# APPROACHES TO CLIMATE CHANGE MANAGEMENT

#### Climate change management

GRI 2-9, 2-12, 2-13

Sustainable Development and

Climate Change Committee

of the Board of Directors

**Board of Directors** 

- Approves the Climate Change Policy and amendments to it
- Approves the Climate Change Strategy and risk appetite
- Supervises performance
   of the risk management framework
   with regard to climate change
   risks

Management Board

Risk Management Committee of the Management Board led by the President

- Implements initiatives and procedures to manage climate change risks
- Reconciles parameters
   of the Company's climate
   change risk appetite and makes
   recommendations to the Board
   of Directors regarding their
   approval

Senior Vice President,
Operational Director

- Develops the Environmental and Climate Change Strategy and an action plan to implement it
- Drafts climate change KPI proposals

initiatives

- Takes stock of GHG emission sources
- Calculates GHG emission volumes (Scope 1 and 2)
   Delivers on energy efficiency

Senior Vice President,
Chief Financial Office

- Calculates GHG emission volumes (Scope 3 in Upstream)
- Calculate the internal carbon price
- Calculates the actual and projected values of products' carbon footprint
- Assesses the impact of climate change risks on the Group's financial performance
- Integrates climate KPIs into the Group's team KPIs

Vice President,

IR and Sustainable Development

- Participates in drafting the Environmental and Climate Change Strategy to ensure that it complies with the sustainability concept
- Forges climate change ambitions and vision
- Monitors the corporate sustainability policy and coordinates its implementation
- Provides methodological support for risk owners to incorporate climate risk factors into risk management

### Senior Vice President, Strategy and Business Development

- Integrates the Environmental and Climate Change Strategy into the Company's development strategy
- Calculates the impact
   of the Comprehensive Outlook
   (metals prices, FX rates,
   inflation indices depending
   on the currency zone) broken
   down by three climate scenarios
   on the Company's financial profile
   under a specific development
   scenario for operations

#### Vice President,

Internal Control and Risk Management

- Develops the map of key physical and transition risks, drafts reports on key risks
- Ensures uniformity
   of the corporate methodology
   to identify, assess and manage
   climate change risks
- Drafts proposals on the parameters of risk appetite

#### Senior Vice President,

HR, Social Policy and Public Relations

- Cooperates with federal, regional and municipal authorities, and expert, scientific and nongovernmental organisations on climate change issues
- Identifies, assesses and mitigates reputational transition risks associated with climate change
- Organises climate change training for employees

### Senior Vice President, Sales, Commerce, and Logistics

 Assesses the impact of climate change risks and opportunities on the resilience of the product portfolio and sales strategy

Calculates GHG emission volumes (Scope 3 in Downstream)

Senior Vice President, Head of Norilsk Division

Vice President, Head of Kola Division

**Vice President,** Head of Trans-Baikal Division

> Vice President, Head of Energy Division

- Develops, implements and monitors initiatives to support the Environmental and Climate Change Strategy, including initiatives to mitigate physical climate change risks
- Develops relevant methodologies and identifies and assesses physical climate change risks

#### Responsibilities

The Board of Directors reviews and approves our Environmental and Climate Change Strategy, relevant Policy and any subsequent amendments thereto, as well as risk appetite, and supervises the risk management framework for climate change.

The Company has the Sustainable **Development and Climate Change** Committee established under its Board of Directors. In 2023, the Committee reviewed the medium-term emission reduction goals until 2031 and resolved to continue the technological study and consideration of options for the development of in-house power generation facilities for the period until 2050 using technologies with minimised carbon footprint. The Committee also reviewed the Environmental and Climate Change Strategy and key focus areas of carbon neutrality.

The Management Board and its Risk Management Committee implement climate change risk management measures and procedures. Members of the Board agree upon parameters of the Company's risk appetite, including those relating to climate change, and make recommendations to the Board of Directors regarding their approval. The key risks, including climate change threats, are reviewed on a quarterly basis.

The Vice President for Ecology and Industrial Safety at Nornickel is responsible for the development and implementation of the Company's **Environmental and Climate Change** Strategy. The Vice President for Investor Relations and Sustainable Development is responsible for setting strategic ambition and vision for climate change and developing the relevant Policy, as well as monitoring its implementation.

The Sustainable Development Department is responsible for providing methodology support to the Company on climate change and related risks, support of risk owners, monitoring progress against the roadmap to comply with the TCFD recommendations, and reporting on climate change.

Units of the Head Office, branches and Climate Change Strategy within their



### Corporate documents on climate change:

The Company's key commitments in accordance with the Climate Change Policy

The Company's climate change vision is outlined in a number of corporate documents approved by the Board of Directors:

Develop and regularly update our

• Organise regular audits of climate

publicly disclosed climate change

the contribution of the Company's

change risk management and

products to the low-carbon

and risk management tools

the TCFD requirements

climate change strategy

economy in the process of life-

Implement management systems

to respond to climate change and

have them integrated into the risk

capital to implement the Company's

management system in line with

Attract and effectively allocate

climate change strategy

Identify and measure

cycle assessment

indicators

Climate Change Policy;

- Environmental Policy:
- Renewable Energy Sources Policy;
- Environmental and Climate Change Strategy.

The fundamental corporate document on climate change is MMC Norilsk Nickel's Climate Change Policy, which sets out the Company's key commitments.

and Group companies are responsible for relevant aspects of the Climate Change Policy and the Environmental

 Adopt key performance indicators (KPIs) related to climate change goals for managers and employees of the Company

- Review commercially viable opportunities to reduce carbon footprint, including the use of assessment tools for responsible value chain management and the development of green technology partnerships to accelerate the decarbonisation of the Company's operations
- Promote advance practices and innovations
- Apply GHG emission offsetting mechanisms, including natural climate solutions (including conservation and restoration of forests and other ecosystems that absorb carbon

dioxide) where the application of such solutions appears

 Expand engagement and partnership with stakeholders on climate change agenda

to be the most feasible and

commercially viable solution

 Ensure transparent and regular disclosure of GHG emission targets and other relevant indicators and aspects in accordance with the Russian laws and best global standards.

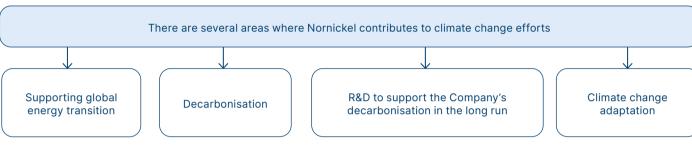


#### Nornickel's strategic vision on climate change

Nornickel closely monitors the aspects of intense global warming, permafrost thawing, and increasing frequency of extreme weather events. These factors may have a significant impact on the economy and well-being

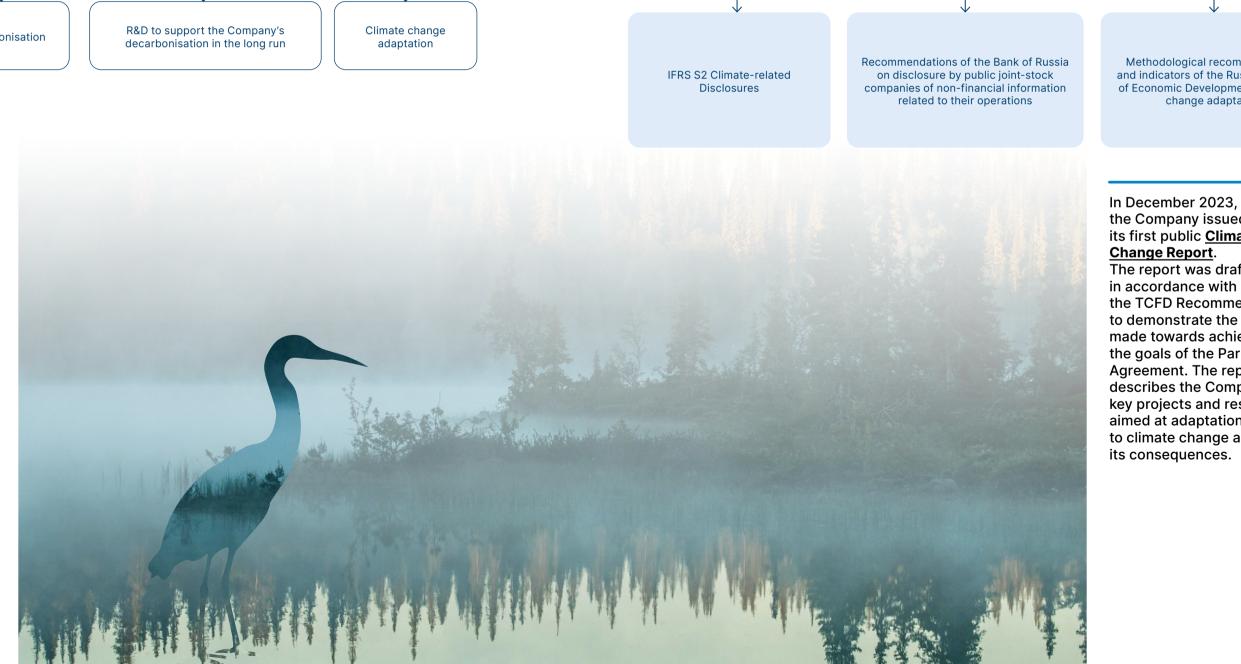
of the regions where the Company operates. Nornickel is committed to building resilience to climate change risks, reducing GHG emissions, and fostering innovation.

Alongside that, the low-carbon transition of the global economy is opening up new opportunities for Nornickel's green metals. Decarbonisation of transport and focus on renewable and hydrogen energy will be driving demand for our products in the long run.



The Company supports the UN SDGs, in particular SDG 13 Climate Action, unconditionally shares the principles of the Paris Agreement, and supports its goal of keeping the global average temperature increase well below 2 °C and making efforts to limit the increase to 1.5 °C.

In developing strategic and operational documents and initiatives, Nornickel is guided by leading international standards that address corporate governance, climate risk management, and related disclosures.



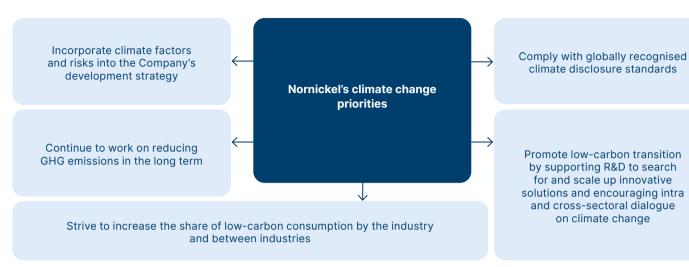
Industry documents: IRMA's Standard for Responsible IPCC Guidelines Mining, Global Industry Standard TCFD Recommendations **GHG Protocol** for National Greenhouse on Tailings Management Gas Inventories (GISTM), SASB Metals and Mining Standard Climate change regulation Methodological recommendations and indicators of the Russian Ministry of Economic Development on climate change adaptation

> the Company issued its first public Climate **Change Report.** The report was drafted in accordance with the TCFD Recommendations to demonstrate the progress

made towards achieving the goals of the Paris Agreement. The report describes the Company's key projects and results aimed at adaptation to climate change and its consequences.

SUSTAINABILITY REPORT

#### Nornickel's climate action targets are set out in the Environmental and Climate Change Strategy through 2031.



In 2023, the Strategy underwent an update and was divided into mandatory and voluntary parts. Targets values are to be refined in 2024-2025.

In addition, during the year we worked on developing the key focus areas of carbon neutrality<sup>1</sup>. The document sets out main efforts consistent with best business practices to reduce gross GHG emissions and carbon footprint of products in the short,

medium, and long term. The main focus is on opportunities to develop lowcarbon energy sources, climate projects, use of energy-efficient technologies and equipment, artificial intelligence, conversion of vehicles to alternative fuels. The Company analyses the possibility of implementing projects on CO<sub>2</sub> capture and storage, as well as entering into deregulated bilateral contracts for purchase and sale of electricity.

Norilsk Nickel Group's annual team KPIs in 2023 include **GHG** emissions reduction metrics (Scope 1 and 2) and achieving zero environmental incidents with a weight of 10%.

#### Internal carbon price

In 2023, Nornickel continued to implement the internal carbon price, a management tool to mitigate climate change risks.

The Company analysed the practices of peers in the global market and chose an approach it deemed most appropriate – shadow pricing, which involves the calculation of theoretical costs or expenses that are taken into account when making investment decisions.

The purposes of shadow pricing are:



assessing the economic consequences of GHG emissions;



assessing new investments;



assessing the net present value of projects;



assessing the economic efficiency of initiatives;



assessing business models;



business strategy development.

For testing, the Company uses several price ranges that vary subject to current and prospective tax liabilities, potential payments under the carbon border adjustment mechanism, and the pace of decarbonisation. For the baseline price range in 2023, the carbon price was set at USD 47 per tonne of CO<sub>2</sub> equivalent. Nornickel intends to continue testing the methodology to determine an optimal approach to incorporating cost evaluations of GHG emissions into investment project decision-making.

#### **Development of employee** competencies

Nornickel is consistently developing employee competencies in climate change monitoring. In 2023, we updated the professional competency model of the sustainable development vertical, with test questions developed to evaluate

the knowledge of employees, including in terms of the climate agenda; we also held workshops on climate change. The Company is developing a training course on all aspects of the ESG agenda, including climate change.

#### Integrating climate change into the supply chain

The Company has approved MMC Norilsk Nickel's Supplier Code of Conduct, which outlines the area of responsibility of contractors, including in terms of climate change and GHG emissions reduction:



Suppliers are required to develop a climate change risk management system to create effective policies and procedures and implement strategies to reduce GHG emissions



Suppliers should specify, in their policies and procedures, targets for achieving zero emissions in line with the Paris Agreement and commit to publishing GHG emission reduction targets on an ongoing basis.



Suppliers should endeavour to support research and relevant state-run and non-governmental organisations to monitor the impact of GHG emissions across their footprint



Suppliers should adopt a methodology to assess the carbon footprint throughout the life cycle of their products supplied to Nornickel and provide Nornickel with relevant data upon request. after verification by an internationally recognised organisation approved by the Company

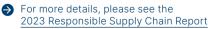


Suppliers should calculate GHG emissions in accordance with the requirements of the GHG Protocol



Suppliers should endeavour to disclose financial information in accordance with the TCFD Recommendations

In order to assess the impact of suppliers' operations on climate change and to encourage decarbonisation measures, questions on GHG emissions were included in the supplier due diligence in 2023.





<sup>&</sup>lt;sup>1</sup> Approved by the Board of Directors in 2024.



SUSTAINABILITY REPORT

ABOUT NORILSK NICKEL GROUP

SUSTAINABLE DEVELOPMEN

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OCCUPAT

O5.

DEVELOPMENT OF LOC
COMMUNITIES

MENTAL

07. CLIMATE CHANGE

ATE GOVERNANCE

#### 10

## Nornickel's roadmap to comply with the TCFD recommendations

In 2023, Nornickel completed the implementation of the roadmap to comply with the TCFD recommendations adopted in 2021, which included more than 50 measures aimed at improving the system for managing climate change-related risks and opportunities. Alongside that, the Company started developing the Climate Change Action Plan through 2025 in furtherance of the TCFD roadmap it had previously completed.



We place heavy emphasis on climate risk management. Among other things, we are developing energy saving technologies and implementing a geotechnical monitoring system for permafrost soils. This helps us identify potentially hazardous defects and deviations in a timely manner, thus reducing the likelihood of accidents. In our decision-making, we take into account the territorial singularities of the Arctic in order to adapt our operations to the specific conditions in this region.

#### Alexey Devochkin,

Polar Division's Deputy Director for Industrial Ecology and Sustainable Development (length of service with the Company – 29 years)



# CLIMATE CHANGE RISKS AND OPPORTUNITIES

#### GRI 201-2

Guided by the TCFD Recommendations, COSO standards and the Environmental and Climate Change Strategy, Nornickel is building procedures for managing climate change risks and opportunities. The Company uses the TCFD classification to identify two types of risks and opportunities:

 physical risks, with impacts arising from abnormal weather events (acute risks) or chronic weather changes (chronic risks);  transition risks and opportunities associated with the changing market, regulatory, technological and political environment during the transition to a low-carbon economy.

In 2023, the Company continued to enhance its approaches to assessing physical risks and transition risks and opportunities. The Risk Management Committee of the Management Board reviewed the concept for assessing climate change risks.



To those, the Company is implementing the following procedures:

