



MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT 2019

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 fourth modern slavery and human trafficking statement and it describes the steps we have taken in 2019, and will continue to take in future, to strengthen our policies and performance.

The statement has been prepared in respect of the Group's financial year ended 31 December 2019 and approved by the Board of Directors.

About Petropavlovsk

Petropavlovsk PLC (LSE: POG; MOEX: POGR) is a major vertically integrated Russian gold producer with JORC Resources of 21.03Moz Au which include Reserves of 8.46Moz Au. Following its IPO on the Alternative Investment Market (AIM) in 2002, Petropavlovsk was promoted to the London Stock Exchange in 2009, where today it is a Premium Listed company and a constituent of the FTSE 250, FTSE 350 and FTSE All Share indices.

The Company's key operating mines (Pioneer, Malomir and Albyn) and a Pressure Oxidation (POX) Hub are situated in the Amur Region of the Russian Far East. Service functions and scientific institutes based in the Russian Federation are additional assets that support our core operations. Petropavlovsk has a strong track record of mine development, expansion and asset optimisation. The Group is one of the region's largest employers and one of the largest contributors to the sustainable development of the local economy.

Group Structure

The Group consists of the parent company, Petropavlovsk PLC, incorporated in the United Kingdom and its subsidiaries, associates and joint ventures. A full list of related undertakings, the country of incorporation and the effective percentage of equity owned as of 31 December 2019 is disclosed in our latest Annual report.

Representative Group Structure chart

PETROPAVLOVSK PLC

Operations	Exploration	Scientific Institutes	Engineering	Construction and transport	Repair and Maintenance	Education
POX Hub / Pioneer Mine Pokrovskiy Mine JSC Amur region	NPGF Regis Blagoveshchensk	Irgiredmet Irkutsk	PHM Engineering Moscow	Kapstroj Blagoveshchensk	BMRP Blagoveshchensk	Pokrovskiy Mining College Amur region
Malomir Mine Malomyrskiy Rudnik LLC Amur region	Perspektiva DV Khabarovsk	RDC Hydrometallurgy St Petersburg		Transit Amur region		
Albyn Mine Albynskiy Rudnik LLC Amur region	Vostok Geologiya Khabarovsk					



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Business model

Our business model was designed to implement our purpose of using our unique technical skill set and mining capabilities to benefit all stakeholders, with sustainable development embedded at every stage of the mining lifecycle, from identifying prospective areas to exploration, development, mining and processing.

Business cycle



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 our industry leading expertise in processing technologies at the Group's research centre RDC Hydrometallurgy to design and construct a pressure oxidation circuit at the POX Hub as well as associated flotation plants at Malomir and Pioneer (under construction). RDC Hydrometallurgy also determined the optimal processing parameters for the plants and continues to seek ways to improve their performance, as well as design new technologies for the future processing of refractory gold ores.

In addition to the traditional Resin-In-Pulp (RIP) technology used for extracting non-refractory gold from ores, the Group also owns one of only two POX plants in Russia which enables it to recover gold from refractory ores. The plant is currently processing refractory gold from its own mines as well as from third parties and is the only plant in Russia capable of processing double-refractory gold ores.

We produce gold doré bars which are sent to refineries for smelting into bullion. In 2019, our gold bars were mainly sold to Russian banks and 100% of our total sales were in bullion form.

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



Supply Chain Overview

Responsible and transparent supply chain management is an important part of achieving our goals of continuous sustainable development. We strive to work with suppliers who share our approach to legal compliance, industrial safety, human rights, fair employment practices and environmental protection.

We strive to make the supply chain management process as transparent as possible. 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.

Our supply chain predominantly comprises goods and services required for the mining, processing and recovery of gold. Two thirds of all Group's purchases are procured for mining operations, including fuel, explosives, processing chemicals, milling materials, mechanical spares and tyres. We give preference to regional suppliers and continuously strive to strengthen relationships with them.

In 2019, the Group conducted business with over 2,000 suppliers of various sizes operating in 79 regions of Russia. 41% of procurement was derived from local¹ suppliers, with other 43% being delivered primarily from other regions of Russia. International suppliers are included in 'Others' category as their contribution is not significant.

Geographic location of suppliers

Region	%
Moscow	16
Amur region	13
Khabarovsk region	28
Others	43

Following the publication of the Modern Slavery Act 2015, Petropavlovsk continues taking steps to comply with this legislation and to ensure the protection of its supply chain from modern slavery and human trafficking.

Policies Relating to Modern 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. Safety, Sustainability & Workforce Committee has overall responsibility for the key social aspects of the business and, along with the Board, evaluates the effectiveness of the Company's key social, human resources (HR) and ethical policies and procedures.

In December 2019 Petropavlovsk joined UN Global Compact corporate responsibility initiative to strengthen Group's commitment to the universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

¹ "Local" in this context is considered to be the suppliers from the Amur and Khabarovsk regions.



We expect all employees, suppliers and contractors to share our commitment to high moral, ethical and legal standards.

The Group's policies, processes and procedures in relation to the modern slavery are described below, alongside actions that have been undertaken during the 2019 financial year.

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 Policy

Petropavlovsk has a zero-tolerance approach to bribery, fraud and corruption. We have strengthened our commitment in 2019 by developing a formal Group-wide Anti-bribery Policy which was approved by the Board in early 2020. This policy applies to all employees of the Group (whether permanent or temporary) and all its business partners including consultants, contractors, agents and suppliers of goods and services.

Anti-bribery Policy helps ensure that our employees and business partners operate to the highest ethical and legal standards, making sure that our business is conducted honestly and in good faith

Speak-up Policy

The Group is committed to developing a culture of openness across all its businesses and ensuring the highest standards of probity and accountability. The Group encourages employees who have suspicions or serious concerns regarding the interests and conduct of others or the Group, or about a violation of law or an internal policy or procedure to Speak Up promptly. That is why in 2019 Petropavlovsk developed a specific policy, called Speak Up, which is designed to ensure that any serious concerns can be raised constructively and without fear of reprisals or disadvantages.

Speak-up Policy was formally approved by the Safety, Sustainability and Workforce Committee and adopted in early 2020. It provides a mechanism for the employees and stakeholders to raise concerns about anything they find unsafe, unethical or unlawful. The Policy also ensures confidentiality and the protection of the employees against harassment, victimisation or disciplinary action as a result of raising such concerns provided such concerns are raised honestly and in good faith.

The Policy applies to all individuals working across all levels of the Group, including employees, senior management, officers, directors, trainees and interns. Any other third party such as a joint venture partner, agent, consultant, supplier, customer or business partner, or family member can also use this Speak Up Policy to report concerns regarding the conduct of Petropavlovsk, its employees or anyone acting on behalf of Petropavlovsk. Managers are encouraged to actively publicise the availability of this service to our partners.

Grievance mechanism

We have a Group-wide Grievance Procedure that enables 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 procedure alongside Speak up Policy can be effectively used by our employees, suppliers and all other 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 is reported in Sustainability sections of our Annual report.

Employment practices

The Group is committed to operating as a responsible employer, promoting equal opportunities, fair treatment and non-discrimination of workers, as required under both Russian and UK law. All employees, regardless of age, gender, race, sexuality, disability or culture have equal opportunities for professional development and training.

All employees are issued with contracts detailing their working hours, paid annual leave and other guarantees, in line with Russian or UK legislation (as applicable). In Russia, the Group operates in accordance with the Constitution of the Russian Federation, which details the rights and freedoms of citizens.

Petropavlovsk provides competitive remuneration to its employees, with our minimum salaries exceeding regional minimum wage by 83% and our average wages being 32% above the national averages.

As the business continues to grow, evolve and develop, as part of the resourcing and HR strategy, the Group will seek to ensure that it continues to hire a diverse range of well-qualified personnel.

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.

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.

Supplier assessment is carried out according to an internal system based on financial, legal, social and environmental principles developed and approved internally. Various structural divisions throughout the Group are involved in the procurement and supplier selection procedures, thereby ensuring a multi-dimensional approach and a thorough screening process. Once the supplier meets our requirements, we strive to conclude long-term and mutually beneficial contracts, whilst continuing to monitor all existing suppliers on a regular basis. An audit of suppliers by the Company's internal audit team is a part of our ongoing risk management process, with reports being provided to the Audit Committee.

In order to prevent modern slavery and human trafficking in our supply chain, we require our suppliers to confirm that they have adequate policies in place to protect against these issues. All new 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 being progressively applied to all suppliers as Group contracts continue to be renewed.



Risk Assessment and management

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. Group Procurement Standard and procedures that incorporate the prevention of modern slavery into these systems and processes were implemented.

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.

Early 2020 we initiated a high-level Modern Slavery Risk Assessment intended to identify any potential risks in the supply chain across our operations. The approach to the screening was based on readily identifiable risk factors, obtained through publicly available research and a detailed questionnaire sent to the suppliers. The screening covered top 30 Company's biggest suppliers representing over 70% of the total Group's procurement spent in 2019. No high or medium risks were identified through the assessment, therefore the risk of modern slavery within the Group's supply chain is considered to be low.

Training and capacity building

The training helps the workforce understand how to spot and report signs of modern slavery so the Company can be fulfilling a positive role in preventing this illegal and unacceptable practice.

In 2019, as a part of our training programme, we launched Modern Slavery eLearning course on identifying human rights violations and risks. The course was completed by UK staff and employees at various managing positions across the Group. The course covered how big the problem of modern slavery is, what the employees' and the Company's responsibilities under the Modern Slavery Act 2015 are and also explained how to spot the signs of modern slavery and report it.

Accountability and effectiveness

No modern slavery complaints were received during 2019 through our grievance mechanism or other engagement channels with employees and stakeholders. We recognise that additional work is still required on an ongoing basis to further develop our ability to correctly identify other potential signs of modern slavery that may be less evident.

COVID-19 impact

It is expected that coronavirus pandemic will have a negative impact on the worldwide efforts to eradicate modern slavery². COVID-19 increases the health risks for the victims of Modern Slavery, unemployment and poverty are likely to increase the number people at risk of exploitation. In addition, the crisis is disrupting the anti-slavery response of countries, international organizations, civil society and private sectors.

Petrodavlovsk's highest priority is to protect its workforce and the local communities in the Amur region in which it operates. The Group has undertaken risk mitigation strategies which are focused on protecting its employees and are in line with published governmental guidance. This has included the formation of an emergency response team, should this be needed, to limit the spread of COVID-19 at Group companies. Petrodavlovsk continues to maintain open dialogue with the authorities to monitor the situation and ensure the Company is abiding by all measures and restrictions.

² <https://delta87.org/2020/03/impact-covid-19-modern-slavery/>



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As a rapid response action, the Group business travel has been restricted and the Company's Moscow and London offices have been closed until further notice. Therefore, the publication of this statement has been delayed due to the challenges presented by the coronavirus pandemic in line with the guidance published by the Home Office on 20 April 2020.

Next Steps and Continued Commitment

In 2020, the Group will continue monitoring the effectiveness of its actions and ensuring that modern slavery and human trafficking are not occurring in the Group or in its supply chain. We will focus on further strengthening our current policies and procedures and implementing updates if required.

In order to increase awareness, we plan to expand training to a wider group of employees and consider further steps in our effort to eliminate modern slavery and human trafficking.

We understand that the coronavirus outbreak still presents a major threat to lives and livelihoods, we will remain highly committed to maintaining our responsible business practices as we prepare for the next normal.

Approved on behalf of the Board on 22 December 2020.

Signed on behalf of the Board by:

Denis Alexandrov

Chief Executive Officer