



PETROPAVLOVSK

Modern Slavery and Human Trafficking Statement for the Financial Year ended 31 December 2018

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 is our third modern slavery and human trafficking statement and it describes the steps we have taken in 2018, and will continue to take in future, to strengthen our policies and performance.

The statement has been reviewed by the Safety, Sustainability and Workforce Committee and approved by our Board of Directors.

About Petropavlovsk

Petropavlovsk is one of Russia's major gold mining companies, both in terms of production and the size of its resource. With a strong record of mine development, expansion and asset optimization, we have entered a new era of growth following the successful commissioning and start up of the Pokrovskiy POX Hub. As an established vertically integrated gold producer in the Far East of Russia, Petropavlovsk is positioned to increase shareholder value by supplementing traditional non-refractory production with the processing of high-grade refractory concentrate, while at the same time focusing on costs and strengthening profitability.

Our 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

Our business model was designed to implement our strategy and create value for all stakeholders, with sustainable development embedded at every stage of the mining lifecycle, from identifying prospective areas to exploration, development, mining and processing.

We have a strong track record of identifying, exploring and appraising deposits with commercially viable concentrations of gold in both brownfield and greenfield sites. These deposits replenish and increase our resource base.

Our operating experience allows us to achieve optimal ore extraction from our open pit and underground assets. This, along with the scale of our asset base, enables us to increase processing capacity and operating profits.

We have harnessed industry leading expertise in processing technologies to develop and construct a Pressure Oxidation Circuit at Pokrovskiy (the POX Hub). Our research centre, RDC Hydrometallurgy, defined optimal processing parameters for the plant and continues to refine processing technology for all the Company's ore processing installation

We produce gold doré bars which are sent to refineries for smelting into bullion. Currently, all of the doré produced at Petropavlovsk is sold to banks in Russia.

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.

Supply Chain Overview

Our 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 our suppliers are based in Russia, followed by China and Finland. 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 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. A new Safety, Sustainability & Workforce Committee was constituted on 12 November 2018, which is chaired by Mr Harry Kenyon-Slaney, the Company's Senior Independent Director. The Committee will monitor compliance with our human rights-related policies and standards.

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 2018 financial year:

- 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
- Grievance mechanism

Safety and Sustainability Policy

The Group's 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 centralised 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.

An audit of suppliers by the Company's internal audit team is a part of our ongoing risk management process. The key components of, and insights into, the Group's procurement processes are presented to the Audit committee. In 2018, following the recommendation of the audit undertaken in 2017, centralisation of the Group Procurement Policy and procedures that incorporate the prevention of modern slavery into these systems and processes was implemented.

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 all suppliers to the Group and in line with this process all suppliers are required to confirm that policies protecting against modern slavery and human trafficking are in place. Our suppliers are contractually obliged to acknowledge and unconditionally renounce any type of slavery, human trafficking, servile, forced or compulsory labour, or any exploitation as legally defined. This process 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 management 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.

Grievance mechanism

In 2018, we developed a Grievance Procedure to enable members of the public and other stakeholders to raise complaints or issues concerning Petropavlovsk activities and to be assured that these complaints will receive due consideration and a written response. The introduction of the procedure was approved by the Board of Directors and it will be implemented throughout 2019.

Information on the Grievance Procedure is made available to local residents and other stakeholders in the Sustainability section Petropavlovsk website. We are aiming to spread this information on news boards in the villages and via local newspapers as well. The procedure can be effectively used by workers and all our stakeholders to raise complaints around modern slavery. Key performance statistics on the use of the Grievance Procedure, the nature of issues raised, and the responsiveness of Petropavlovsk in resolving issues in a timely manner will be reported in future Sustainability Reports.



Next Steps and Continued Commitment

In 2019, the Group will:

- Continue reviewing all Group policies and procedures related to human rights and prevention of modern slavery at the new Safety, Sustainability and Workforce Committee meetings
- Continue monitoring the effectiveness of its actions to ensure that modern slavery and human trafficking are not occurring in the Group or in its supply chain
- Continue updating all of the Group's Standard contractual terms with an appropriate modern slavery clause
- Undertake a risk assessment of the Group's supply chain. The assessment will 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:

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a long horizontal line.

Dr Pavel Maslovskiy
Chief Executive Officer

30 June 2019

