothers of many kids.</p> <p>Anadyrsky, Bilibino, Eultinsky, Providensky, Chaunsky and Choukotsky State Agencies of Employment Service Department in ChAO carried out career fair.</p> <p>Anadyrsky, Beringovsky, Bilibino, Eultinsky, Providensky and Chaunsky State Agencies of Employment Service Department in ChAO held “Open days”.</p> <p style="text-align: center;">Education system</p> <p>As of July 1, 2011 inn ChAO there are 83 educational institutions including 42 institution of general education, 15 institutions of pre-school education, 3 institution of primary vocational education, 20 institutions of additional education for children (19 of those are in charge of Department of Education, Culture and Youth Policy in ChAO and 1 is in charge of the Committee on Sport and Tourism in ChAO), 1 educational institution of additional vocational education (Career enhancement training) for Specialists, 1 institution of secondary vocational education, 1 educational institution for orphaned children and</p>
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<p>учреждение находится в ведении Комитета по спорту и туризму Чукотского автономного округа), 1 образовательное учреждение дополнительного профессионального образования (повышения квалификации) специалистов, 1 учреждение среднего профессионального образования, 1 образовательное учреждение для детей-сирот и детей, оставшихся без попечения родителей (находится в ведении Департамента социальной политики Чукотского автономного округа).</p>	<p>children deprived of parental care (is in charge of Department of Social Policy in ChAO).</p>
<p>В число 42 общеобразовательных учреждений входят:</p>	<p>42 educational institution include:</p>
<ul style="list-style-type: none"> -1 государственное общеобразовательное учреждение «Чукотский окружной профильный лицей»; -17 средних общеобразовательных школ, из них 7 со структурными подразделениями – дошкольные группы (детский сад), в том числе 3 школы-интерната; -13 основных общеобразовательных школ со структурными подразделениями – дошкольные группы (детский сад), в том числе 1 школа-интернат; -10 начальных школ со структурными подразделениями – дошкольные группы (детский сад); -1 специальное (коррекционное) образовательное учреждение для обучающихся, воспитанников с ограниченными возможностями здоровья «Специальная (коррекционная) общеобразовательная школа-интернат VIII вида поселка Эгвекинот». 	<ul style="list-style-type: none"> – 1 State Institution of General Education “Chukotsky County Specialized Lyceum”; – 17 General Education Schools including 7 schools with structural subdivisions – pre-school groups (kinder garden) and 3 boarding schools among them; – 13 Basic Institutions of General Education with structural subdivisions – pre-school groups (kinder garden) and 1 boarding school among them; – 10 elementary schools with structural subdivisions – pre-school groups (kinder garden); – 1 special (Correctional) Educational Institution for Trainees, Children with disabilities “Special (Correctional) Boarding School of VIII type in Egvekinot Settlement”.
<p>Помимо указанных 83 образовательных учреждений в округе получили лицензии на право ведения образовательной деятельности ещё два ведомственных образовательных учреждения:</p> <ul style="list-style-type: none"> -государственное бюджетное образовательное учреждение дополнительного профессионального образования (повышения квалификации) специалистов «Учебно-методический центр по гражданской обороне, чрезвычайным ситуациям и пожарной безопасности Чукотского автономного округа» - негосударственное образовательное учреждение дополнительного профессионального образования 	<p>Besides the above-mentioned 83 Educational Institutions there are two more departmental Educational Institutions awarded with licenses for the right to educate:</p> <ul style="list-style-type: none"> – State Budget Educational Institution of Additional Vocational Education (Career enhancement training) of Specialists “Training Centre on civil defense, emergency and fire safety of Chukotsky Autonomous District”. – Non-state Educational Institution of Additional Vocational Education (Career enhancement training) of Specialists “Berkout”.

Starting September 1, 2011 Branch of Federal State

<p>(повышения квалификации) специалистов «Беркут».</p>	<p>Autonomous Educational Institution of the Higher Vocational Education “North-eastern Federal University n.a. M.K. Amosov” works in the territory of Chukotsky Autonomous District. Specific feature of the Branch is that for the first time students in Chukotka will study on the base of full-time education from federal budget resources. The first entry of students was made and consists of two groups on specialties essential for the region: “Mining” (15 people), “Electrical power engineering and Electrical power supply” (20 people).</p>
<p>С 1 сентября 2011 года на территории Чукотского автономного округа функционирует Филиал Федерального государственного автономного образовательного учреждения высшего профессионального образования «Северо-восточный Федеральный университет имени М.К. Амосова». Особенностью нового филиала является то, что впервые студенты будут обучаться на Чукотке по дневной форме обучения за счет бюджетных средств. Первый набор студентов осуществлен и состоит из двух групп по специальностям, актуальным для округа: «горное дело» (15 чел.) и «электроэнергетика, электроснабжение» (20 чел.).</p>	<p>Number of children covered with pre-school education services – 3919.</p>
<p>Численность детей, охваченных услугами дошкольного образования – 3919.</p>	<p>Number of students studying in Educational Institutions of the General Education in 2010-2012 – 7469.</p>
<p>Количество обучающихся в общеобразовательных учреждениях- 2011-2012 учебный год 7 469.</p>	<p>Number of students in Educational Institutions of the primary Vocational Education in 2011-2012 – 541.</p>
<p>Количество обучающихся в учреждениях начального профессионального образования: 2011-2012 учебный год- 541.</p>	<p>Number of students in Educational Institutions of the Secondary Vocational Education in 2011-2012 – 640.</p>
<p>Количество студентов в учреждениях среднего профессионального образования: 2011-2012 учебный год – 640.</p>	<p>In 28 schools of Chukotsky Autonomous District 1647 students learn Chukot language, 92 students in 2 schools learn Evenk language, 111 students in 3 schools learn Eskimos language. Total number of students learning languages of the indigenous peoples of the Far North is 1850 people.</p>
<p>В 28 школах Чукотского автономного округа 1647 учащихся изучают чукотский язык, в 2 школах 92 учащихся изучают эвенкийский язык, в 3 школах 111 учащихся изучают эскимосский язык. Всего учащихся, изучающих языки коренных народов Крайнего Севера, – 1850 человек.</p>	<p>Starting January 1, 2008 educational system of Chukotsky Autonomous District switched to Education Management based on creation of Chukotsky (super-municipal) Educational District, standard per capita financing and new salary system aimed to the final result of the educational process and increasing of the Educational Institutions Labors' wages.</p>
<p>С 1 января 2008 система образования Чукотского автономного округа перешла на управление образованием на основе создания Чукотского (надмуниципального) образовательного округа, нормативное подушевое финансирование и новую систему оплаты труда, ориентированную на конечный результат образовательного процесса и повышение доходов работников учреждений образования.</p>	<p>Changes in the Educational system of Chukotsky Autonomous District began with major construction</p>
<p>Перемены в системе образования ЧАО начались с</p>	

масштабного строительства и ремонта учреждений образования:

2002 год – Заново построено и реконструировано: школа, детский сад с. Анюйск, Билибинский район, школа и детский сад с. Уэлькаль, Иультинский район, окружной детский дом (I корпус), г. Анадырь, интернат с. Усть-Белая, Анадырский район.

2003 год – Заново построено, капитально отремонтировано и реконструировано: Чукотский многопрофильный колледж г. Анадырь (6 корпусов), школа – интернат в с. Амгуэма, Иультинский район, детский сад «Олененок», с. Тавайваам, детский сад «Парус»; окружной детский дом (II корпус - фасад и крыша).

2004 год – Заново построено, капитально отремонтировано и реконструировано: спортивный зал в с. Островное, Билибинский район; центр образования с. Канчалаң, Анадырский район; центр образования с. Мейныпильгино, Беринговский район; центр образования с. Сиреники, Провиденский район, школа с интернатом в с. Рыркайпий, Шмидтовский район, детский сад с. Амгуэма, детский сад с. Конергино, Иультинский район, детский сад с. Лаврентия, Чукотский район, начальная школа, ПУ №3 (ул. Беринга 7), ЧИРОиПК (Беринга 5) г. Анадырь; коррекционная школа п. Озерный, Иультинский район.

2005 год – Заново построено, капитально отремонтировано и реконструировано: школа с интернатом в с. Марково, Анадырский район., центр образования п. Угольные Копи, Анадырский район, центр образования с. Хатырка, Беринговский район, детский сад «Радуга» п. Беринговский, средняя школа-интернат с. Уэлен, детский сад с. Нешкан, центр образования с. Лаврентия Чукотский район, ДЮСШ п. Провидения, детский сад «Льдинка» с. Рыркайпий, Шмидтовский район, средняя школа №1 г. Анадырь.

and repair of Educational Institutions:

2002 – constructed from scratch and reconstructed: school and kinder garden of Anyusk Settlement in Bilibinsky Region, school and kinder garden in Uelkal village, Iultinsky Region, County Orphan Asylum (the first building) in Anadyr, Boarding School in Ust-Belya Settlement, Anadysky Region.

2003 - constructed from scratch, carried out major repair and reconstructed: Chukotsky Poly-profile Technical school in Anadyr (six buildings), Boarding school in Amguema village, Iultinsky Region, kinder garden "Olenenok" in Tvaivaam village, kinder garden "Parous"; County orphan asylum (front and roofing of the second building).

2004 – Constructed from scratch, carried out major repair and reconstructed: gym in Osrovnoye village of Bilibinsky region; Educational Centre in Kanchalan village of Anadysky region; Educational Centre in Meinpilgino village of Beringovsky region; Educational Centre in Sireniki village of Providensky region, boarding school in Ryrkaipiy village of Shmidtovsky region; kinder garden in Amguema village and kinder garden in Konergino village of Iultinsky region; kinder garden in Lavrentiya village of Chukotsky region; Elementary school and #3Vocational school (Beringa St, 7), Chukotsky Institute of Education Development and Career Enhancement (Beringa St, 5) in Anadyr; Correctional school in Ozerny village, Iultinsky Region.

2005 – Constructed from scratch, carried out major repair and reconstructed: boarding school in Makarovo village of Anadysky Region; Educational Centre in Ugolnye Kopy village of Anadysky region; Educational Centre in Khatyrka village of Beringovsky region, kinder garden "Radouga" in Beringovsky Settlement, Boarding school of General Education in Uelen village, kinder garden in Neshkan village, Educational Centre in Lavrentiya village of Chukotsky Region, Children's and Youth Sport School in Provideniya village, kinder garden "Lidinka" in Ryrkaipiy

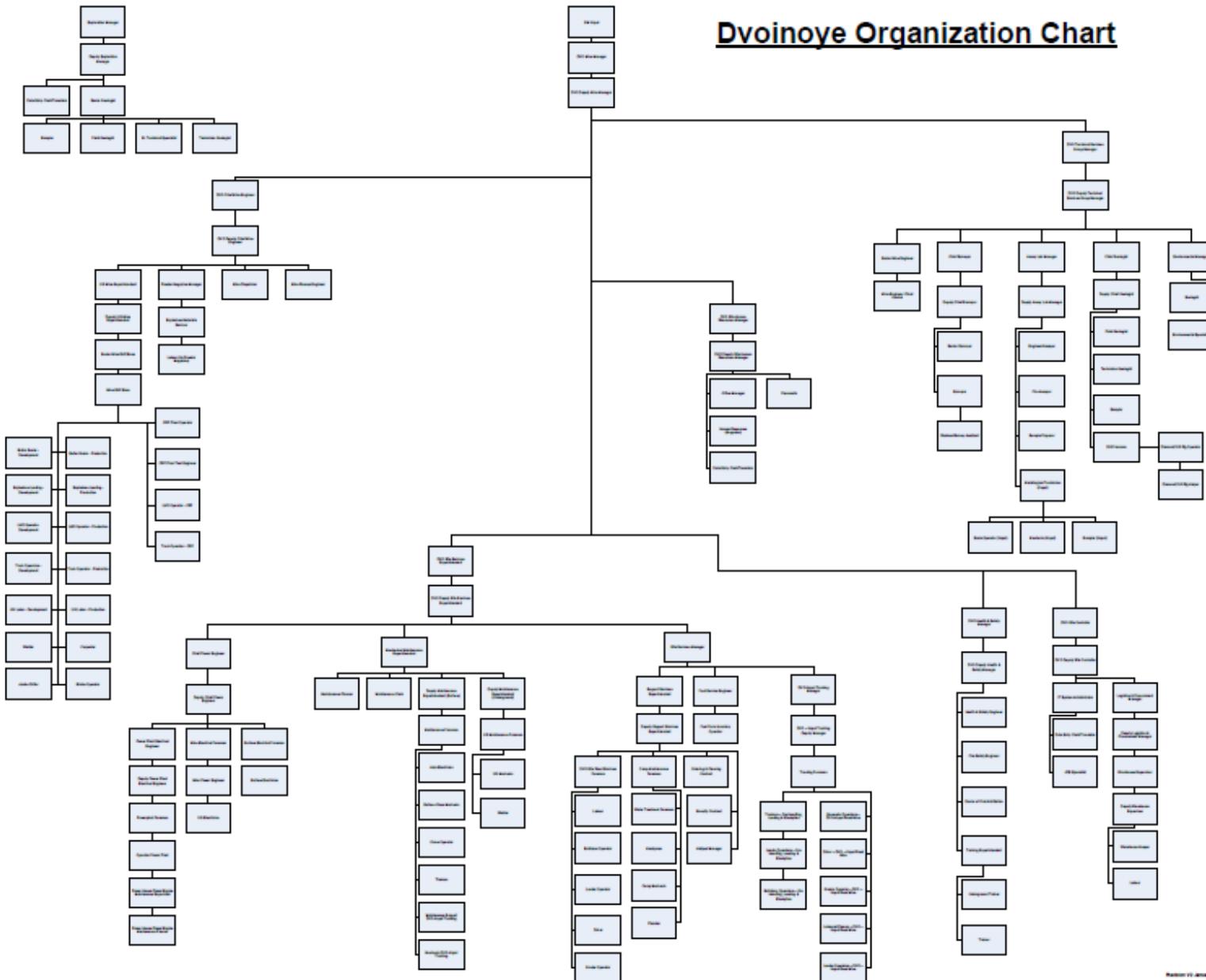
<p>2006 год – Заново построено, капитально отремонтировано и реконструировано: детский сад «Сказка» в г. Анадыря, центр образования с. Энмелен, Провиденский район; спортивный зал с. Рыткучи, Чаунский район, детский сад «Ладушки» г. Анадыря, центр образования п. Беринговский, детский сад с. Лорино Чукотский район, начальная школа -детский сад с. Биллингс, Шмидтовский район, детский сад «Сказка» г. Билибино.</p>	<p>village of Shmidtovsky region, #1 School of General Education in Anadyr.</p>
<p>2007 год – Заново построено, капитально отремонтировано и реконструировано 4 объекта образования: школа–детский сад с. Янракыннота, Провиденский район, центр образования с. Ваеги, Анадырский район, центр образования с. Нунлинграна, Провиденский район, окружной детский дом (I корпус).</p>	<p>2006 – Constructed from scratch, performed major repair and reconstructed: kinder garden “Skazka” in Anadyr, Educational Centre in Enmelen village of Providensky region; gym in Rytkouchy village of Chaunsky region; kinder garden “Ladoushky” in Anadyr, Educational Centre in Beringovsky settlement, kinder garden in Lorino village of Chukotsky region, Elementary school – kinder garden in Billings village of Shmidtovsky region, kinder garden “Skazka” in Bilibino.</p>
<p>2008 год – Заново построено, капитально отремонтировано и реконструировано 7 объектов образования: начальная школа–детский сад с. Инчоуна, начальная школа–детский сад с. Энурмино, детский сад с. Лаврентия, Чукотский район, средняя школа п. Эгвекинота, Иультинский район; центр образования г. Певека, Чаунский район, 2 корпуса Чукотского многопрофильного колледжа, г. Анадырь.</p>	<p>2007 – Constructed from scratch, performed major repair and reconstructed four educational facilities: school – kinder garden in Yanrakynnota of Providensky Region, Educational Centre in Vaegy village of Anadyrsky region, Educational Centre in Nunlingrana village of Providensky region; County Orphan Asylum (the first building).</p>
<p>2009 год – Заново построено, капитально отремонтировано и реконструировано 4 объекта образования: средняя школа села Новое Чаплино, средняя школа–интернат п. Провидения, Провиденский район, окружной детский дом (2 корпус), здание интерната центра образования с. Лаврентия, Чукотский район.</p>	<p>2008 - Constructed from scratch, performed major repair and reconstructed seven educational facilities: Elementary school – kinder garden in Inchouna village, elementary school – kinder garden in Enourmino village; kinder garden in Lavrentiya village of Chukotsky region; General Education school in Egvekinot settlement of Iultinsky Region; Educational Centre in Pevez of Chaunsky Region, two building of Chukotsky Poly-profile technical school in Anadyr.</p>
<p>2010 год – Частично отремонтированы школы в п. Провидения и с. Лаврентия. Ведется строительство комплекса (школа-интернат-детский сад) в с. Омолон, в прошедшем году начато проектирование и строительство детского сада с. Уэлен. Проведены крупные ремонтные работы в учреждениях начального профессионального образования и детских садах поселков Эгвекинот и Провидения, в школе города Билибино, в школах сел Кепервеем и</p>	<p>2009 - Constructed from scratch, performed major repair and reconstructed four educational facilities: General education school in Novoye Chaplino village, Boarding school of General Education in Provideniya settlement; County Orphan Asylum (the second building), building of Educational Centre Boarding School in Lavrentiya village, Chukotsky region.</p>
	<p>2010 – Partially repaired schools in Provideniya village and Lavrentiya village. Complex (school-boarding school-kinder garden) construction is undergoing in Omolon settlement. Engineering and construction of kinder garden in Uelen village was</p>

<p>Усть-Белая, заложено свайное поле детского сада в селе Уэлен Чукотского района.</p> <p>Таким образом, за период с 2001 года по настоящее время из 115 зданий и сооружений семидесяти двух образовательных учреждений округа капитально отремонтировано, реконструировано и заново построено 61 (81%), что позволило существенно улучшить условия для предоставления качественных образовательных услуг и внедрения здоровьесберегающих педагогических технологий в системе образования Чукотского автономного округа.</p> <p>Инновационная деятельность в 2006 – 2010 годах реализовывалась по следующим направлениям:</p> <ul style="list-style-type: none"> - выходной и входной контроль состояния системы общего образования (ЕГЭ, преемственность дошкольного и начального образования), а также на развитии профильного обучения как средства «расширения возможностей выбора учащимися индивидуальных образовательных траекторий»; - профильное обучение; - создание и апробации собственных элективных курсов в рамках предпрофильной подготовки; - проведение итоговой аттестации в форме ЕГЭ; - переход на проведение в независимой форме государственной итоговой аттестации выпускников за курс основного общего образования; - система организации развивающих смен для учащихся 8 – 10 классов в летний период на территории Чукотки на базе Чукотского многопрофильного колледжа и специальных интеллектуальных выездных смен «Умники и умницы». - организация профессионального образования непосредственно в селах в соответствии с запросом органов местного самоуправления (в 17 населенных пунктах организовано 28 групп начального профобразования - представители коренных народов получили возможность осваивать традиционные промыслы (оленеводство, морзверобойный промысел, косторезное искусство) на качественно новом уровне. 	<p>started last year. Carried out major repair works in Institutions of Primary Vocational Education and kinder gardens of Egvekinot and Provideniya settlements, in the school of Bilibino, in the schools of Keperveem and Ust-Belaya villages. Placed piling field for kinder garden in Uelen village of Chukotsky region.</p> <p>Thus, for the period from 2001 through the current year 61 buildings and structures out of 115 (81%) belonging to 72 Educational Institution of the District were repaired, reconstructed or constructed from scratch that allowed significant improvement of conditions to provide quality educational services and implement health-saving pedagogical technologies to the educational system of Chukotsky Autonomous District.</p> <p>Innovations in 2006-2011 were implemented to the following directions:</p> <ul style="list-style-type: none"> - Entry and final control over the General Education system state (Unified State Examination, continuity of re-school and elementary education), as well as development of profile education as a tool to “enhance choice of individual educational paths by students”; - Profile education; - Creation and testing of in-house elective courses under the pre-profile training; - Carrying out final examination in the form of Unified State Examination; - Switching over to independent final state examination of students graduated from an institution of general education. - System of arrangement of developing shits for students of 8 – 10 grades during the summer period at the territory of Chukotka on the basis of Chukotsky Poly-profile Technical School and special intellectual field shits “Umniki and Umnitsy”, - Organization of professional training immediately in the villages in accordance with the request of the Local Government
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<p>Установилась неуклонная позитивная динамика роста среднего балла выпускников школ Чукотского автономного округа по результатам единого государственного экзамена. Средний балл результатов по 11 общеобразовательным предметам, сдававшимся на территории Чукотского атомного округа в 2006 - 2011 годах составил: 2006 год – 45,3; 2007 год – 46,2; 2008 год – 49,8; 2009 год – 52,0; 2010 год – 53,0; 2011 год – 55,2</p> <p>Энергично развиваются и поддерживаются органами государственной власти и местного самоуправления детские и молодежные общественные организации.</p>	<p>Authorities (28 groups of primary education established in 17 settlements – representatives of indigenous peoples got an opportunity to acquire traditional craftworks (reindeer farming, sea-hunting, bone carving) at a whole new level.</p> <p>Established new steady positive dynamic of increasing of the average rating of school graduates throughout Chukotsky Autonomous District in accordance with the results of Unified State Examination. The average rating of the results on 11 general studies examined in Choukotsky Autonomous District in 2006-2011 made:</p> <p>2006 – 45.3; 2007 – 46.2; 2008 – 49.8; 2009 – 52.0; 2010 – 53.0; 2011 – 55.2</p> <p>Children's and youth social organizations are being developed and supported by Local Government Authorities and State Government Bodies.</p>
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Appendix 2 Dvoinoye Operational Organization Chart

Dvoynoye Organization Chart



Appendix 3 Legislation for Foreign Citizens Residing in the Russian Federation

Source: <http://www.levinebridge.com/>

1. Entry and period of stay of foreign citizens on the territory of the Russian Federation.

In accordance with Russian legislation, foreign citizens residing on the territory of the Russian Federation can be divided into two categories:

- Arrivals (Foreign citizens) arriving according to where visa regulations are in place. (visa is required);
- Arriving according to a visa-free regime (visa not required).

The procedures for obtaining official documentation vary for each category;

And they include varying periods of stay for foreign citizens on the territory of the Russian Federation:

- In instances when a visa is required: and the period of its validity;
- In instances when a visa is not required: 90 Days; excluding foreign citizens holding a valid work permit.

Important!

Foreign citizens residing in Russia according to a visa regime should remember that their category of visa must meet the objectives of their visit to Russia. In addition, in the case of a yearly multiple-entry visa, a foreign citizen has the right to continuously stay in Russia for up to 180 days.

When entering Russia, every foreign citizen is obligated to complete a migration card which is issued to him/her at the border. A completed 'entry' section of the migration card is taken by officials at border control, a second 'exit' section of the migration card remains with the foreign citizen to be completed at passport control at the date and point of departure from the Russian Federation.

In order to ensure a lawful stay while on the territory of the Russian Federation, a foreign citizen must carry with him/her the following documents:

- A valid passport;
- A valid visa (if entering upon visa regime);

- Migration card;
- Notification of the migration registration (tear-off form of notification at arrival);
- Work permit (if the purpose of his/her visit to the Russian Federation is as a hired employee).

2. Categories of entry visas for foreign citizens in the Russian Federation.

The category of an entry visa for foreign citizens depends on the purpose of the visit to the Russian Federation.

A visa is issued by diplomatic missions, consular institutions of the Russian Federation, the Ministry of Foreign Affairs and its offices in Russia, including at checkpoints across the state border, federal executive body in charge of migration, or its territorial body.

Russian visas can be single, double and or multiple-entry.

- A single-entry visa provides the right to the foreign citizen to cross the Russian border only once, upon exiting from the Russian Federation the visa is no longer valid.
- Double entry Russian visa entitles the foreign citizen for a double entry into the territory of the Russian Federation.
- A multiple-entry Russian visa entitles the foreign citizen repeated entry into the Russian Federation during the period of the visa's validity.

Under federal law of the Russian Federation as of 15 August 1996 № 114-FZ "On the Procedures of exit from and entry into the Russian Federation and in the articles of Federal Law as of 10 January 2003, № 7-FZ " On Amendments and Additions to Federal Law "On procedures of exit from and entry into the Russian Federation; are the following categories of visas:

2.1. Diplomatic Visa:

A Diplomatic Visa is issued on the basis of the decision of the Ministry of Foreign Affairs in the presence of an application (note verbale) by an another Ministry of Foreign Affairs, diplomatic mission or consular institution representing a foreign state or an international organization that is located in the Russian Federation for foreign citizens and which has diplomatic status.

2.2. Service Visa:

A Service Visa is issued on the basis of the decision of the Ministry of Foreign Affairs in the presence of an application (note verbale) from another Ministry of Foreign Affairs, diplomatic mission or consular institution of a foreign state or of an international organization located in the Russian Federation for foreign citizens and who have official status.

2.3. Ordinary Visa:

Depending on the circumstances and purposes of a foreign citizen entering Russia, a visa may be issued for personal, as well as business, tourist, period of study, work or for humanitarian reasons for the purpose of seeking asylum.

An ordinary private visa can be issued for a period of up to 3 months for foreign nationals who enter the Russian Federation as a guest and on the basis of an official invitation issued at the request of a Russian citizen, foreign national holding a residency permit or by a legal entity in the Russian Federation. In addition, the visa can be issued in the case of an emergency or for treatment due to a severe illness or death of a close relative. A private visa may be single or double entry.

- Ordinary business visa can be single or double entry for a period of up to 3 months, or a multiple-entry for up to 1 year. Continuous residence on the basis of a multiple business visa issued for 1 year may not exceed 90 days out of every 180. A visa is issued on the basis of an invitation to enter the Russian Federation; and is issued by the inviting party in accordance with Russian legislation and the decision of the Ministry of Foreign Affairs or, in exceptional cases, decision by the head of a diplomatic mission or consular post of the Russian Federation. A visa can be issued to foreign citizens who enter the territory of the Russian Federation to conduct negotiations, presentations, to address specific business issues: the conclusion and renewal of contracts, commercial services, participation in conferences, symposia, congresses and other events, or of trade and economic nature, to enhance training and retraining; drivers of motor vehicles, offering scheduled passenger and cargo transportation, crew members of aircraft and ships, for a medical examination and or for treatment, adoption, lectures at colleges and vocational schools, and for temporary correspondents and technical staff of foreign media offices. In addition, a business visa can be issued to foreign citizens deported to the Russian Federation from other territories (states) in accordance with agreements regarding readmission
- An ordinary tourist visa can be issued to foreign citizens for up to 1 month who are entering the territory of the Russian Federation as a tourist under a contract for the provision of tourist services (travel voucher), and by confirmation of the organization-tour operator. A visa can be single and double-entry, individual and or group.
- Common study visas can be issued to foreign citizens entering the territory of the Russian Federation for the purpose of study at educational institutions. A visa is issued for a period of up to 3 months with the possibility of an extension without a break for the duration of the contract for study, and concluded in accordance with the requirements of Russian legislation, but not more than 1 year for each subsequent visa.
- Ordinary work visa can be issued by a diplomatic mission or consular office of the Russian Federation to foreign citizens entering the territory of the Russian Federation for the purposes of employment on the basis of an official invitation from an organization, employer or as providing client services in accordance with Russian law. Work visas can be issued for up to 3 months and provides a single entry with the possibility of renewal to a multi-entry visa issued by the federal authority in charge of migration and is valid for the duration of labour or civil contract, but no more than 1 year for each subsequent visa.
- Common humanitarian visa can be issued to foreign citizens entering the territory of the Russian Federation for the purposes of scientific, cultural, political, sporting or religious ties and

contacts, pilgrimage and charity work or for the delivery of humanitarian assistance. A visa may be single or double for a period of up to 3 months, or a multiple-entry for up to 1 year. Continuous residence on the basis of multiple humanitarian visas issued for 1 year may not exceed 90 days out of every 180. A visa is issued on the basis of an invitation to enter the Russian Federation, issued by the inviting party in accordance with Russian legislation, or in exceptional cases, the decision is made by the head of the diplomatic mission or consular post of the Russian Federation.

- Common entry visa to the Russian Federation in order to obtain asylum can be granted to foreign citizens for up to 3 months based on the decision of the Ministry of Internal Affairs on the recognition of refugee status to citizens of the Russian Federation. This visa can only be a single-entry.

2.4. Transit visa

A Transit Visa can be issued to a foreign citizen in order to transit through the territory of the Russian Federation or for the evacuation of foreign citizens arriving in a manner not requiring a visa (cruise ship passengers, citizens of countries with which there is an existing agreement on visa-free entry, and passengers who make visa-free transit for a period up to 24 hours). A visa can be issued for up to 10 days. If a foreigner goes through the territory of the Russian Federation by air, the visa is issued for a period of not more than 3 days. If a foreigner goes through the territory of the Russian Federation to a third country destination in a vehicle, the visa is issued for the period of time required for travel by the shortest route that is calculated on the basis of the daily mileage of the vehicle as 500 km. Visa code TP1 can be only a single-entry visa, whereas Visa code TP2 can be single or double-entry. A transit visa is issued only in accordance with Russian legislation and only with the required supporting documents.

2.5. Temporary Residency Visa

A temporary residency visa can be issued to those foreign citizens holding a temporary residency permit and who are residing as indicated on their residency permit.

3. Registration of foreign citizens in the Russian Federation.

The procedures for registration include:

3.1. Migration registration is required within three working days:

- From the date of crossing the border by a foreign citizen onto the territory of the Russian Federation;
- When a foreign citizen is travelling to another location on the territory in Russia, and if the period of stay in that particular region is more than three working days.

Registration of foreign citizens arriving on the territory of the Russian Federation must submit their migration card and passport along with valid visa (if provided a visa to enter the territory of the Russian Federation). Host Party (is a Russian citizen, a permanent resident in Russia as a

foreign citizen, a legal entity, a branch or entity, or other) referred to authorized bodies to carry out registration of foreign citizens). Submitting to (Offices of the Federal Migration Service) a form of notification of the arrival or the foreign citizen giving notice in the prescribed manner by post, and then passes the detachable part of the notification form for evaluations by the of state authority, including the post office; notification and confirmation of the migration registration will be in the form of an official stamp on the detachable part of the migration card. If a foreigner is staying at a hotel, residence for tourists, health spas, sanatoria, etc., registration of the migration card can be submitted to hotel administration within 24 hours.

3.2. Withdrawal of migration registration is within two days from the planned date of departure from the place of residing in the Russian Federation.

The grounds for removal from the migration registration are:

- Departure of the foreign citizen from the Russian Federation;
- For travel outside the region in which the migration card is registered for a period exceeding three working days and for other reasons according to federal law.

3. Procedures for the authorizing of documents for foreign citizens arriving on the territory of the Russian Federation for employment on a visa.

In order for a foreign citizen to enter the Russian Federation for the purposes of employment on a visa, the employer must first arrange for the following documents:

1) Permission to hire foreign workers

Permission to hire foreign workers is issued for a period of one year within the system of quotas that is approved on an annual basis by the government of the Russian Federation. Upon receipt of this authorization to a branch or a representative office of a foreign organization, the duration of authorization is for the period of their accreditation in Russia. The document indicates the number of employees, their positions, citizenship, as well as the territory for which the document is valid.

It should be noted that prior to filing for registration permit to hire foreign workers, the employer should go through the procedure of quotas, i.e., application for a quota until May 1 for the coming year, and a month before applying to the immigration authorities to file a civil service employment information about the request for employees.

2) Work permits for foreign citizens or for persons without citizenship

A work permit can be issued for up to one year on the basis of an employer's authorization to hire foreign workers.

There is no procedure for extending the work permit of foreign employees, and each year an employer is obligated to renew its authorization to hire foreign workers.

3) An employer must provide notification to authorities of its desire to attract foreign employees

Upon receipt of authorization to hire foreign workers, the employer must notify the Regional Employment Center, State Labour Inspectorate and the tax authorities on plans for hiring foreign staff. Legislation of the Russian Federation on migration establishes a time limit within which these procedures are to be carried out.

4) Accreditation (registration card) and visa registration support

Accreditation (official stamp on the visa and registration), which results in the issuance of registration card to the employer from the Federal Migration Service, FMS Moscow and entitles the company to issue an official invitation for travel to Russia by foreign citizens with business, labour and other objectives, to re-apply or to extend multiple work visas for expatriate staff, and to implement migration registration of foreign citizens arriving in Russia upon the invitation of the employer.

5) Work Visa

The procedure to obtain a work visa consists of two phases:

- Visa support for single-entry work visa is valid for three months;
- Re-registration of a single-entry work visa to a multi-entry visa for the duration of the work permit (not more than 1 year).

6) The employer must provide notification of the foreign citizens arrival and has assumed his/her position in the company (notification is a detachable form)

The procedure for foreign citizens in the Migration Service of the place of residence includes:

- Notification of arrival to the regional authority of the FMS (Federal Migration Service) within three working days:

- From the date of crossing the border onto the territory of the Russian Federation;
- When travelling to other areas on the territory of the Russian Federation and when the planned duration of their stay in that particular region is more than three working days.
- Withdrawal from migration control:

- Upon planned departure of a foreign citizen from the territory of the Russian Federation;
- When leaving the region in which the migration card is registered for a period exceeding three working days and if there are other grounds provided for by Federal Law.

The host party (employer) shall notify immigration authorities on departure of foreign citizens no later than two days from the planned date of departure. Notification is provided with a detachable form of arrival and the returned to the relevant bodies of executive authority before departure.

4. Procedures for the authorization of documents allowing foreign workers employment in the Russian Federation without a visa (visa free regime)

Listed below are the main procedures for foreign citizens to enter the territory of the Russian Federation without a visa (visa free regime):

1. From the moment of arrival a foreign citizen is obliged to register with migration authorities his/her place of residence within 3-working days.
2. In order to work and pursue employment officially, once hired by the employer the employer must then obtain a valid work permit. The said document entitles the foreign citizen to exercise the right during the term of the permit for employment with any company, but at the conclusion of an employment agreement with one and subsequently hired by another firm, the foreign citizen must within 7 working days apply to the territorial agency of the federal executive authority in the field of migration to make changes in the official information contained in his/her work permit.
3. Work permit for a foreign worker is valid for up to 3 months, but a foreign worker can receive independently from the regional authority FMS (Federal Migration Service) a work permit valid up to 1 year, as requested on the application of the employer, and to be issued in the FMS of Russia in Moscow with the personal request by the foreign citizen.
4. Upon receiving a work permit the foreign citizen must within 30 calendar days of submission to the appropriate state agency, a medical report confirming the absence of disease, drug addiction, HIV infection and other dangerous infectious diseases, and provided to the appropriate federal authority on health and welfare. Failure to comply will result in the work permit being annulled.
5. Upon receiving a work permit, the term of its validity may be extended for the duration of the contract, but no more than one year, counted from the date of his/her entry into the Russian Federation. The application for the extension to the regional office of the FMS, the foreign citizen must produce documents substantiating the reasons for extending the stay of a foreigner, providing a work permit and a copy of the employment or civil contract.
6. When entering into an employment or civil contract with a foreign national entering the territory of the Russian Federation in the visa-free regime, the employer shall within three days give notice to the regional center of employment and immigration, as well as notification to the tax inspectorate within ten days.

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