



Modern Slavery and Human Trafficking Statement for the Financial Year ended 31 December 2017

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") publishes this statement in compliance with section 54 of the UK Modern Slavery Act 2015. This statement describes the steps Petropavlovsk has taken over the previous financial year, and will continue to take, to prevent modern slavery in its business and supply chains.

About Petropavlovsk

Petropavlovsk is an established, bulk tonnage, low cost gold exploration, development and mining company listed on the London Stock Exchange (FTSE SmallCap Index).

Our core assets are our four operational hard rock mines: Pioneer, Albyn, Pokrovskiy and Malomir, together with all their satellites and licence areas under exploration. These operations and their respective employees are located in the Amur region of the Russian Federation. Engineering, construction and scientific institutes based in the Russian Federation are additional assets that support our core operations.

Representative Group Structure Chart

PETROPAVLOVSK PLC (POG:LN)				
▼ 100%	▼ 100%	▼ 100%	▼ 100%	▼ 100%
Operations	Exploration	Scientific Institutes	Engineering	Construction
Pioneer/ Pokrovskiy Mine Pokrovskiy Mine JSC Licenses acquired 2001 and 1994, respectively	NPGF Regis LLC Blagoveshchensk Acquired 2006 GD Vasily Miroshkin	Irgiredmet JSC Irkutsk Acquired 2006 GD Vladimir Dementeev	PHM Engineering Moscow Est. 2005 GD Vyacheslav Smirnov	Kapstroï Blagoveshchensk Est. 2005 GD Alexandr Goldobin
Malomir Mine Malomyrskiy Rudnik LLC License acquired 2003		RDC Hydrometallurgy St Petersburg Est. 2008 GD Yakov Shneerson		
Albyn Mine Albynskiy Rudnik LLC Licence acquired 2005				



Business Model

We aim to replenish, expand and improve our resource base through brownfield and greenfield exploration. Our experienced exploration team has a proven track record of identifying, exploring and appraising high value deposits.

We create value and drive future growth by developing our mines in a responsible and efficient manner, using our extensive in house expertise to maximise return on investment.

Our operating experience allows us to achieve optimal gold extraction, which coupled with industry leading expertise in processing technologies is conducive to healthy profit margins.

Gold doré bars are our end product and are sent to refineries for smelting into bullion. Currently all our production is sold to Russian banks.

We have a strong reputation for the sustainable and responsible development of mines throughout the production cycle, and integrate closure planning throughout the asset life cycle, ensuring prudent valuation and responsible environmental compliance.

Petropavlovsk Supply Chains

Petropavlovsk's operations are supported by a supply chain which predominantly comprises goods and services required for the mining, processing and recovery of gold. The Group currently conducts business with over 1,100 suppliers, with the top 10 by purchase value supplying 60% of Petropavlovsk's total procurement. The majority of suppliers are based in Russia, followed by China and South Korea. Two thirds of all Group purchases are procured for mining operations, including fuel, explosives, processing chemicals, milling materials and mechanical spares and tyres. The Company continues to strengthen relationships with local suppliers in order to enhance its socio-economic contribution to the Amur region in which its operations are based.

The Group maintains open channels of communication with its suppliers and encourages them to raise any issues or concerns that arise in the conduct of their business.

Following the publication of the Modern Slavery Act 2015, Petropavlovsk is continuing to take steps to comply with this legislation and to ensure the protection of its supply chain from Modern Slavery.

Policies Relating to Slavery and Human Trafficking

Petropavlovsk is fully committed to upholding the human rights of all of its stakeholders, including its employees, suppliers, contractors and partners and as such has a policy of fair dealing and integrity in place in terms of the conduct of its business. This commitment is reflected in the guiding policies of the Group. The Board is collectively responsible for the long-term success of the Group, its leadership and strategic direction, and for the oversight of the Group's performance, risk, compliance and internal control systems. We expect all employees, suppliers and contractors to share our commitment to high moral, ethical and legal standards.

The Group's compliance model is described in each of the elements below, alongside actions that have



been undertaken during the 2017 financial year beneath each component:

- Group Safety and Sustainability Policy
- Code of Business Conduct and Ethics
- Anti-Bribery Statement and Policy
- Education and Training Programme
- Risk and Control Assessment
- Due diligence process
- Internal H&S regulations

Safety and Sustainability Policy

The Group's updated Policy guides corporate values and reflects that a sustainable business is a successful one in which the human rights of our workers, suppliers and our host communities are respected.

Code of Business Conduct and Ethics

The Code states the Company policy of compliance with all laws, regulations and other instructions of the regulatory bodies which are relevant to our field of activity. The Code requires that it is the duty of all Company employees to know and abide by the law and behave ethically.

Anti-Bribery Statement and Policy

Petropavlovsk has a zero-tolerance policy for bribery, fraud and corruption. The Company has in place a Code of Conduct to help ensure that its employees and business partners all operate to the highest ethical and legal standards, making sure that our business is conducted honestly and in good faith. The Company certifies that its employees are fully aware of its anti-bribery policy, creating an anti-bribery culture within Petropavlovsk.

Education and Training

The Code of Business Conduct and Ethics is distributed to all of the Group's employees and contractors who are required to acknowledge in writing that they have read and understood the Code and undertake to implement it in the performance of their obligations and duties on behalf of the Group. An ongoing, comprehensive training programme is provided by the Group to ensure that all aspects of the Code of Business Conduct and Ethics are understood and embedded in the Group's culture.

Risk Assessment, Accountability and Results

The Group operates a centralized risk management and internal control system. This includes conducting risk assessments within each business activity to ensure the early and effective identification, control, mitigation and reporting of relevant risks.

As part of its ongoing risk management process, an audit of suppliers by the Company's internal audit team was undertaken in 2017. This presented key components of, and insights into, the Group's procurement processes. The audit identified opportunities to strengthen key features in the procurement and supply chain by expanding the centralised goods procurement system that operates in Blagoveshchensk for the wider Group.

Due Diligence Processes

The Group has limited its exposure to risks of child labour, slavery or forced labour taking place at any of Petropavlovsk's operations through its compliance with the Russian legislative framework, implemented through our rigorous recruitment and pre-employment vetting process.



Due diligence is carried out on our suppliers and a self-certification measure was introduced at the beginning of 2017 for suppliers of Group contracts. Spot checks are being implemented to ensure compliance, while additionally providing suppliers with support to strengthen their own policies and practices. Further, in line with ongoing Petropavlovsk due diligence processes, all suppliers to the Group are required to confirm that policies protecting against modern slavery and human trafficking are in place. All suppliers are contractually obliged to acknowledge and unconditionally renunciate any type of slavery, human trafficking, servile, forced or compulsory labour, or any exploitation as legally defined. This process is underway and is being progressively applied to all suppliers as Group contracts continue to be renewed.

Internal H&S Regulations

Petropavlovsk is committed to providing its employees with a safe working environment. The Group fully complies with Russian labour legislation, the most significant of which is the Labour Code of the Russian Federation, and has H&S systems and regulations in place that support the Code. Petropavlovsk conducts regular reviews of labour protection in the workplace and regularly examines all internal policies and procedures to ensure they remain robust and effective.

Next Steps and Continued Commitment

In 2018, the Group will:

- Continue monitoring the effectiveness of actions to ensure that modern slavery and human trafficking are not occurring in the Group or in its supply chain.
- Strengthen the Code of Business Conduct and Ethics regarding the Group's expectations of its employees with regards to the prevention of modern slavery across the Group and its supply chain, including reporting procedures for any suspected cases of modern slavery.
- Implement key recommendations identified through the 2017 internal audit, specifically the ongoing centralisation of a Group-wide procurement policy and procedures that incorporate the prevention of modern slavery into these systems and processes.
- Develop a process to undertake a risk assessment of the Group's supply chain. This assessment intends to focus on Group-wide, tier 1 (direct) suppliers of goods and services presenting the highest risk factors for Modern Slavery. The results will enable the Group to target its efforts in identifying, mitigating and preventing modern slavery, and will provide a baseline from which lessons can be applied to tier 2 suppliers in future years.

Signed on behalf of the Board by:

Dr Pavel Maslovskiy
Chief Executive Officer

03 December 2018