Climate-related risks and opportunities

Approaches to assessing climate-related risks and opportunities

TCFD Rb, TCFD Rc, IFRS S2 25a, IFRS S2 25a (ii), IFRS S2 25 (b)

Guided by the TCFD Recommendations, IFRS S2, COSO ERM Framework, and the Environmental and Climate Change Strategy, Nornickel is building procedures for managing climate-related risks and opportunities.

The Company follows the TCFD and IFRS S2 classification, which identifies two key categories of risks and opportunities:

- Physical risks, associated with extreme weather events (acute risks) or lasting changes in weather patterns (chronic risks)
- Transition risks and opportunities, associated with evolving market, regulatory, technological, and political environment as the global economy transitions to a low-carbon model

To manage climate-related risks, the Company is implementing the following procedures:

Risks	Forecast	Identification	Assessment	Mitigation and adaptation
Physical risks	Forecasting climate risk factors for the Company's regions of operation	Analysing the incorporation of climate risk factors into risk assessments, identifying new risks	Assessing the impact on the Company's financial performance	Developing mitigation and adaptation measures
Transition risks and opportunities	Developing our own scenarios for the global economy and climate change IFRS S2 25a (ii)	Identifying transition risks and opportunities		

Public reporting

IFRS S2 10a, IFRS S2 10b

IFRS S2 10a, IFRS S2 10b

The Company's assets are located in regions that have long been affected by climate change, which is reflected in its current technical and production risks. The Company continues to integrate climate-related risk identification and assessment procedures into the corporate risk management system. This involves improving the rules for managing both operational and longer-horizon risks, as governed by PJSC MMC Norilsk Nickel's Procedure Rules for Risk Management.

Within the corporate risk management framework, physical risks, as well as transition risks and opportunities, may be treated either as standalone risks and opportunities or as contributing factors to risks already identified.

Physical risks

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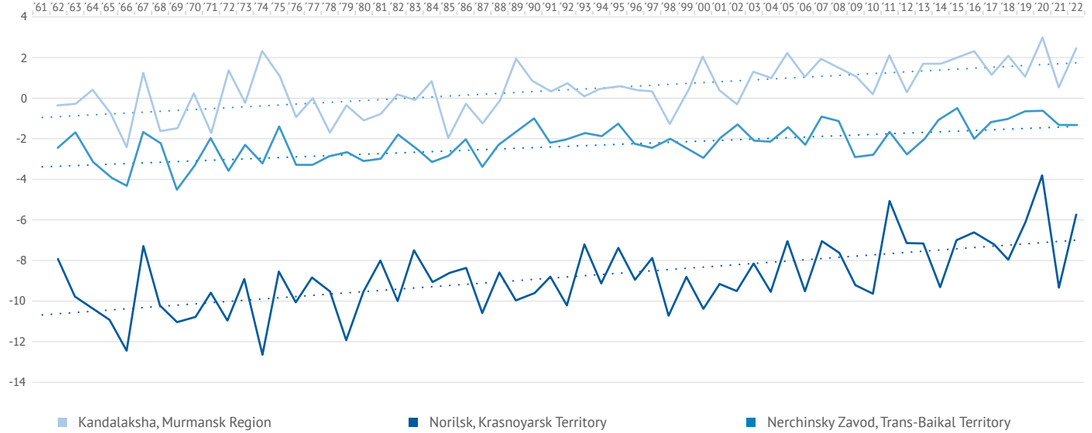
The Obukhov Institute of Atmospheric Physics of the Russian Academy of Sciences analysed Rosgidromet[1] data on various climate factors in the regions where the Company's production sites are located, covering a period from the 1960s to the present. The observations indicate significant changes in certain climatic factors, such as average air temperatures. Changes recorded by the Norilsk weather station support the conclusion that temperatures in the Arctic are rising significantly faster than the global average: +0.6 °C per decade in Norilsk vs +0.18 °C per decade globally.

Average air temperature in 1961–2022, ºC



In addition to evaluating the long-term climate trends identified in Nornickel's regions of operation, the Institute of Atmospheric Physics of the Russian Academy of Sciences developed climate projections up to 2050. The regional forecasts are based on three IPCC global scenarios (SSP1-2.6, SSP2-4.5, and SSP5-8.5) and the CMIP6[2] ensemble of climate models. For the SSP2-4.5 climate scenario, which the Company considers the most likely, the following major changes are projected by 2050.

[1] Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet).
[2] Coupled Model Intercomparison Project.