APPROVED BY:

by Order of PJSC ALROSA

No. 01/233-P dated 29.07.2022

Water Resources Protection Policy

of PJSC ALROSA

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**INTRODUCTION**

The increase of the global demand for water resources to meet globalization of economy and growing demand for water from the population as well as uneven distribution of water sources in the world, their pollution force countries and international organizations not only to establish a legal basis for activities relating to a water policy and consistent approaches to ensuring sustainable water use within water body basins, but also to undertake private extended obligations to improve the quality of the surface waters for the benefit of the population, aquatic ecosystems protection, as well as for prevention, limitation and minimization of the transboundary impact of water bodies.

The legal framework of transboundary waters is usually governed by international agreements. These agreements include the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes (1992), Water Framework Directive (WFD) (2000/60/EC), the Hazardous Substances Directive (76/464/EEC, integrated with WFD from 22.12.2013). 193 countries, including Russia, adopted 17 sustainable development goals (SDG) until 2030 at the UN General Assembly in September 2015, which include good health and wellbeing (Goal 3), clean water and sanitation (Goal 6), responsible consumption and production (Goal 12), marine conservation (Goal 14).

The Russian water legislation consists of the Water Code of the Russian Federation, federal laws and subordinate legislation, including decrees of the President, as well as laws of the Russian Federation entities created in accordance with the federal legislation.

Sharing and supporting concerns of the world community, PJSC ALROSA (hereinafter “ALROSA” and/or “the Company”) manages its water relationships strictly in accordance with legal restrictions and guidelines of international directives; and considering any water body as a most important natural resource for people, a valuable component of the environment and an ecosystems of animals and plants, including aquatic biological resources, the Company establishes key principles of its water policy aimed at using water sustainably and protecting water bodies and their water resources.

1. GENERAL PROVISIONS

Although water resources are renewable, they are a sensitive natural resource. Growing world population, industrialization, intensive use, pollution with domestic and industrial effluents have an adverse effect on water ecosystems, requiring treatment and protection of water bodies as the key resources for life and wellbeing of the population and future generations.

Depending on specific status, physical and geographical conditions, morphometrical and other characteristics, water bodies are divided into surface water bodies and underground water bodies.

The surface water bodies include:

* seas or their parts (straits, gulfs, including bays, coastal lakes etc.)
* water courses (rivers, creeks, channels)
* reservoirs (lakes, ponds, flooded quarries, water storage basins)
* swamps (back bogs, transition bogs, raised bogs)
* natural subsurface water outlets (springs, geysers)
* glaciers, glacier reservoirs.

The underground water bodies include:

* groundwater basins;
* water bearing stratums.

In the Russian Federation, water bodies are a federal property, except for such water bodies as pond or flooded quarry within the borders of a land plot owned as property by an entity of the Russian Federation, municipal entity, legal entity and/or an individual.

A legal entity can acquire the right to use surface water bodies based on a water use agreement and a decision to grant the water bodies for use. Forms of ownership of underground water bodies are determined by a license for the use of subsurface resources.

To ensure its production and business activities, ALROSA uses surface and underground water bodies in accordance with the legally executed right of water use.

The Company uses only region-level water bodies for the following purposes:

* taking (withdrawing) of water resources from water bodies
* using the area of water bodies
* discharging wastewater
* building and reconstructing hydraulic engineering structures
* building and reconstructing bridges, underwater crossings, pipelines and other linear-type facilities, involving changes of the bottom and coastline of surface water bodies
* exploring and producing mineral deposits
* carrying out dredging, blasting, drilling and other activities, involving changes of the bottom and coastline of surface water bodies.

ALROSA undertakes to use water bodies strictly in accordance with the terms of an acquired right of water use as it has done before.

Strategic planning of the use, protection and recovery of water bodies relating to sustainable water use requires that the Company establishes an internal policy for water resource protection (hereinafter “the Policy”) with its provisions being applying to all business units of the Company which use water.

The provisions of this Policy are recommended for implementation by affiliated and related organizations and companies (collectively referred to as the ALROSA Group), the latter must define key principles and requirements for the protection of water resources and environment quality.

ALROSA’s business partners, contractors and suppliers, to which the water use regulations are applicable, must be made familiar with the provisions of this Policy.

1. REFERENCED CODES AND STANDARDS

This Policy includes references to the provisions of the following regulatory and organizational documents:

The UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes (1992);

Water Framework Directive (WFD) (2000/60/EU);

Hazardous Substances Directive (76/464/EEC, integrated with WFD from 22.12.2013);

Water code of the Russian Federation (with amendments as of 30.12.2021) No. 74-FZ dated 03.06.2006;

Reference water code for country members of the Commonwealth of Independent States dated 16.11.2006;

Decree of the Government of the Russian Federation (with amendments as of 25.12.2019) No. 94 dated 11.02.2016 on approval of the Regulations for protection of underground water bodies;

Decree of the Government of the Russian Federation No. 1391 dated 10.09.2020 on approval of the Regulations for protection of surface water bodies;

GOST R 59053-2020 Environmental protection. Protection and rational use of water. Terms and definitions;

GOST 17.1.3.13-86 Nature protection. Hydrosphere. General requirements for surface water protection against pollution.

1. TERMS AND DEFINITIONS

This Policy uses the following terms:

* **Water management:** activities relating to research, use, protection of water bodies as well as prevention and mitigation of adverse effects of waters.
* **Water resources:** surface and ground waters in water bodies, that are used or can be used.
* **Water body:** natural or artificial reservoir, water course or any other body whose permanent or temporary concentration of waters has distinctive forms and features of water regime.
* **Water user:** an individual or a legal entity that has the right for water body use.
* **Use of water bodies (water use):** use of water bodies by various methods to meet the needs of the Russian Federation, members of the Russian Federation, municipal entities, individuals, legal entities.
* **Depletion of waters:** continuous decrease of reserves and worsening of the quality of surface and ground waters.
* **Adverse water effects:** flooding, underflooding, degradation of water body coastline, bogging and other adverse effects on specific areas and facilities.
* **Protection of water bodies:** a system of measures aimed to conserve and recover water bodies.
* **Effluents:** rain, melt, infiltration, wash, drainage waters, waste waters from a centralized water disposal system or other types of water which are disposed of (discharged) into water bodies after their use or flow off from a drainage area.

1. GOALS AND OBJECTIVES OF THE POLICY
   1. This Policy sets the following goals:

* a guaranteed holistic approach to quantitative aspects of both surface water bodies and underground water bodies ensuring well-reasoned and sustainable use of water resources of water body basins for the benefit of the community living on this territory
* safe operation of water-economic complexes and facilities which have direct and/or potential effect on them, pollution prevention, protection and improvement of the aquatic ecosystems condition as well as of specially protected water bodies, specially protected zones and water protection zones of water bodies.
  1. These goals determine key objectives for the short-, medium- and long-term periods.

The short-term objectives include addressing negative trends relating to the water bodies condition, expanding the monitoring system, strengthening control of water usage volumes accounting, ensuring safe operation of hydraulic facilities, flooding protection.

The medium-term objectives include eliminating causes of degradation, depletion and pollution of water bodies, reducing intake volumes of natural waters, automating water usage metering systems, minimizing anthropogenic impact on water bodies to sustainable limits, ensuring sustainable functioning of a water economy complex.

The long-term objectives include improving and optimizing the structure of the water economy complex and eliminating existing imbalances, harmonizing needs for water, recreational and other resources of water bodies and bringing these needs in line with the nature capacities.

1. POLICY IMPLEMENTATION PRINCIPLES

The planning system of the Policy is based on key principles:

* prevention of negative environmental consequences of decisions made on the use of water resources
* elimination of adverse effects of water management activities, primarily at the source of the activity
* payment for the use of water bodies
* resource conservation and keeping records of water usage
* focus on ecosystems
* openness and visibility of water use plans, coordination of various water users’ interests based on statutory priorities and procedures
* early analysis and elimination of risks of accidental pollution of water bodies
* division of scopes and limits of responsibility of the local government, economic entities and individuals for the condition of water bodies, water economy systems and facilities.

1. POLICY IMPLEMENTATION MECHANISMS
   1. To prevent, limit and minimize a potential adverse impact on water resources, the Company develops, approves and implements appropriate technical and economic measures designed to:

* prevent, limit and minimize discharge of effluents into surface water bodies at the source, specifically by using a low-waste and zero-waste technology
* determine limits for discharge of effluents written in permits based on the best available technologies
* introduction of more stringent requirements, even in some cases resulting in prohibition of discharge, if it is required for maintaining the necessary quality of a water receiver or an ecosystem
* use of biological treatment or similar processes for municipal sewage, whenever it is necessary
* development of emergency plans
* minimization of the threat of accidental pollution.
  1. For its long-term objectives, ALROSA carries out research and R&D projects, specifically aimed at:
* developing methods of assessing toxicity of hazardous substances and harmful effect of pollutants
* increasing the level of knowledge on the presence, distribution and impact of pollutants and respective processes on the environment
* developing and using sustainable technologies, production methods and consumption structures
* stopping production and use and/or replacement of substances that can have transboundary effect on a step-by-step basis
* developing sustainable methods of removing hazardous substances
* developing sustainable methods of building water economy facilities and methods of managing a water regime.

1. STAKEHOLDERS

The stakeholders in the context of the production and business activities of ALROSA include:

* individuals—citizens of the Russian Federation who are current or potential owners of the Company’s securities or those living on territories of the Company’s production assets, public and nonpublic organizations, associations, research institutes and expert organizations, social and charitable organizations
* government authorities, including authorities of the Russian Federation entity, authorities of municipal entities, executive and legislative authorities as well as federal and regional level supervisory authorities
* financial institutions, including credit and investment organizations, which are current or potential owners of the Company’s securities, as well as rating agencies
* other companies that carry out their activities on adjacent territories.