



**Petropavlovsk PLC**  
**Modern Slavery and Human Trafficking Statement**  
**For the Financial Year ended 31 December 2016**

Petropavlovsk PLC ("Petropavlovsk" or the "Company" or, together with its subsidiaries, the "Group") publishes this statement in compliance with section 54 of the Modern Slavery Act 2015. The statement describes the steps Petropavlovsk has taken to prevent modern slavery in its business and supply chains.

**About Petropavlovsk**

Petropavlovsk PLC 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.

**Representative Group Structure Chart**

<b>PETROPAVLOVSK PLC (POG:LN)</b>				
▼ 100%	▼ 100%	▼ 100%	▼ 100%	▼ 100%
<b>Operations</b>	<b>Exploration</b>	<b>Scientific Institutes</b>	<b>Engineering</b>	<b>Construction</b>
<b>Pioneer/ Pokrovskiy Mine</b> Pokrovskiy Mine JSC Licenses acquired 2001 and 1994, respectively	<b>NPGF Regis LLC</b> Blagoveshchensk Acquired 2006 GD Vasily Miroshkin	<b>Irgiredmet JSC</b> Irkutsk Acquired 2006 GD Vladimir Dementeev	<b>PHM Engineering</b> Moscow Est. 2005 GD Vyacheslav Smirnov	<b>Kapstroj</b> Blagoveshchensk Est. 2005 GD Alexandr Goldobin
<b>Malomir Mine</b> Malomyrskiy Rudnik LLC License acquired 2003		..... <b>RDC Hydrometallurgy</b> St Petersburg Est. 2008 GD Yakov Shneerson		
<b>Albyn Mine</b> 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 integrate closure planning throughout the asset life cycle, ensuring prudent valuing and responsible environmental compliance. We have a strong reputation for sustainable and responsible development of mines throughout the production cycle.

## **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. Where practical, Petropavlovsk sources goods and services necessary to maintain its operations via supply chains. The Company tries to use local suppliers if possible and appropriate in order to enhance its contribution to socioeconomic welfare in the Amur region.

The Group currently conducts business with hundreds of suppliers, with the top 20 of them based in Russia and cumulatively covering c.65-75% of the Group's requirements. The majority of the other suppliers are based in China and South Korea.

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 has taken steps to comply with this legislation and to ensure the security of its supply chain. As part of our essential due diligence and in order that suppliers are able to work with Petropavlovsk, all suppliers of the Group will be required to confirm the existence of internal policies in relation to slavery and human trafficking. This is a new process that will be assessed and developed appropriately over time in the course of Group contracts being renewed.

From the beginning of 2017, whilst revising the renewed contracts the Group endeavoured to put the onus on the supplier by including a simple clause in the Group's agreement stating that the operations of the supplier comply with the requirements of the Modern Slavery Act 2015, as a method of self-certification.



## **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 based on the belief that business should be conducted honestly, fairly and legally. We expect all employees, suppliers and contractors to share our commitment to high moral, ethical and legal standards. 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.

The Group's compliance model comprises of the following elements:

1. Code of Business Conduct and Ethics
2. Anti-Bribery Statement and Policy
3. Education and Training Programme
4. Risk and Control Assessment
5. Due diligence process
6. Internal H&S regulations

### **Code of Business Conduct and Ethics**

In the Code, Petropavlovsk states that the Company's policy is aimed at compliance with all laws, regulations and other instructions of the regulatory bodies which are relevant to our field of activity. It is the duty of the Company's 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 agreed 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.

The Group also provides a comprehensive training programme to ensure that all of the components of the Group's 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.



### **Due Diligence Processes**

We are pleased to report that there is no risk of child labour, slavery or forced labour taking place at any of Petropavlovsk's operations due to the Group's compliance with the Russian legislative framework implemented through our rigorous recruitment and pre-employment vetting process.

### **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 2017, the Group will:

- Implement a programme to monitor the effectiveness of the actions it has taken to ensure that slavery and human trafficking are not occurring in the Group or in the Group's supply chain. This will include an audit of suppliers by the Company's internal audit team.
- Develop the Code of Business Conduct and Ethics to include a statement on the Group's expectations of its employees with regards to these issues and to draw attention to these matters.
- As part of the Compliance Model, to keep developing due diligence process on all new suppliers before they are engaged and periodically thereafter. The due diligence process will require suppliers to complete a questionnaire explaining their compliance models, training programs, codes of conduct, processes for receiving and investigating complaints, third party background checks and compliance procedures for the prevention of slavery and human trafficking.

Signed on behalf of the Board by:

Dr Pavel Maslovskiy  
Chief Executive Officer

30 June 2017