



PRESS RELEASE

NORNICKEL

Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»
(PJSC “MMC “Norilsk Nickel”, “Nornickel” or the “Company”)

NORNICKEL ESTIMATES ENVIRONMENTAL DAMAGE FROM THE FUEL SPILL INCIDENT AT RUB 21.4bn

Moscow, October 5, 2020 - Nornickel, the world’s largest producer of palladium and high-grade nickel and a major producer of platinum and copper, announces that JSC NTEC (Norilsk-Taimyr Energy Company, a subsidiary of Norilsk Nickel Group) has submitted to the Arbitration Court of Krasnoyarsk region a response to the claim filed by the Yenisei Interregional Department of the Federal Environment Supervision Service (Rosprirodnadzor) against NTEC for the compensation of RUB 147.8 billion environmental damages caused by a spill of diesel fuel from storage facility No. 5 at HPP-3 in Norilsk. Applying the existing methodology for the calculation of environmental damages and taking into account the circumstances of the incident, NTEC estimates the environmental damages at RUB21.4 billion.

NTEC does not dispute the negative environmental impact of the incident and reiterates its full commitment to do everything that is necessary to completely eliminate all of its negative consequences, nonetheless it would like to emphasize that it acted promptly and in good faith from the very first minute of the incident and has done everything possible to reduce the environmental impact.

NTEC believes that Rosprirodnadzor has materially deviated from the existing methodology for the calculation of environmental damages and legal precedents, when arriving at their estimate of the environmental damage to water and soil.

According to NTEC’s assessment, the most material deviations included the application of an unreasonably high non-action multiple (duration of negative impact coefficient, Cdl) to the impact of harmful substances on water, applicable only when no actions have been taken to eliminate the impact, as well as a material overstatement of the volume of diesel spilled into water.

Rosprirodnadzor applied the maximum possible non-action multiple of 5x, which is applied when no efforts to clean-up an incident have been undertaken within 500 hours (more than 20 days) since the incident. The regulator is justifying this by suggesting that the consequences of the incident have not been fully eliminated within 500 hours since the incident. However, according to the existing methodology (Waterbody Damage Calculation Methodology) and legal precedents, the non-action multiple is unambiguously defined to take into account the start of clean-up works following an incident, not the time of their completion. This multiple has been designed exactly to incentivize the launch of clean-up works as soon as possible and works as a penalty solely when such clean-up has been long overdue.

NTEC launched clean-up works immediately after the incident, on the very first day. Thus, it believes that the non-action multiple of 1.1x should be applied.

According to NTEC’s assessment, Rosprirodnadzor prepared its estimate of oil products spilled into water too early (on June 29, 2020), before the collection of spilled diesel was completed. As a result, the volume of fuel that spilled into water was significantly overstated at 19.1kt. The collection of diesel is still ongoing and has not been yet completed. According to NTEC’s estimates, based on the most up-to-date expert’s assessments, the amount of diesel fuel leaked into water was of approximately 14.3kt.

NTEC also believes that the damage to soil of RUB738.6 million was also estimated incorrectly. According to NTEC, Rosprirodnadzor did not accurately estimate three variables in the damage calculation formula: 1) The contaminated soil area has been overstated by several folds; 2) The contamination was assessed not just based on oil products, but also on other pollutants; and 3)

Some parts of the industrial land (that is subject to special regulations) was wrongly classified as fertile land.

Clean-up works of the incident are still ongoing. Norinickel continues to cover all necessary costs voluntarily and in good faith. The total clean-up and rehabilitation costs are currently estimated at approximately RUB12 billion. However, when environmental damages are estimated, remediation costs must be deducted.

In addition to the above, NTEC is also challenging a number of other assumptions and estimates made by the regulator in its legal claim. NTEC believes that Rosprirodnadzor's claims are not justified and hopes that all factual circumstances will be fairly examined and taken into account by the court.

For information: On May 29, 2020, an incident occurred whereby the containment of the emergency fuel storage at Heat and Power Plant № 3 (HPP-3) in the Kayerkan neighborhood of Norilsk failed due to sudden sinking of support posts, resulting in the fuel leakage. A total of 21 kt of diesel fuel spilled into the environment. A lawsuit, which has been filed by the Federal Environment Supervision Service against NTEC to recover RUB 147.8 billion in environmental damages, was admitted by the Krasnoyarsk region Arbitration Court on 16 September 2020. For more information on clean-up and remediation efforts taken to eliminate the consequences of the incident at HPP-3, please see [here](#).

ABOUT THE COMPANY

MMC Norilsk Nickel is a diversified mining and metallurgical company, the world's largest producer of palladium and high-grade nickel and a major producer of platinum and copper. The company also produces cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium, sulphur and other products.

The production units of Norilsk Nickel Group are located at the Norilsk Industrial District, on the Kola Peninsula and Zabaykalsky Krai in Russia as well as in Finland and South Africa.

MMC Norilsk Nickel shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges, ADRs are traded over the counter in the US and on the London, Berlin and Frankfurt Stock Exchanges.

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