2021

SUSTAINABILITY REPORT

CONTENTS

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER — CHAIRMAN OF THE EXECUTIVE COMMITTEE

(GRI 102-14)

Dear partners and colleagues,

I am pleased to present the 11th Sustainability Report of the ALROSA Group for 2021 that shows our achievements and plans related to development of responsible business practices.

The reporting year was one of the most successful in the history of the ALROSA Group: we accumulated a "margin of safety" and strengthened our financial stability. Despite the challenges faced by Russian companies in 2022, we are confident that adherence to the principles of sustainable development, our focus on long-term creation of value for all stakeholders, and the well-coordinated work of our team will allow the Company to navigate through this period. Our main priority is to maintain jobs and close ties with local suppliers in Yakutia represented mostly by small and medium-sized businesses, to provide social support to local communities, and to ensure the continuity and safety of production processes.

Governance and business ethics

The Company is constantly improving its sustainability management system and developing its ESG expertise. In 2021, ALROSA expanded the role of the Supervisory Board's Strategic Planning Committee to include ESG issues. The committee was renamed the Strategy and Sustainability Committee, which reflects the integration of sustainability issues into the overall strategic vision of the ALROSA Group.

In 2021, we presented our Sustainability Program for 2021–2025 that laid down our commitments and strategic goals related to five key areas. Based on the principles of responsible business conduct, ALROSA set ambitious goals and developed a set of measures to achieve them. These measures were included in the three-year plan to implement the Program. An additional step taken in this direction was to update the Sustainability Policy that sets forth our key principles and values, as well as our intention to contribute to the UN Sustainable Development Goals.

One of the most important events in 2021 was ALROSA's accession to the UN Global Compact – thus we confirmed our commitment to its ten fundamental principles and our willingness to help solve global problems.

Development of human capital

ALROSA's corporate culture is aimed at comprehensive support and development of the professional and personal potential of each employee. In 2021, we managed to significantly expand the social benefits and guarantees provided to employees, perform wage indexation, and keep decent working conditions. Our HR management system was highly praised by independent experts: ALROSA topped the list of Russia's best employers according to the Forbes magazine.

ALROSA maintains an open dialogue with its employees and takes into account their opinion on their work at the Company. In 2021, we conducted the ALROSA Voice survey to assess the employee engagement level for the first time – this indicator reached 57%. Although the rate is lower than the industry average, it confirms that we have achieved good results and can do better by improving our HR practices.

We continue to focus on ensuring an environment of equal opportunity. The share of women in the ALROSA Group is one of the highest in the industry: female employees account for 33% of the total headcount. We also strive to improve inclusion and employ people with disabilities where possible.

By restoring production and implementing new projects (the majority of them being in Yakutia), we were able to create more than 1,800 jobs. More than 3,000 local residents were employed under the "Local Staff in Industry" program – this is almost twice as many compared to 2020.

Occupational health and safety

Industrial safety and employee health are a key priority for the Company. Our industrial safety indicators are already better than the industry average – LTIFR was 0.23 in the reporting year. However, our strategic goal is to further improve it and completely eliminate fatal injuries. An important step towards this goal was greater involvement of contractors in occupational safety processes and obliging them to meet ALROSA's corporate requirements in this area.

We continue to take care not only of the safety, but also of the health of our employees and their families. The ALROSA Group pays great attention to prevention of occupational diseases and ensures access to high-quality medical care and health resort recreation. The epidemiological situation at our Company in 2021 was stable. We took preventive measures among our employees in a timely manner, thus avoiding COVID-19 outbreaks and repeated suspension of production.

Contribution to regional development

In accordance with its mission and strategy, ALROSA strives to improve the social and economic well-being and maintain a favorable environment in the regions where it operates: The Company creates jobs and improves the living conditions of local communities. In addition, ALROSA participates in financing the construction of social facilities and healthcare institutions and supports education, science, culture, and sports.

Social investments of the ALROSA Group are one of the largest among Russian companies and in the industry. In 2021, the Company spent RUB 6.1 billion on infrastructure development, provision of gratuitous services, and implementation of social programs for employees and continued to make contributions to the non-state pension fund (NPF) Almaznaya Osen (in 2021, the contributions amounted to RUB 1.0 billion).

Under the agreement with the Special Fund for Future Generations of the Republic of Sakha (Yakutia), ALROSA spent more than RUB 1.1 billion on various projects. The Company was eager to help when forest fires raged in Yakutia in the summer of 2021. New houses were built in the fire-damaged village of Byas-Kyuel. ALROSA allocated RUB 200 million for their construction.

Environmental and climate agenda

Maintenance and protection of a healthy and favorable living environment are essential elements of ALROSA's activities. The Company strives to contribute to carbon neutrality and reduce the negative impact on the climate at its own production facilities and across the supply chain. The Company has adopted an active position on this issue through modernizing production and implementing a wide range of environmental and research projects.

It is important to note an update of ALROSA's Environmental Policy that formalizes the Company's approach to managing environmental protection and environmental safety activities. In addition, in 2021 ALROSA started developing environmental and climate strategies up to 2030 with a horizon to 2050. These strategies will be the next step in complying with and actively promoting the standards of responsible business conduct, building consumer confidence, and ensuring the sustainable development of the industry as a whole.

Despite the new challenges, ALROSA does not intend to be complacent: we will continue to develop sustainable practices, take care of our employees and people living in the regions of our operation, and improve management practices. All this will help ensure the Company's long-term sustainable development.

Sergey Ivanov

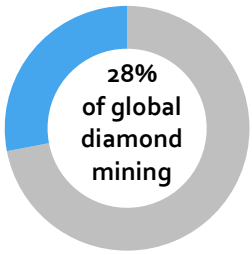
CHIEF EXECUTIVE OFFICER – CHAIRMAN OF THE EXECUTIVE COMMITTEE, PJSC ALROSA

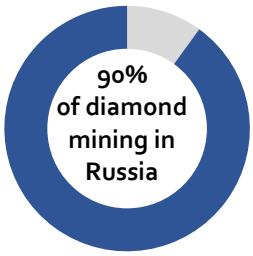
1. ALROSA GROUP

1.1 About the Company

(GRI 102-1; 102-2; 102-5; 102-7)

ALROSA is the world's largest producer of rough diamonds.





ALROSA is a public company, with its shares traded on the Moscow Stock Exchange.

The ALROSA Group's headcount exceeds 30,000 employees. The Company is committed to the principles of sustainable development and has joined the United Nations Global Compact.

ALROSA's mission is to be a global leader in the diamond industry consistently pursuing the long-term interests of its shareholders through the efficient use of its mineral resources.

ALROSA creates value for all stakeholders and acts as a reliable partner for its clients, suppliers, and local communities. The Company takes care of the environment, complies with occupational health and safety requirements, develops the culture of corporate governance, improves the risk management system, and increases the professional competence of its employees.

In 2021, ALROSA updated the ALROSA Group's strategy approved in 2018 for the period from 2021 to 2025. The Company also updated its strategic priorities based the development of the sustainable development agenda in the ALROSA Group.

Ensuring sustainable development through compliance with high standards of industrial and environmental safety and social responsibility in all regions of operations is one of priorities of the Company's strategy.

1.2 Our performance in 2021

Social impact	
Average headcount	30 911 people
Share of women in the total headcount	33%
Share of trained employees in the total headcount	61%
Occupational safety expenses	RUB 2.1 billion
LTIFR	0.23
Social investments	RUB 6.1 billion
Environmental impact	
Environmental investments	RUB 6.7 billion
Specific GHG emissions (Scope 1, 2, 3)	0.04 tons of CO_2 eq. / carat
Share of reused and recycled water	83%
Share of renewable energy	40%
Land rehabilitation	1,100 ha
Corporate governance and ethics	
NRCG rating[1]	8+ "Leading Corporate Governance Practices" (the maximum score is 10)
Percentage of transactions assessed for corruption risks	100%

[1] The National Rating of Corporate Governance by the Russian Institute of Directors (RID).

1.3 Key ESG ratings and sustainability awards

1.3.1 ESG ratings[2]

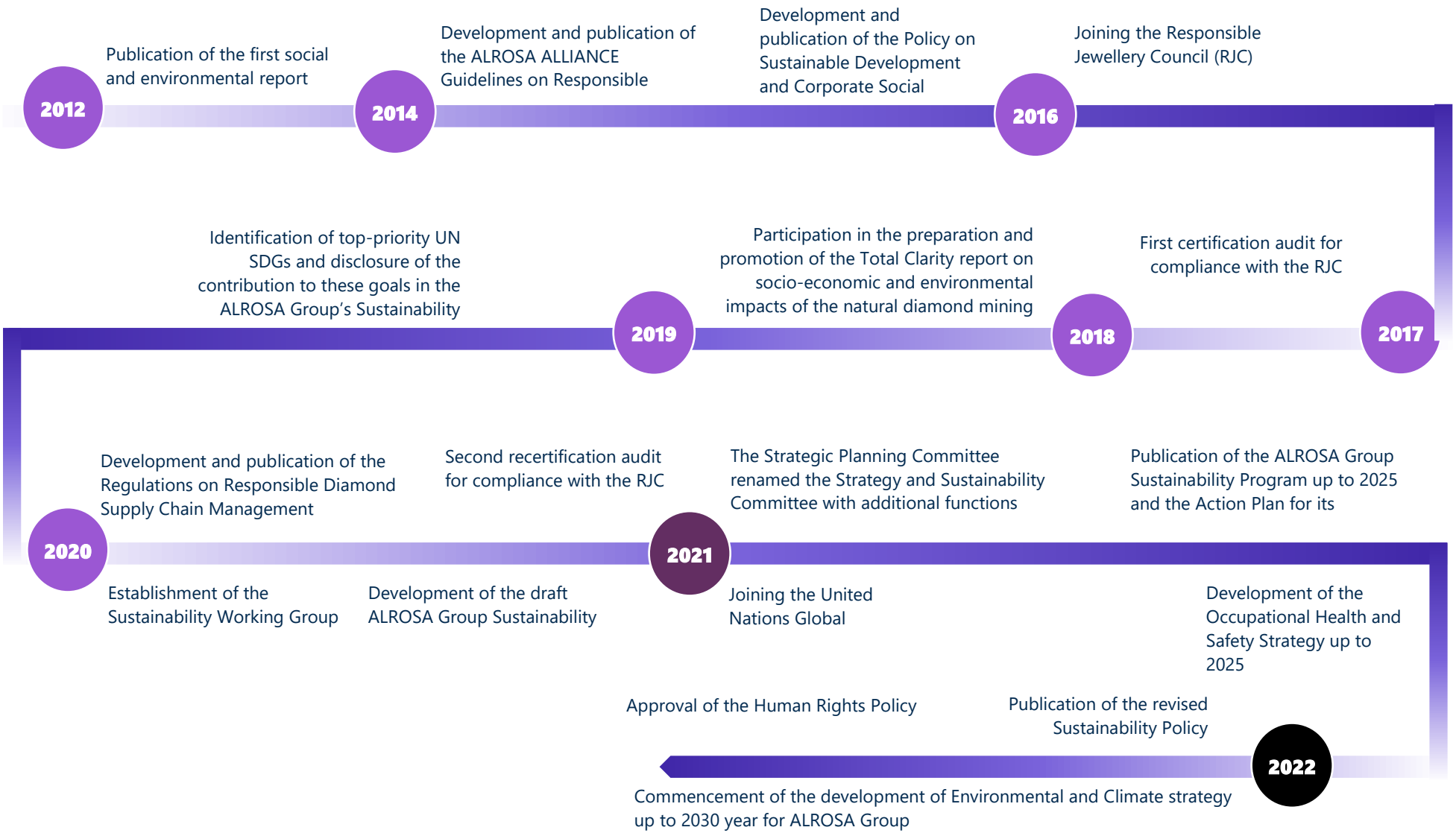
FTSE4Good Index Index member since 2016 FTSE4Good	**FTSE Russel ESG Rating** 3.0 (medium) (on a scale of 0 to 5, where 5 is the highest score) FTSE Russell	**MSCI ESG Ratings** B (on a scale of AAA to CCC) MSCI	**Sustainalytics ESG Risk Rating** 37 (high risk) (up to 10 – negligible risk, from 40 on – severe risk) SUSTAINALYTICS
The World Wildlife Fund (WWF) 12th –13th out of 39 in the environmental transparency rating of mining companies in Russia WWF	**Vigeo Eiris Best Emerging Market Performers Ranking** Top 100 (843 companies in total, including 3 Russian companies) vigeo eiris BEST EM PERFORMERS	**S&P Global CSA** 39th out of 100 S&P Global Ratings	**RAEX-Europe ESG Corporate Rating** 8th out of 37 in the metals and mining sector 23rd out of 160 in total RAEX EXPERT RA EUROPE
ISS ESG Corporate Rating D+ (on a scale of D– to A+) ISS ESG	**ISS Governance Quality Score** Environment – 2 Social – 5 Governance – 4 (where 1 is low risk, 10 is high risk)	**Bloomberg ESG Disclosure Score** 55th out of 100 Bloomberg	**CDP Climate Change** Water security: B (Management level) Climate change: D (Disclosure level) (on a scale of F to A) CDP
CSRHub CSR & ESG Metrics 64% CSRHUB®	**Sustainability Monitoring Energy transition readiness rating** 4th out of 50 мониторинг устойчивого развития	**Russian Union of Industrialists and Entrepreneurs (RSPP) Company ranking on SDG integration disclosures** Category C (moderately average) РСПП	

1.3.2 Sustainability awards

Expert RA	Forbes	Russian Institute of Directors
Expert RATING AGENCY	Forbes	РОССИЙСКИЙ ИНСТИТУТ ДИРЕКТОРОВ
Top 10 Russian companies in terms of the quality of ESG disclosures	**Gold** in the ranking of best employers in Russia for its contribution to Environment & Corporate Governance (in 2021, the ranking methodology was focused on assessing corporate ESG practices)	**8+ "Leading corporate governance practices"** in the National Rating of Corporate Governance (NRCG) (in 2021, amendments to the NRCG methodology took effect, primarily concerning the inclusion of new criteria related to sustainability management and ESG)

[2] As of the end of 2021.

1.4 Key milestones in building the Company's sustainability system



2. STRATEGY AND SUSTAINABLE DEVELOPMENT

KEY PERFORMANCE INDICATORS IN 2021	KEY EVENTS IN 2021
13 top-priority UN Sustainable Development Goals	The Sustainability Program up to 2025 was approved The Sustainability Policy was updated

UN SUSTAINABLE DEVELOPMENT GOALS

2.1 Approach to sustainability

Effective sustainability management is one of ALROSA's strategic priorities. The Company adheres to high standards of doing business and contributes to the UN Sustainable Development Goals (SDGs).

(GRI 102-12)

ALLOCATION OF RESPONSIBILITY

International Relations Department

Marketing and Public Relations Department

Corporate Governance Department

Corporate Finance Department

Center for Strategic Projects and Analytics

REGULATORY DOCUMENTS

ALROSA Group Sustainability Program

Action Plan for implementation of the ALROSA Group Sustainability Program

Sustainability Policy

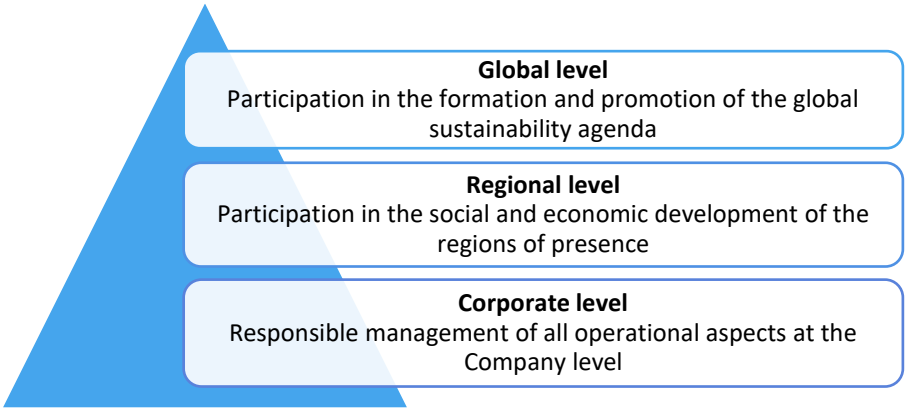
Being one of the global leaders in the diamond mining industry, ALROSA recognizes its responsibility for the social and economic development of its regions of presence, environmental care, prevention and minimization of possible negative consequences of its operations, and maximization of their positive effects.

Joining the United Nations Global Compact

In 2021, ALROSA joined the UN Global Compact (UNGC) – the largest international sustainable development initiative under the aegis of the United Nations.

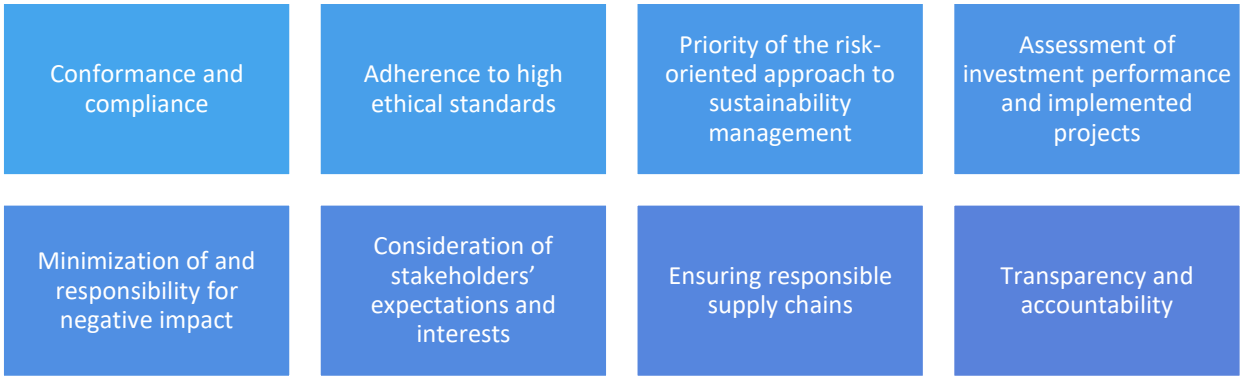
By joining the UNGC, the Company confirmed its commitment to the ten fundamental principles of the UNGC and its intention to address global problems by contributing to the achievement of the UN SDGs by 2030.

Figure 1. ALROSA's sustainability roles by impact level



The principles of sustainable development are integral to ALROSA's activities and are consistently integrated into all business processes. They are set forth in the Sustainability Policy of PJSC ALROSA.

Figure 2. ALROSA's principles related to sustainable development



To ensure the compliance of ALROSA's operations with the principles of sustainable development, the Company developed the ALROSA Group Sustainability Program and the Action Plan for its implementation, and also updated a number of corporate documents related to specific aspects.

2.1.1 Openness and transparency

ALROSA continues to improve its approaches to preparation of its annual sustainability report – the Company is guided by leading international standards on non-financial reporting and certain sustainability aspects.

For more information on the approach to preparation of annual sustainability reports and applied standards, see the section "About the Report."

2.1.2 Sustainability Program up to 2025

In 2021, the Company approved its comprehensive Sustainability Program. It covers all areas of the ALROSA Group's operations and is aimed at increasing the transparency of production of rough and polished diamonds and building consumer confidence. The document defines the fundamental principles of and approach to sustainability management and establishes the Company's strategic priorities, objectives, and key performance indicators in this area.

Based on the analysis of the Group's social, economic, and environmental impacts and its contribution to 13 top-priority UN SDGs, ALROSA developed its strategic sustainable development priorities. The Company identified five key areas that are the most relevant to its core operations and specified medium-term targets and performance indicators for each of them.

Figure 3. Strategic areas of ALROSA's sustainable development activities

In addition, ALROSA approved a three-year Action Plan for implementation of the Sustainability Program. The document contains practical steps to achieve each of the objectives of the Program and to improve the management and reporting system of ALROSA.

The Plan provides for development of sustainability KPIs for the management; expansion of the Company's membership in international initiatives and compliance with leading standards of responsible business conduct; development of strategic goals and practical measures to reduce greenhouse gas emissions and ensure rational use of natural resources; implementation of leading occupational health and safety standards; increased attention to human rights and anti-corruption issues; improvement of the risk management system.

2.2 Contribution to the UN Sustainable Development Goals

(GRI 102-12; 102-15)

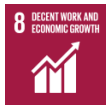
The five strategic areas of sustainable development reflect 13 UN Sustainable Development Goals being of top priority and relevance to the Company to which ALROSA can make the greatest contribution. The table below presents a brief summary of the Company's activities to achieve these goals.

For more detailed information on projects and initiatives implemented in 2021 for each goal, see the relevant subsection of the Report.

Table 1. ALROSA's contribution to the UN Sustainable Development Goals in 2021

	UN SDG	SDG targets	ALROSA's contribution to the SDG	Section of the Report
	Ensure healthy lives and promote well-being for all at all ages	3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being 3.5. Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol 3.6 Halve the number of global deaths and injuries from road traffic accidents 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Care for the health of employees, their families, and the population of the regions of presence; ensuring safe working conditions: • Implementation of the "Health" program among employees, their families, and retired employees • Implementation of the "Culture and Sports" program • Voluntary health insurance for employees and their families • Provision of vouchers at discount prices for staying at sanatoriums (health care centers); organization of recreation for children • Support and development of sports programs; promotion of a healthy lifestyle among employees and the population of the regions of presence • Investment in construction and development of medical facilities through the Special Fund for Future Generations of the Republic of Sakha (Yakutia) • Promotion of employee safety at workplaces; purchase of personal protective equipment • Implementation of internal occupational health and safety (OHS) standards • OHS training sessions • Involvement of contractors in risk identification procedures at production facilities; extension of OHS rules to contractors	• Social support • Prevention of occupational injuries and accidents • Training and development of a safety culture • Employee health and prevention of occupational diseases • Prevention of emergencies • Social investments in the development of the regions of presence
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.2 Ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education 4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for	Training of personnel; promotion of professional development and advanced training of employees and people living in the regions of presence: • Training of employees at the Staff Training Center of PJSC ALROSA, its training schools, and training centers of the Russian Federation • Implementation of training programs at the Corporate University; introduction of new programs	• Training and development

		employment, decent jobs and entrepreneurship 4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous minorities and children in vulnerable situations	• Cooperation with higher and secondary specialized educational institutions; offering internships for students; employment of young specialists	
	Achieve gender equality and empower all women and girls	5.1 End all forms of discrimination against all women and girls everywhere	Provision of equal opportunities to all employees: • Equal remuneration of men and women for work of equal value • Equal career opportunities for men and women • Gender balance in the personnel structure and management bodies	• Human rights • Headcount and personnel structure • Remuneration and appraisal
	Ensure access to water and sanitation for all	6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	Sustainable use of water resources: • Closed water circulation systems at most industrial facilities • Measures to protect and restore aquatic ecosystems • Dry stacking of tailings • Participation in the program to supply water to Vilyuyskaya group of uluses (districts) of the Republic of Sakha (Yakutia)	• Use of water resources
	Ensure access to affordable, reliable, sustainable and modern energy for all	7.2 Increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency	Improvement of the energy efficiency of production: • Switching to natural gas motor fuel; industrial certification to operate vehicles running on gas fuel • Implementation of a gasification project in Udachny • Re-use of waste oils as secondary energy resources at the Mirny Division and to heat Nakyn shift camp; use of these wastes to produce explosives at the Aikhal Division and Nyurba Division • Use of renewable energy; expanded use of solar energy	• Energy consumption and efficiency

	Promote inclusive and sustainable economic growth, employment and decent work for all	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Ensuring decent working conditions and sustainable economic growth in the regions of presence: • Fulfillment of obligations under the collective agreement with the Profalmaz trade union • Implementation of the Social Policy and social support programs for employees • Job creation in the regions of presence • Implementation of the "Local Staff in Industry" project • Implementation of "Argys" local workforce adaptation project • Decent salary – higher than the average salary in the Republic of Sakha (Yakutia) and the Russian Federation	• Creation of jobs in regions • Employee recruitment • Remuneration and appraisal
	Build resilient infrastructure, promote sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities 9.C Significantly increase access to information and communications technology and strive to provide universal	Participation in the development of the regions of presence and use of advanced technologies: • Signing agreements on social and economic development and cooperation with uluses (districts) of the Republic of Sakha (Yakutia) • Providing finance to the Special Fund for Future Generations of the Republic of Sakha (Yakutia) • Implementation of Assistance and Development programs through cooperation with the Special Fund for Future Generations • Implementation of a project to deliver high-speed Internet to Nakyn shift camp • Cooperation with local suppliers, including in relation to acquisition of high-tech products and implementation of import substitution programs • Implementation of the manufacturing execution system (MES) and analytics tools • Use of a single-window system for manufacturers to offer innovative and high-tech products for potential application at the Company • Implementation of a large-scale project to transform the maintenance and repair system	• Social investments in the development of the regions of presence

		and affordable access to the Internet in least developed countries by 2020		
	Reduced inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	Preventing inequalities in all forms: • Respect for the rights of indigenous peoples; employment and adaptation programs for indigenous peoples of the North • Support and development of the culture, customs, and traditions of the indigenous peoples of Yakutia • Compliance with the Code of Corporate Ethics • Human rights training for employees	• Human rights • Support for indigenous minorities
	Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage	Participation in development of the urban infrastructure in the regions of presence and support for indigenous minorities: • Financing the construction of social infrastructure facilities, including residential buildings, as part of cooperation with the Special Fund for Future Generations of the Republic of Sakha (Yakutia) • Agreements on social and economic development and cooperation with nine uluses (districts) in Yakutia • Preservation of cultural heritage of indigenous minorities of Yakutia: agreement with the Federal Agency for Ethnic Affairs (FAEA of Russia) on cooperation to preserve the traditional way of life of indigenous minorities of the North, Siberia, and the Far East • Organization of traditional national holidays of Yakutia peoples • Creation of a portal of indigenous peoples of the North to preserve their languages and national culture	• Social investments in the development of the regions of presence • Support for indigenous minorities
	Ensure sustainable consumption and production patterns	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance	Sustainable waste management: • Implementation of measures to reduce resource intensity and increase the efficiency of using natural resources throughout the value chain of mined diamond raw materials under the Innovative	• Waste management • Management of tailings dams

		with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Development and Technological Modernization Program • Reuse of overburden and tailings in production and construction • Promotion of responsible waste management and raising environmental awareness among young people in the regions of presence: an environmental quest game for schoolchildren in Mirny; transfer of used office equipment to students of the Mirny Regional Technical College for its subsequent reconditioning; an annual campaign "Let's do it" to clean urban areas, including collection of PET bottles to send them for recycling; sending sludge to the Institute of Applied Ecology of the North to carry out research on reuse of sludge when preparing the substrate.	
	Take urgent action to combat climate change and its impacts	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Reduction of GHG emissions: • Switching to natural gas for a part of motor vehicles • Implementation of a project to assess risks of permafrost thawing • Development of the climate strategy • Participation in the Carbon Disclosure Project and the climate-related assessment	• Climate change and GHG emissions
	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements 15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world 15.5 Take urgent and significant action to reduce the degradation of natural habitats,	Reduction of the negative impact of operations on the environment; implementation of environmental protection programs: • Update of the Environmental Policy • Recertification for compliance with the requirements of ISO 14001:2015 • Participation in environmental ratings • Rehabilitation of land disturbed in the course of production activities and restoration of the natural habitat that was prevailing in the area prior to diamond mining • Reforestation efforts	• Approach to environmental protection • Land rehabilitation • Biodiversity conservation

		halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	• Implementation of measures to protect and restore wildlife, in particular: ○ stocking water bodies with fish; ○ supporting the Living Diamonds of Yakutia natural park; ○ monitoring and protecting wild reindeer, including support for the West anti-poaching unit; participation in creation of specially protected natural areas to preserve summering grounds of wild reindeer; temporary suspension of production processes along migration routes of wild animals.	
	Revitalize the global partnership for sustainable development	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries	Cooperation to achieve sustainable development goals: • Improving the efficiency of international regulatory mechanisms and the industry self-regulation system • Promotion of high standards of responsible business and supply chains, including ALROSA ALLIANCE principles • Due diligence procedures • Providing stakeholders with timely, transparent information about the Company's activities, including public reporting	• Corporate governance • Business ethics and anti-corruption • Human rights • Ensuring responsible supply chains and increasing consumer confidence

3. GOVERNANCE AND BUSINESS ETHICS

KEY PERFORMANCE INDICATORS IN 2021

0 cases of corruption and fraud

> 11,000 of the Company's suppliers passed mandatory check

KEY EVENTS IN 2021

PJSC ALROSA joined the UN Global Compact

The Strategy and Sustainability Committee of the Supervisory Board was established

Internal anti-corruption regulations were updated

MATERIAL TOPICS

Responsible business practices

Corporate governance

Responsible supply chain

Compliance with legislative requirements

Innovative activity

UN SUSTAINABLE DEVELOPMENT GOALS

PRINCIPLES OF THE UN GLOBAL COMPACT

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

KEY AMBITIONS AND TARGETS UNDER THE SUSTAINABILITY PROGRAM UP TO 2025

Ambition	Target	Status	Progress for 2021
GE1 Improving corporate governance and management systems	Incorporating sustainability issues into the Company's management KPIs Ensuring the diversity of corporate governance bodies Participating and improving positions in national and international ESG ratings		The Strategy and Sustainability Committee of the Supervisory Board was established. *See ALROSA's positions in ESG ratings in the section "ALROSA Group"*
GE2 Ensuring respect for human rights	Improving corporate documents in terms of implementing approaches and procedures related to respect for human rights Improving the grievance mechanism to address human rights and business ethics issues Conducting annual human rights training Ensuring consideration of 100% of reports concerning human rights and business ethics and resolution of relevant issues		An e-learning course "Human Rights as a Factor in Sustainable Business Development" was developed. The Human Rights Policy was approved in early 2022.
GE3 Ensuring effective anti-corruption management	Developing and implementing a system of measures to counter bribery and corruption Improving feedback mechanisms related to anti-corruption issues Conducting annual anti-corruption training for employees Keeping 100% of employees regularly informed about the Company's current requirements and documents and applicable anti-corruption laws and standards of business ethics		The Anti-Corruption Policy was updated. The Regulations on Conflicts of Interest and Regulations on the Commission on Compliance with the Standards of Corporate Ethics and Resolution of Conflicts of Interest were developed. 100% of the Company's employees were familiarized with the Anti-Corruption Policy and the Code of Corporate Ethics.
GE4 Ensuring responsible supply chains and increasing consumer confidence	Promotion of natural/polished diamonds within the framework of international industry programs 100% of diamond operations are covered by the World Diamond Council (WDC) SoW Ensuring compliance with the Responsible Jewellery Council (RJC) requirements (verification of compliance and certification renewal) Ensuring compliance with and contributing to further improvement of industry self-regulation mechanisms Ensuring that 100% of diamond supply chain actors are subject to due diligence pursuant to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas Keeping consumers informed about the origin of 100% of diamonds		Development of a due diligence procedure for the diamond supply chain.
GE5 Innovative development	Maintaining the amount of financing for the Innovative Development and Technological Modernization Program at the level of at least RUB 1.5 billion annually		The amount of financing for the Innovative Development and Technological Modernization Program corresponds to the planned values

 *achieved*

 *in progress*

 *failed*

3.1 Corporate governance

Responsible business conduct and compliance with sustainability principles are an integral part of ALROSA's corporate culture. For this reason, one of the most important tasks for the Company was to assign responsibility for sustainability issues at all levels of corporate governance.

3.1.1 Management approach

(GRI 102-18; 102-19; 102-20; 102-22; 102-23; 102-26; 102-29; 102-31; 102-32)

The Company has an effective sustainability management system. Responsibility for this area is assigned at various levels of ALROSA's organizational structure. The approach to sustainability management is set forth in the Company's comprehensive Sustainability Program for 2021–2025.

For more information on ALROSA's Sustainability Program, see the section "Strategy and sustainable development."

ALROSA is actively developing its system of internal regulations on sustainable development, and in 2021 updated a number of policies and codes.

The list of key documents is given in each of the themed blocks of this Report.

Strategic management

In 2021, ALROSA made significant progress in sustainable development. The Company's comprehensive program in this area identified long-term objectives and set forth an action plan to implement them. By developing this plan, ALROSA confirmed its intention to continuously improve its operations, implement modern technologies and best practices, and promote leading international standards related to climate, environment, social responsibility, corporate governance, and industry self-regulation.

As part of the efforts to improve corporate governance, in 2021 the Strategic Planning Committee of the Supervisory Board was renamed the Strategy and Sustainability Committee. The functions of the Committee include the following:

- consideration of issues related to defining and achieving the Company's strategic sustainability goals;
- approval of non-financial reporting and strategic sustainability documents;
- participation in international initiatives, organizations, and associations dealing with sustainability issues and responsible business practices;
- development of relevant recommendations for the Supervisory Board.

A dedicated Sustainability Task Force consisting of members of the Supervisory Board was established as part of the Committee. Thanks to the achieved level of expertise, international best practices are taken into account when developing and updating the Company's approach to sustainability issues.

Operational management

Executive Committee

At the operational level, sustainability is managed by the Executive Committee and the CEO – Chairman of the Executive Committee. They organize implementation of decisions of the Supervisory Board and are responsible for execution of the sustainability strategy. The CEO manages day-to-day operations of the Company and is responsible for allocating sustainability responsibilities among structural divisions.

Sustainability Working Group

To coordinate sustainability efforts at the operational level, a dedicated Sustainability Working Group was also created. It includes representatives of 16 ALROSA divisions involved in managing environmental, social, and economic issues. The Group manages sustainability issues and makes prompt decisions thereon on a day-to-day basis.

3.2 Business ethics and anti-corruption

ALROSA is governed by the principles of responsible, honest, and transparent business practices. Stakeholder confidence is gained by maintaining consistently high standards of ethical business conduct and showing concern for employees and partners.

3.2.1 Approach to business ethics and anti-corruption

(GRI 102-16)

ALROSA has zero tolerance for bribery and corruption in any business processes and is constantly combating them.

ALLOCATION OF RESPONSIBILITY

Security Service

Marketing and Public Relations Department

HR functions

REGULATORY DOCUMENTS

Code of Corporate Ethics (new version)[3]

Anti-Corruption Policy[4]

ALROSA ALLIANCE Guidelines on Responsible Business Practices[5]

The key principles of ALROSA in this area are:

- zero tolerance for any forms and manifestations of corruption;
- prevention and resolution of conflicts of interest;
- inevitability of punishment;
- legitimacy;
- regular corruption risk assessment;
- tone at the top;
- consistency and adequacy of anti-corruption procedures;
- due diligence;
- monitoring and control;
- improvement of the anti-corruption system;
- provision of information channels for anti-corruption communications and proposals.

ALROSA's principles and values are represented in the Sustainability Policy.

The Company has a set of internal documents governing anti-corruption activity. They are regularly updated and comply with laws.

The Anti-Corruption Policy, updated in 2021, specifies ALROSA's key goals, principles, and requirements in the area of preventing and combating corruption and complying with the laws of the Russian Federation and applicable regulations of other jurisdictions.

The Company updated this Policy, among other things, to comply with ISO 37001:2016. The document is aimed at developing anti-corruption safeguards and preventing corruption among employees and counterparties.

In 2021, the Company developed the Regulations on Conflicts of Interest and Regulations on the Commission on Compliance with the Standards of Corporate Ethics and Resolution of Conflicts of Interest. Both documents will serve as the basis for further development of the anti-corruption system and are mandatory for the Company's employees to study.

In the reporting year, ALROSA also updated its Code of Corporate Ethics aimed at promoting zero tolerance for corruption and the need to prevent conflicts of interest among employees.

The Company's position on financing of political activities

In accordance with the Regulations on Charity and Sponsorship, ALROSA does not make donations for political purposes. Funds for charity are allocated pursuant to the List of Gratuitous Transactions approved by the Supervisory Board of the Company as part of the consolidated budget for each year.

[3] Approved by the Supervisory Board of PJSC ALROSA on 10 March 2021, minutes No.01/328-PR-NS dated 11 March 2021.

[4] Approved by the Supervisory Board of PJSC ALROSA on 10 March 2021, minutes No.01/328-PR-NS dated 11 March 2021.

[5] ALROSA ALLIANCE Guidelines on Responsible Business Practices for the Company's most reliable long-term customers were approved in May 2014.

3.2.2 Anti-corruption compliance monitoring

(GRI 102-17; 102-25; 205-1; 205-2)

ALROSA identifies, assesses, and periodically reassesses corruption risks inherent in potentially vulnerable business processes. The Company's employees regularly study internal regulations, undergo training in anti-corruption procedures, and are actively involved in implementation of anti-corruption measures.

The Anti-Corruption Policy and the Code of Corporate Ethics have been communicated to **100%** of the Company's employees.

ALROSA has a strong anti-corruption and anti-fraud position and promotes it in its corporate culture. To prevent violation of anti-corruption rules by employees, the Company has developed appropriate sanctions.

To prevent corruption, the Company has established the following anti-corruption procedures related to personnel:

- assessment of employees at the time of employment and in case of promotion;
- provision of candidates for high corruption risk positions and employees at such positions with information enabling them to predict potential conflicts of interest;
- immediate notification of a conflict of interest;
- registration of persons obliged to provide information on their personal interest in transactions (conflict of interest);
- maintenance of a mechanism to resolve conflicts of interest.

Before making a decision to start or continue business relations, ALROSA checks its counterparties following the principle of due diligence to ensure that they are reliable and have zero tolerance for corruption and that there are no conflicts of interest. The Security Service reviews the legitimacy of a transaction, compliance with the procedure for determining the initial maximum price and its correspondence to the market price. The relationship between the amount of payment under the contract and the amount of work performed is also assessed. Representatives of the Security Service serve on procurement commissions and committees of various levels and divisions.

100% of contracts with business partners contain an anti-corruption clause.

100% of business partners know ALROSA's anti-corruption requirements and policies.

11,051 corruption risk tests were performed with respect to business partners

The Company's employees and stakeholder representatives are able to report (including anonymously) corrupt practices or other negative events through the Hotline 24/7. Information is received by e-mail or regular mail. Reports to the Hotline are accepted with a non-retaliation guarantee. In 2021, 53 such reports were received.

Starting from 2021, the Company has been developing the Compliance function that will include a universal hotline.

3.2.3 The approach of the Security Service to combating fraud and corruption

(GRI 205-3)

The Security Service employees collect information on signs of corruption in business processes of divisions. Various sources of information are used for this purpose, including scheduled or unscheduled internal reviews of information previously obtained by other means.

If any signs of violation or potential violation of anti-corruption rules are detected, internal investigations are conducted.[6] Information on detected signs of an administrative offence or crime together with the relevant application are submitted to law enforcement agencies for preliminary investigation. The Security Service assists law enforcement agencies by providing documents or other information within its competence.

During 2021, the Security Service investigated five cases of corruption-related offenses. The Company cooperates with law enforcement agencies and monitors the progress of the cases.

[6]Regulations on Internal Investigations at PJSC ALROSA No. A01/106-P dated 24 April 2018.

3.2.4 Plans for 2022 and the medium term

ALROSA's key objectives for 2022:

- to update internal regulatory documents governing the Company's anti-corruption approach;
- to prepare and implement an action plan to develop the anti-corruption and business ethics management system;
- to develop a training plan and a training module and to conduct annual employee training in combating corruption and complying with business ethics standards.

3.3 Human rights

Recognition of and respect for fundamental rights and freedoms of all stakeholders is an important principle of ALROSA's business. The Company is guided by Russian laws and international principles set forth in the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the World Diamond Council System of Warranties Guidelines.

3.3.1 Approach to ensuring respect for human rights

(GRI 102-41; 402-1; 412-2)

ALROSA is firmly committed to human rights and makes every effort to ensure that they are not violated.

The Company adheres to the principle of equal opportunity and has zero tolerance for any form of discrimination on the ground of sex, race, skin color, ethnicity, language, origin, property, family status, social and job position, age, place of residence, religious attitude, beliefs, membership or lack of membership in any public association or any social groups or on the ground of any other circumstances unrelated to business qualities of an employee.

ALLOCATION OF RESPONSIBILITY

International Relations Department

Marketing and Public Relations Department

Security Service

HR functions

REGULATORY DOCUMENTS

Human Rights Policy

Sustainability Policy

Code of Corporate Ethics

Collective Bargaining Agreement

ALROSA ALLIANCE Guidelines on Responsible Business Practices

Regulations on Responsible Diamond Supply Chain Management

The Human Rights Policy was approved by ALROSA in early 2022. The document confirms the Company's commitment to the principle of respect for human rights and zero tolerance for any types of discrimination, discloses the principles and mechanisms for protecting human rights, and ensures compliance with them throughout the diamond supply chain.

The Human Rights Policy was developed in full compliance with effective Russian and international laws and is binding on employees of all structural and standalone divisions of ALROSA. Human rights and non-discrimination issues are regulated by the Company's internal documents.

By joining the UN Global Compact, ALROSA confirmed its commitment to the ten fundamental principles of the UNGC, two of which are directly related to protection of human rights.

3.3.2 Monitoring the respect for human rights

ALROSA uses monitoring and control to ensure that human rights are respected in all business processes, to identify violations, and to respond to them in a timely manner. Control is exercised by heads of functional, structural, and standalone divisions of the Company and the Commission on Compliance with the Standards of Corporate Ethics and Resolution of Conflicts of Interest.

ALROSA's employees are obliged to be ethical and respect human rights in all aspects of their activity. They are also subject to disciplinary or other liability under applicable law for their acts or omissions that adversely affect human rights.

Figure 4. ALROSA's main principles related to human rights

Compliance with laws and ethical standards	•The Company constantly monitors changes in applicable laws and regulations and takes them into account in its operations on a timely basis in accordance with established procedures
Priority of life and health	•The Company recognizes and accepts responsibility for ensuring the safety of its operations and working conditions, maintaining a favorable environment, and minimizing the negative effect on it
Non-discrimination	•The Company does not tolerate any differences, exclusions, restrictions or preferences in respect of any rights based on any discriminatory characteristic
Fair and equal treatment of all	•The Company creates an equal and inclusive environment, so that every employee can demonstrate their personal qualities, realize their professional potential, and achieve the highest possible results
Consideration of stakeholders' opinions	•The Company constantly informs stakeholders and seeks cooperation with them on issues related to its operations

When recruiting and hiring employees, the Company is guided solely by professional qualities of candidates and does not tolerate any form of discrimination. ALROSA complies with the requirements related to employment of people with disabilities and seeks to create a barrier-free environment.

The Company does not use forced or child labor, ensures decent and equal working conditions, a safe and favorable working environment, respects the culture, customs and traditions of local communities, and does not allow their forced relocation.

The Company guarantees its employees the right to freedom of association and collective bargaining in accordance with the laws of the Russian legislation. The Interregional Trade Union of ALROSA employees – Profalmaz – is an authorized representative of the Company's employees.

Relations with personnel are based on the principles of social partnership and specified in the Collective Agreement that applies to all employees of PJSC ALROSA (including temporary or part-time employees). The Collective Agreement applies to all structural divisions of ALROSA.

In the event of significant changes in the Company's activities, the Collective Agreement stipulates the obligation to inform the Profalmaz trade union thereof in writing at least two months before the start of dismissals and to inform the Profalmaz trade union and territorial employment services of expected mass layoffs at least three months in advance.

100% of the Group's employees are covered by the Collective Agreement.[7]

Primary trade union organizations are present at all the Company's enterprises and have access to production sites. Trade union representatives monitor employees' reports on violations and protect their rights. In ALROSA, the main body of social partnership in the field of labor is the Commission for Regulation of Social and Labor Relations formed from authorized representatives of the parties on a parity basis.

Mechanisms for ensuring respect for human rights

The Company undertakes not to commit human rights violations in its operations and, if it does, to eliminate their consequences. To protect human rights, ALROSA is implementing due diligence procedures, including risk assessment across the entire value chain, development and implementation of necessary corrective actions and processes.

[7] Benefits under the Collective Agreement apply to all employees of the Company.

To ensure respect for human rights, ALROSA is implementing the following mechanisms:

- Human rights risk management
- Mitigation of the negative impact on human rights
- Training in and raising awareness of human rights
- Feedback mechanisms
- Control and liability
- Provision of information and reporting

Monitoring the respect for human rights

The Company's employees may file a complaint about any issues related to their employment rights through the feedback mechanism available at ALROSA – the hotline or the trade union's website. ALROSA also monitors the compliance with the Code of Corporate Ethics with the involvement of the Company's Security Service. The Security Service checks counterparties using the KYC (Know Your Customer) principle for compliance with the ALROSA ALLIANCE Guidelines on Responsible Business Practices and the WDC System of Warranties Guidelines.

Human rights training for employees

In 2021, ALROSA developed an e-learning course for all employees and two special modules for medical and security workers. "Human Rights as a Factor in Sustainable Business Development." course covers fundamental federal documents on human rights and business, human rights in the workplace, non-labor (civil) rights and their place in labor relations.

The average duration of the course for one employee is 3-4 hours. The general course is planned to be assigned to all employees, including new employees upon hiring.

3.3.3 Plans for 2022 and the medium term

Key human rights targets:

- to develop regulations and guidelines on performing human rights due diligence procedures at the Company;
- to improve the feedback mechanism for business ethics and human rights issues;
- to develop a human rights training program and to conduct regular human rights training for employees;
- to develop a comprehensive support program for employees with disabilities.

3.4 Ensuring responsible supply chains and increasing consumer confidence

The Company is focused on complying with the principles of responsible business conduct and providing complete and reliable information about rough and polished diamonds produced at all stages of its operations – from diamond exploration and mining to sorting, cutting, and jewelry making.

ALLOCATION OF RESPONSIBILITY

United Selling Organization

International Relations Department

REGULATORY DOCUMENTS

Code of Business Ethics for Suppliers

Anti-Corruption Policy

Regulations on Responsible Diamond Supply Chain Management

Regulation on the Procedure and Terms of Sales of Natural Diamonds

Regulation on Procurement

Regulations on Promotion of Sustainable Development Principles among Suppliers and Contractors

Methodology for determining requirements, preferences, criteria for selection and evaluation of bids of tender participants

ALROSA is committed to responsible business conduct, integrity, and openness when dealing with stakeholders. One of the main objectives in this area is to build a sustainable supply chain.

The Company pays great attention to provision of complete and reliable information about its rough and polished diamonds – having a unique opportunity to track their origin at all stages of production. ALROSA can provide information on the regional origin of rough and polished diamonds that are not mixed in the process of sorting, evaluation, and sale. The Company complies with current industry standards and actively participates in development of new approaches to building transparent diamond supply chains.

Its internal control systems comply with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals, which guarantees ethical and responsible origin of rough and polished diamond products.

In the reporting year, ALROSA continued to improve its approach to supply chain management. The Company is planning to introduce due diligence procedures for its diamond supply chain based on preliminary risk assessment results. This will improve the efficiency of assessing business partners, including in terms of ESG issues and sustainability aspects as a whole, and build confidence in the ethical nature of the Company's products.

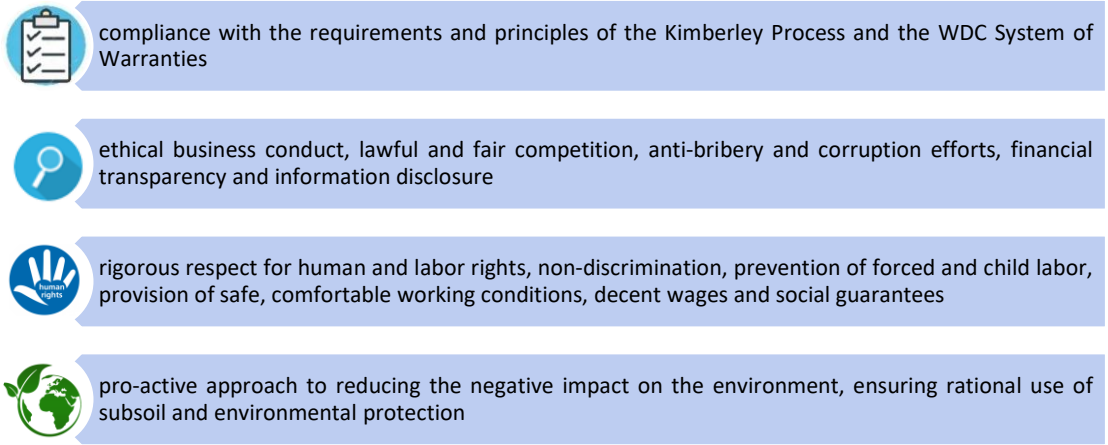
ALROSA strives for a sustainable future, maintaining a balance between commercial and public interests. The Company places great importance on selection of buyers of rough diamonds – it establishes commercial relations only with those of them who can demonstrate an adequate level of economic and financial stability, compliance with laws and ethical standards, and business reputation. In 2021, the Company approved a new version of the Regulation on the Procedure and Terms of Sales of Natural Diamonds that specifies the principles of commercial relations between ALROSA and its customers. According to the document, customers and diamond supply contracts are broken down into three categories depending on the nature of their business: retail, cutting and polishing, and trading.

This Regulation sets forth the key principles of customer relations and the obligations of the Company and third parties in the process of their cooperation.

3.4.1 ALROSA ALLIANCE principles

To identify customers as reliable buyers of rough diamonds, the Company has developed the ALROSA ALLIANCE logo. As part of development of cooperation with responsible buyers, the Company has implemented the ALROSA ALLIANCE Guidelines on Responsible Business Practices. By using the ALROSA ALLIANCE logo, the participants declare their commitment to the said principles and their intent to comply with them in their operations and communication with business partners across the entire diamond supply chain.

Figure 1. Obligations of ALROSA ALLIANCE participants



In 2021, a new list of ALROSA ALLIANCE participants was prepared for the 2022–2024 contract period to include 51 buyers of gem-quality diamonds and 10 buyers of industrial diamonds.

3.4.2 Requirements for suppliers and contractors

(414-1)

Before establishing business relations, ALROSA carefully checks potential counterparties for compliance with the principles of responsible business conduct, including the standards of corporate governance, business ethics, labor and human rights, health and safety, environmental protection, etc. One of the Company's key procurement principles is transparency and competitiveness.

ALROSA's Code of Business Ethics for Suppliers developed and approved in 2021, is the main document governing the formation of an open competitive procurement system. The Code establishes the rules of procurement procedures and the requirements imposed on counterparties. ALROSA relies on its suppliers to promote the same ethical principles, universal human values, and environmental standards across their own supply chains.

ALROSA expects its suppliers to respect and comply with laws and other rules when doing business and follow the principles set forth in the Group's internal documents. The Company promotes a culture of combating corrupt practices and abuse of power and demands the same from its suppliers. Moreover, ALROSA's counterparties are obligated to respect human rights, including labor rights, and comply with the requirements of international conventions and declarations of the UN and the International Labor Organization.

The Company's suppliers must strictly observe environmental laws, seek to minimize the negative impact on the environment, conduct monitoring, use natural resources rationally, and switch to new, more environmentally friendly production technologies. ALROSA regularly performs a comprehensive check on its suppliers for compliance with the Company's social and environmental criteria, including a check for past due mandatory payments, violations of law, and court decisions to impose sanctions on them.

3.5 Development of innovations

Innovative and technological development plays an important role in maintaining and improving ALROSA's competitive advantage in the market in the medium and long term. As part of the Innovative Development and Technological Modernization Program up to 2024,[8] the Company has identified five strategic priorities (areas):

- technologies to increase the efficiency of geological exploration;
- technologies of remote / automated industrial process control;
- diamond ore processing technologies;
- technologies to improve OHS and environmental protection;
- new customer experience/relations technologies.

It is impossible to achieve strategic development targets without introduction of digital technologies. ALROSA consistently engages in digital integration of production processes: AI-based digital technologies are becoming the main driver of the Innovative Development and Technological Modernization Program.

[8] The Program was updated in accordance with the decision of the Russian Government Commission for the Modernization of the Economy and Innovative Development of Russia (Minutes No. 2 dated 22 October 2018) and approved by the Supervisory Board of PJSC ALROSA (Minutes No. 01/312-PR-NS dated 30 April 2020).

4. DEVELOPMENT OF HUMAN CAPITAL

KEY PERFORMANCE INDICATORS IN 2021

30,911 people

is the ALROSA Group's average headcount

12%

is the share of indigenous peoples in the total workforce of PJSC ALROSA

RUB 136,700

is the average salary at the ALROSA Group

13%

is the staff turnover rate for the ALROSA Group

61%

is the share of trained employees in the ALROSA Group

33%

is the share of women in the ALROSA Group

KEY EVENTS IN 2021

The HR transformation was launched

The employer value proposition (EVP) was developed for the first time

An employee engagement survey – ALROSA Voice – was conducted for the first time

A careers fair for disabled people was held

MATERIAL TOPICS

Decent working conditions

Training and development

Diversity and equal opportunity

UN SUSTAINABLE DEVELOPMENT GOALS

PRINCIPLES OF THE UN GLOBAL COMPACT

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5: Businesses should uphold the effective abolition of child labor.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

KEY AMBITIONS AND TARGETS UNDER THE SUSTAINABILITY PROGRAM UP TO 2025

Ambition	Target	Status	Progress for 2021
P1 Recruiting and retaining talented staff	Achieving the staff turnover rate of no more than 9% by 2025 (with an annual decrease by 1% since 2020)	✓	The staff turnover rate in 2021 was 13%
P2 Promoting diversity and inclusivity	Maintaining at least a 30% share of women in the total workforce annually Ensuring at least a 11% share of indigenous peoples in the total workforce of PJSC ALROSA annually Implementing programs aimed at professional and career development of young specialists of the Company and young people in the regions of operation Implementing adaptation programs for indigenous and minority peoples in the regions of operation	✓	In 2021, the share of women in the personnel structure was 33% The share of indigenous peoples of Yakutia in the personnel structure of PJSC ALROSA was 12% in 2021 In 2021, the Company implemented the following projects: ProfiClub, My Choice, Corporate Class of PJSC ALROSA. ALROSA took part in the CASE-IN case championship and opened a specialized department at the Irkutsk National Research Technical University
P3 Providing employees with access to high-quality and modern training and occupational development programs	Achieving the share of employees covered by corporate training programs of at least 88% in the total workforce by 2025 (with an annual increase by 2–3%) Achieving at least 31 hours of training on average per employee per year	✓	61% of employees received training in 2021 The average number of training hours per employee in 2021 was 24
P4 Promoting local employment	Achieving 100% of targets set under state local employment programs Ensuring at least a 90% share of local employees[9] in the total workforce annually	✓	In 2021, 3,018 employees were hired under state programs. The share of local employees in the personnel structure of PJSC ALROSA was 91% in 2021
P5 Improving employee engagement and satisfaction	Achieving the employee engagement and satisfaction rate of 60% by 2025 (with an annual increase by 2%)	✓	In 2021, the engagement rate increased by 10% to reach 57%

✓ *achieved* ✓ *in progress* ✗ *failed*

[9] Citizens of the Russian Federation.

4.1 Approach to personnel management

Employees lie at the core of the ALROSA Group's success. The Company engages and retains high-class professionals by developing its system of training and HR management and creating comfortable and safe working conditions.

ALLOCATION OF RESPONSIBILITY

HR functions

Security Service

Center for Strategic Projects and Analytics

REGULATORY DOCUMENTS

Collective Agreement

Social Policy

Internal Employment Regulations

Organizational and administrative documents, orders, and other internal documents

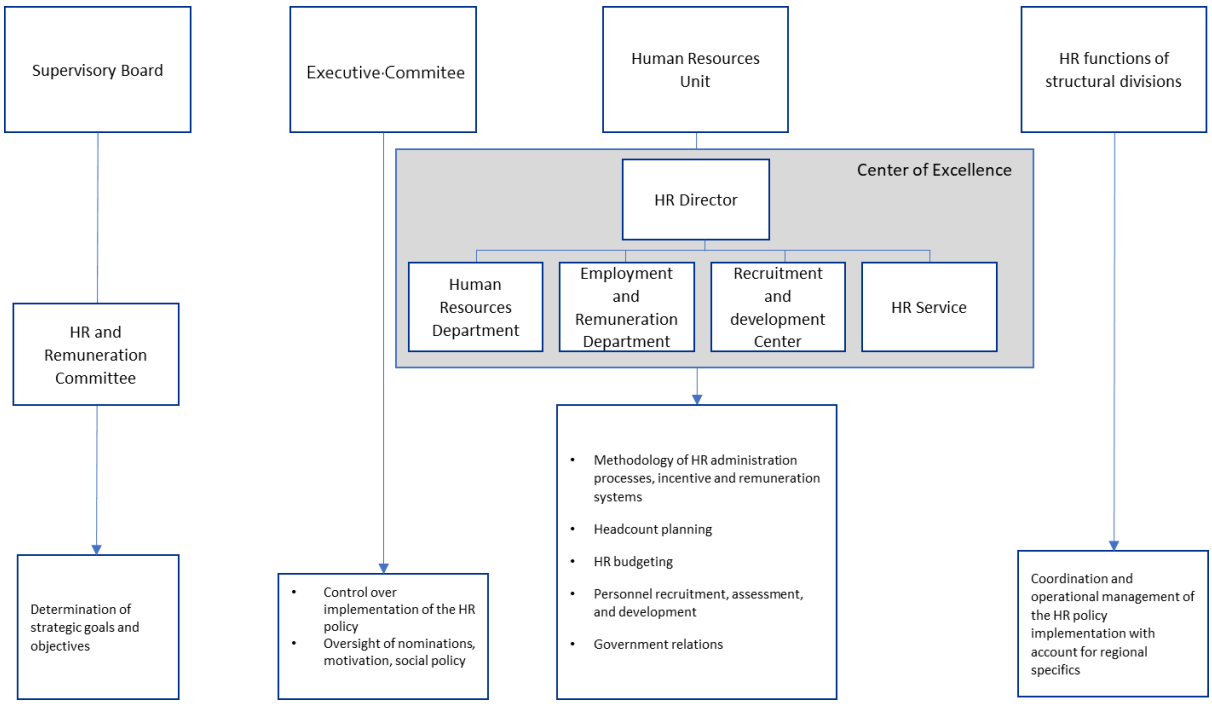
ALROSA's HR Policy is aimed at increasing labor productivity, improving social protection of employees, and creating a favorable social and psychological climate.

The principles of ALROSA's HR Policy are:

- workforce planning;
- ensuring local employment;
- minimizing costs related to attraction of human resources from regions;
- optimizing the age structure of personnel, attracting and retaining young people;
- timely satisfaction of the Company's need for employees having the required qualification;
- ensuring performance efficiency and increasing labor productivity.

In 2021, ALROSA launched the transformation of its HR function which is scheduled to be completed in 2023. In particular, the Company consolidated the support of three structural divisions, including the Mirny and Nyurba Division, and established a Human Resources Center. At the same time, ALROSA automated a number of HR management processes, including the transition to a single system of HR accounting and payroll calculation. In addition, in 2021 a number of internal documents determining the Company's approach to HR management were updated.

Figure 1. HR management structure



4.2 Headcount and personnel structure

(GRI 102-7, 102-8, 401-1, 405-1)

The ALROSA Group's average headcount in 2021 was 30,911 people. The majority of them (60%) are employed by PJSC ALROSA. A 4.7% decrease in the headcount compared to the previous reporting period was caused by reorganization of structural divisions and optimization of business processes.

Figure 2. Average and end-of-period headcount of the ALROSA Group,[10] people

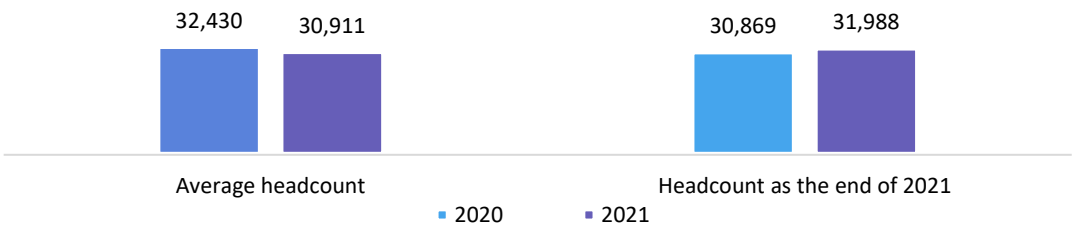


Figure 3. Structure of the ALROSA Group's personnel by complex

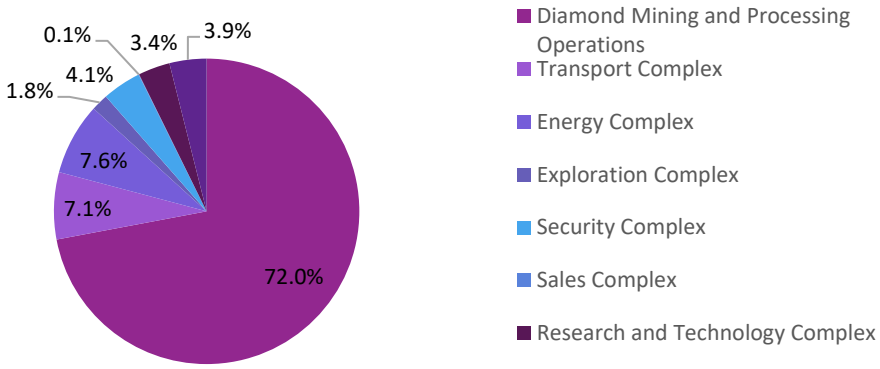
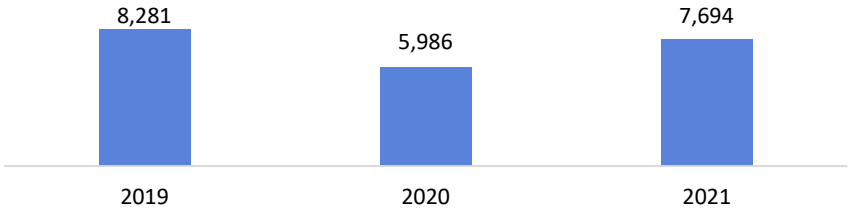


Figure 4. Total number of employees hired during the reporting period[11] in the ALROSA Group, people

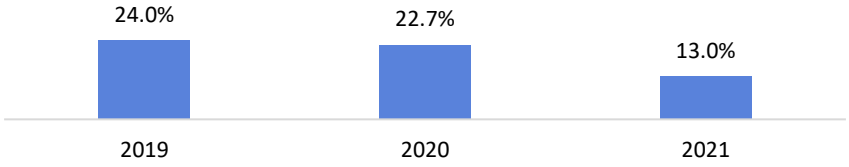


The ALROSA Group's staff turnover rate in 2021 was 13%, which is almost 10 p.p. lower than in 2020, which is mainly due to a change in the methodology for calculating the indicator.

[10] In the reporting year, ALROSA expanded the reporting perimeter and recalculated the indicators for 2020 for all enterprises of the Group. Data for 2019 is not available for the new perimeter. The data for 2020 has been adjusted in the process of improving approaches to collecting and consolidating information.

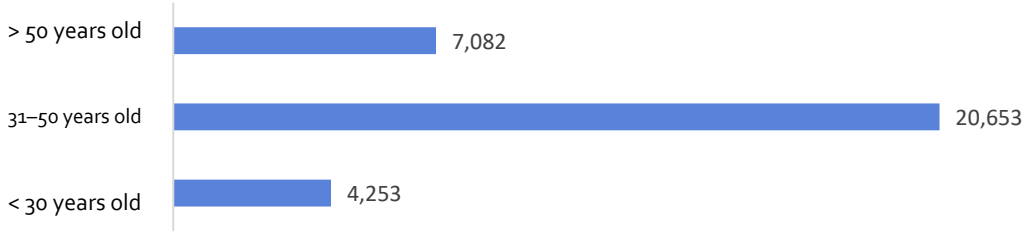
[11] The number of hired employees is determined by the number of employment contracts concluded. The data for 2020 has been adjusted in the process of improving approaches to collecting and consolidating information.

Figure 5. Staff turnover rate for the ALROSA Group[12]



The majority of ALROSA's employees are employed on a full-time basis (28,559 people, 89%), and the number of part-time employees is 3,429 people (11%). In 2021, 29,701 employees (93%) worked under permanent employment contracts, while 2,287 employees (7%) worked under fixed-term contracts.

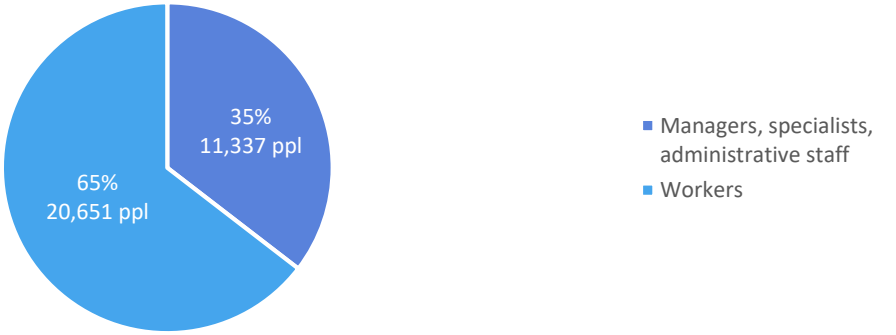
Figure 6. End-of-period headcount of the ALROSA Group by age, people



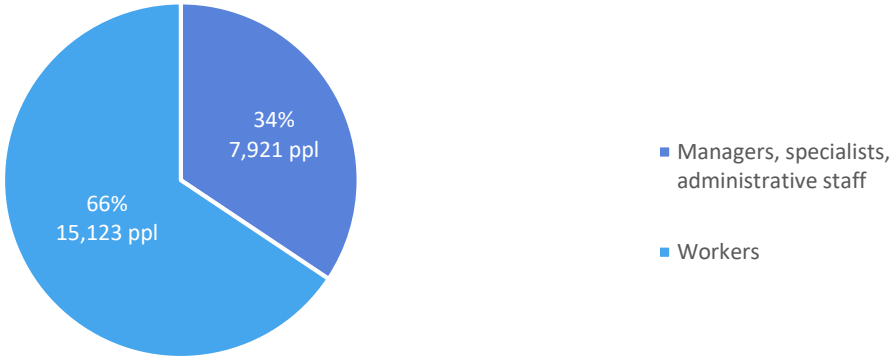
Due to the Company's industry, the majority of ALROSA's employees are workers (65%).

Figure 7. Personnel structure by category (end-of-period headcount)

ALROSA Group



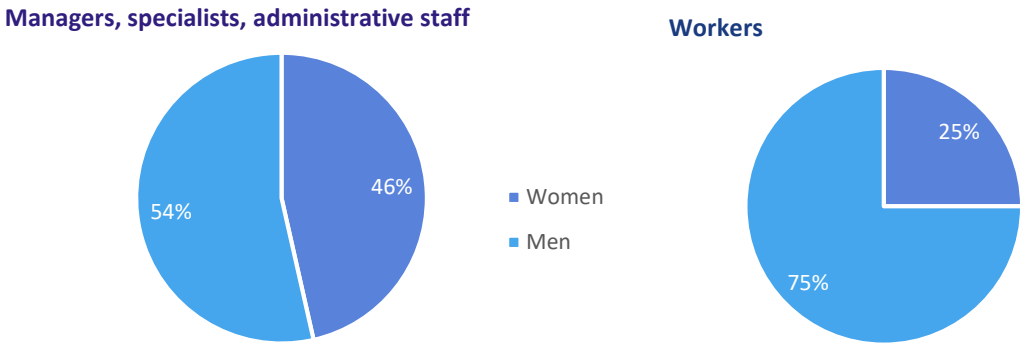
Diamond Mining and Processing Operations



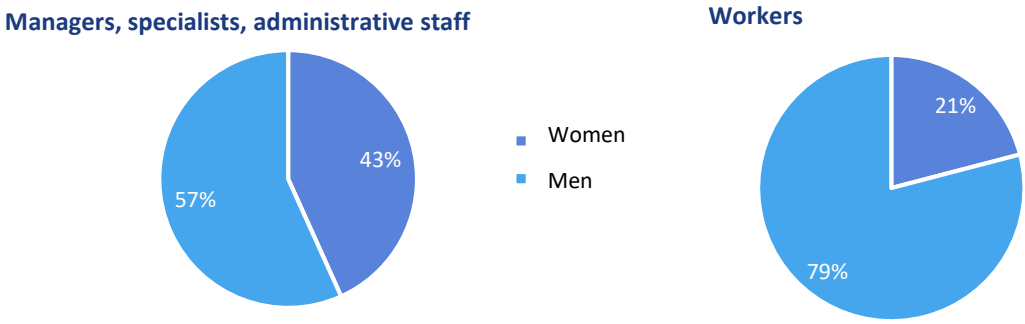
[12]In 2021, the methodology for calculating the staff turnover rate was amended, with employees leaving by agreement of the parties excluded from the calculation.

$$Staff\ turnover\ rate = \frac{number\ of\ dismissed\ employees\ (at\ their\ own\ request,\ for\ violation\ of\ labor\ discipline)}{average\ headcount} \times 100\%$$

Figure 8. End-of-period headcount of managers, specialists, administrative staff and workers by gender
ALROSA Group

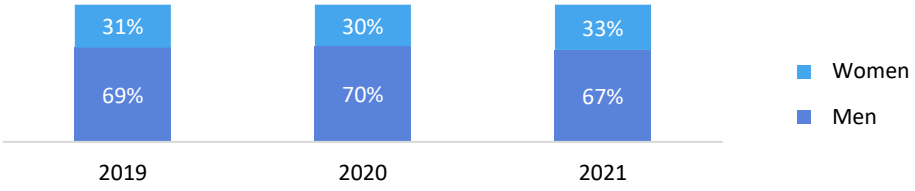


Diamond Mining and Processing Operations



Equal development opportunities lie at the core of ALROSA's business. Therefore, the Company has zero tolerance for discrimination on any grounds. Men and women are provided with equal opportunities for employment and personal fulfillment. The share of women in the ALROSA Group is one of the highest in the industry: female employees account for 33% of the total workforce. The predominance of men in the personnel structure is due to sectoral specifics, including the need to work in an arduous work environment.

Figure 9. Gender ratio in the structure of the ALROSA Group's personnel (end-of-period headcount)



27% is the share of women in the ALROSA Group's management

4.3 Attraction of employees

ALROSA is constantly improving its approaches to attracting new employees to develop its human resources potential: it tries to make its employer brand more appealing, implements programs for young specialists, and cooperates with educational institutions in the regions of presence.

HR brand development

ALROSA is actively promoting its HR brand. In 2021, the Company developed its employer value proposition (EVP). For this purpose, the target audience was chosen, a series of interviews and workshops were held. As a result, the following competitive advantages of ALROSA were identified:

- decent pay;
- leadership;

- ecosystem;
- human-centricity;
- professionalism.

In the reporting year, ALROSA increased its attractiveness to **56.8%**, ranking second among the most attractive employers in Russia in the industry, according to Randstad.

Educational events for schoolchildren and students allow young people to learn more about the operations of ALROSA and the mining industry specifics and find out what professions are now in high demand.

Figure 10. Programs to attract new employees to the ALROSA Group

For schoolchildren	For university and college students
•ProfiClub •My Choice •ALROSA Class	•CASE-IN •Employer-sponsored education •Specialized university department

Cooperation with schools

The Company is implementing the following projects for high school pupils: ProfiClub, My Choice (a career guidance team game), and ALROSA Corporate Class. Schoolchildren take part in classes and workshops, go on excursions to the Company's enterprises, get acquainted with specialists and top managers of the ALROSA Group who share their personal experience and talk about their career in the Company. In 2022, due to improvement of the epidemiological situation, ALROSA continues to implement its programs in the usual format and expands the geographic scope of organized events.

Cooperation with universities and colleges

To attract young people, ALROSA cooperates with higher and secondary specialized educational institutions offering their students opportunities for on-the-job training and internships. Under the employer-sponsored education program, ALROSA enters into contracts with school-leavers in the Mirny district based on requests received from its divisions. The students do paid internships and receive additional scholarships. ALROSA provides them with free transport to and from the place of internship and guarantees their employment after graduation.

In 2021, **26** students continued their education at specialized universities under employer-sponsored education contracts with PJSC ALROSA.

150 people received on-the-job training and **13** young specialists had internships at the Company's structural divisions.[13]

In 2021, the Company entered into an agreement to open a specialized department in the format of a corporate training center at the Irkutsk National Research Technical University, and started creating an additional professional program to develop competencies necessary for new employees of ALROSA. For this purpose, the Company's specialists developed a graduate's profile with a list of expected competencies. In 2022, ALROSA is planning to open a similar department at the Siberian Federal University.

The Company organizes career days. In 2021, they were mainly held online due to epidemiological restrictions.

CASE-IN International Case Championship

ALROSA is a partner of the student league of the CASE-IN International Engineering Case Championship and Autumn Cup that help attract young and promising students and introduce them to the specifics of the Company's operations. The jury consists of ALROSA's exploration and mining specialists. Career days are held at participating universities as part of the Championship. Finalists are invited to a paid internship at ALROSA, and winners are guaranteed employment with the Company.

[13] Under the "Local Staff in Industry" project.

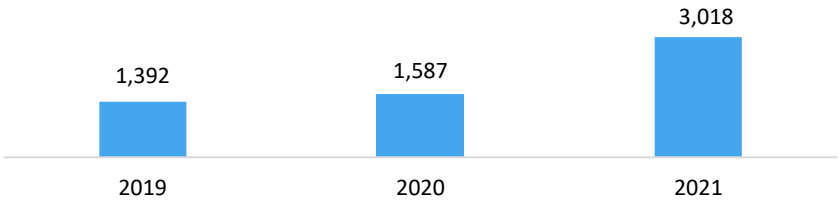
4.4 Creation of jobs in regions

(GRI 202-2)

ALROSA creates jobs for people living in its regions of presence. The Company participates in the republican program "Local Staff in Industry" and implements its own program "Argys".

In 2021, 3,018 residents of the Republic of Sakha (Yakutia), including uluses of Yakutia (2,887 people), were hired by ALROSA under the "Local Staff in Industry" program, which is twice the figure for the previous period. This result was achieved thanks to an awareness campaign undertaken together with the local Employment Center, as well as the easing of COVID-19 restrictions.

Figure 11. Employees hired under the "Local Staff in Industry" program, people



"Local Staff in Industry"

Together with the State Employment Committee of the Republic of Sakha (Yakutia) and the Employment Center of the Mirniny District, representatives of ALROSA held job fairs throughout 2021, doubling their number as compared to the previous year.

2021 results:

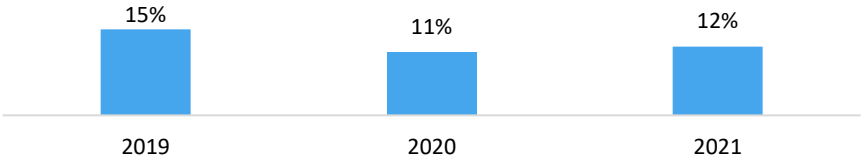
725 people were employed for seasonal work;

316 people from rural areas were hired;

813 people under the age of 35 were hired.

Ensuring decent working conditions and sustainable economic growth in the regions of presence is one of the Company's priorities. Our key focus areas are employment of local people and economic development of Arctic uluses (districts). The share of indigenous peoples of Yakutia in the total workforce of PJSC ALROSA was 11.9% (2,303 people) in 2021.

Figure 12. Share of indigenous peoples of Yakutia in the total number of employees hired by PJSC ALROSA



The Company respects human rights and strives to increase inclusivity. Due to the specifics of operations and the predominance of production enterprises in the ALROSA Group, employment of people with disabilities is limited. Nevertheless, the Company makes a list of professions available to disabled people.

For more information on ALROSA's work with indigenous peoples, see the section "Support for indigenous minorities".

4.5 Motivation and involvement

The ALROSA Group's incentive system is aimed at ensuring that employees are able to implement their professional capabilities to the fullest extent. It includes various types of bonuses and other compensation and incentive payments. These payments include allowances for work in the Far North and other types of premiums.

The Company pays bonuses based on the performance of each employee and division. Regardless of the position and type of employment, all ALROSA employees are entitled to social benefits.

ALROSA Voice

ALROSA Voice is the ALROSA Group's employee engagement survey. It was conducted in 2021 for the first time.

17,239 employees took part in the survey. The survey showed that the engagement rate rose by 10 p.p. year-on-year and reached 57%. Positive trends in all indicators demonstrate the effectiveness of innovations.

Key positive changes noted by employees:

- improvement of the communication and information system;
- regular meetings with senior management, its greater openness, growing trust in managers;
- additional benefits, wage indexation, targeted pay rises;
- improved efficiency of business processes;
- new professional and career development programs;
- successful survival of the crisis and return to previous workloads.

Based on the results of the survey, the Company identified key issues that need to be addressed and prepared an action plan to improve employee engagement.

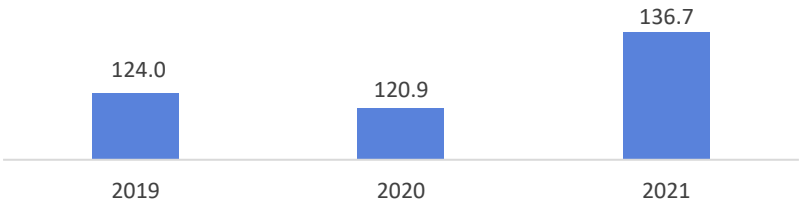
4.6 Remuneration and appraisal

(GRI 202-1, 401-2)

The ALROSA Group's employee remuneration system is based on fair appraisal and is aimed at achieving strategic goals by attracting and retaining highly qualified specialists. ALROSA strives to ensure a decent salary level that depends exclusively on the professional qualities of an employee and the quality and amount of work performed by that employee. The Company adheres to the principle of equal pay, regardless of the age or gender of an employee.

In the reporting period, the average salary of the ALROSA Group's employees was RUB 136,700 per month. The Company regularly indexes the amount of remuneration. For example, in July 2021 the salary was indexed by 4.91%.

Figure 13. Average wages at the ALROSA Group, RUB thousand



The average wages of the Company's employees in most regions of presence are higher than the regional average.

Figure 14. Ratio of the ALROSA Group's average monthly wages to regional average monthly wages

All employees of the ALROSA Group are covered by a collective agreement that stipulates a number of additional payments to young specialists and employees having shortage professions.

4.7 Training and development

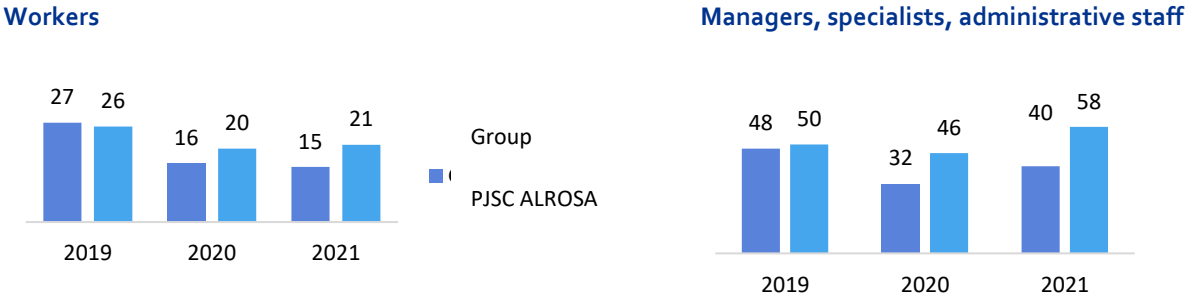
(GRI 404-1, 404-2, 404-3)

The Company helps develop its employees' competencies and continuously improves its approach to training. The Staff Training Center of PJSC ALROSA develops training programs, determines optimal training formats and methods, and cooperates with other structural divisions of the Company in staff development.

Figure 15. Key focus areas of the ALROSA Group's employee development system

The total hours of training at the ALROSA Group in 2021 was 764,968[14]. 518 training courses were held. The number of training hours was 15 per workers and 40 per managers, specialists, administrative staff. In total, 61% of the Group's employees received training in 2021.

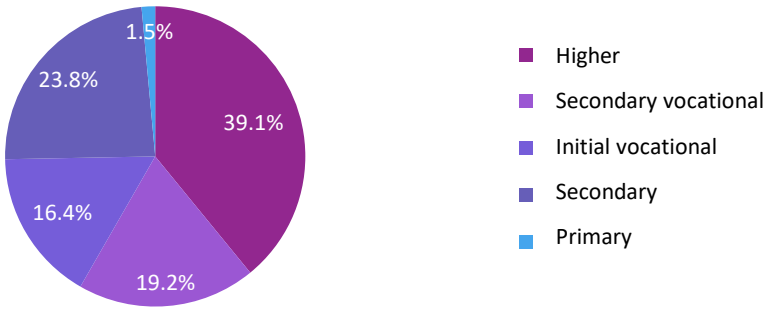
Figure 16. Annual average number of training hours per employee by personnel category



Total investments of PJSC ALROSA in training amounted to **RUB 226 million**.

Professional development of the Company's personnel was carried out in accordance with the approved 2021 plan for training, retraining, and advanced training of managers, specialists, and blue-collar workers through the Staff Training Center. 19,610 employees of the ALROSA Group received training during the reporting year, which is 14% more than in the previous reporting period.

Figure 17. Education level of PJSC ALROSA personnel in 2021



[14] The 2021 figure was adjusted in the process of improvement of reporting practices.

4.7.1 Professional training and retraining

In 2021, the Company changed its approach to personnel training. Due to COVID-19, the educational process was implemented mainly in an e-learning format. The key task in 2021 was to train ALROSA teachers in education tools and effective techniques to attract and hold the attention of the audience online. At the same time, the Company began to develop asynchronous online courses, so that employees could learn not only in the workplace, but also in their spare time.

Table 2. Management programs and events implemented through the Corporate University

Name	Description
"School of Repairs"	The goal of the program is to train employees as part of the transformation of the operating model of the repairs block.
"School of Mentors"	The program is aimed at professional development of employees for further mentorship activities in order to improve the quality of training of the Company's personnel, the production culture, and adaptation processes.
"School of Foremen"	The program is used to prepare potential candidates (blue-collar workers) for foremen positions. The goal is to develop a talent pool of line production managers.
"Leaders Develop Leaders"	The goal of the program is to develop internal trainers from top to line managers. The program includes training, motivation, cascading, support, and development for the internal trainer role model.

Since 2018, the Company has been implementing programs for top-, mid- and low-level managers, as well as talent development programs ("Leaders," "Legacy," "Asset," "Potential"). External experts are engaged to provide training in the following topics: "Risk-Oriented Management," "Value Thinking," "Project Management."

In 2021, the "ALROSA Change Leaders. SKOLKOVO" program for professional retraining of the top-level talent pool was implemented.

The Company conducts OHS training programs that are updated in accordance with changes in laws.

For more information on OHS training, see the section "Occupational health and safety."

4.8 Social support

(GRI 403-6)

ALROSA implements internal and external social programs. Their distinguishing features are that they should be voluntary, systemic, and directly related to the Company's mission and development strategy.

An important role in creating decent working conditions is played by a comprehensive employee benefits package that gives the Company an advantage in the labor market. It includes benefits, compensation, and advantages that are provided in addition to those established by laws.

For many years, ALROSA has been implementing the following programs: Health, Treatment at Health Resorts, Culture and Sports, and Housing. Their goal is to take care of personnel, create conditions for additional motivation, and retain professionals.

RUB 1.3 billion was the total cost to maintain social infrastructure facilities in 2021

Table 3. Key social programs financed

Program	Results for 2021
Health	4,300 employees and their family members stayed at health resorts. **The total amount of expenses was RUB 734.3 million**
Culture and Sports	178 standing sports classes and 104 creative associations were functioning. **The total amount of expenses was RUB 1.3 billion**
Housing	More than 450 people participated in the mortgage lending program. **The total amount of expenses was RUB 38.9 million**

4.8.1 Health

Protecting and maintaining the health of ALROSA's employees and their family members is one of strategic priorities aimed at creating comfortable working conditions and increasing productivity.

This program is being implemented by the Group's Medical Center division together with leading republican and federal healthcare and scientific medical institutions under voluntary health insurance contracts.

Taking into account the unfavorable climate conditions of the Far North and the arduous and harmful working conditions at the Company's main production facilities, prevention of diseases and organization of health resort treatment are of paramount importance. ALROSA is implementing the Treatment at Health Resorts program in cooperation with the Profalmaz trade union.

RUB 734.3 million was spent on healthcare programs in 2021

In 2021, 4,300 employees and their family members spent their vacations at health resorts.

Healthcare programs in 2021 were delivered in the following areas:

- employees' recreation at health resorts;
- children's health camps.

Moreover, ALROSA provided financial support to the Profalmaz trade union in the amount of RUB 47 million to organize recreation and rehabilitation of the Company's employees being members of the trade union at Russian health resorts. 1,134 employees received health resort vouchers.

COVID-19 response

In 2021, the Company took all necessary measures to prevent the spread of COVID-19. ALROSA conducted mass PCR testing, promptly provided personal protective and disinfection equipment, medicines and medical equipment. Throughout the year, an employee vaccination campaign was carried out with the involvement of a multi-disciplinary team of experts and doctors and information support. Together with MEDSI, workplace vaccination of employees was organized at remote sites in Yakutia.

4.8.2 Culture and Sports

To keep up the team spirit, ALROSA organizes leisure events for employees. The Company has a respective program – Culture and Sports. The Culture and Sports Complex (CSC) is responsible for organizing and coordinating cultural, sports, and recreation activities.

In 2021, 366 sporting events and 499 cultural events were held by the CSC. The program covered 7 arts and 26 sports.

RUB 960.1 million was spent to maintain culture and sports facilities in 2021

4.8.3 Housing

The goal of the housing program is to attract and retain qualified personnel for ALROSA by expanding their opportunities to improve housing conditions through corporate tools. The program is being implemented in the following areas:

- creating the housing stock;
- supporting the Company's employees when they purchase housing.

RUB 38.9 million was spent on the housing program in 2021

ALROSA continues to implement its mortgage lending program under which the Company's employees have reduced interest rates and special terms of reimbursement of their interest costs. In 2021, the Company's expenses to provide such benefits amounted to RUB 34.8 million. Employees having in-demand specialties are entitled to the corporate support.

4.9 Trade union

The Profalmaz interregional trade union is an influential major public organization that operates in five regions of Russia. It is a member of the Federation of Trade Unions of the Republic of Sakha (Yakutia) and the Federation of Independent Trade Unions of Russia. Profalmaz includes 57 primary trade union organizations having 20,640 members, of which 5,310 are young specialists.

In 2020, Profalmaz and PJSC ALROSA signed a new collective agreement up to 2022 aimed at protecting the labor rights and interests of employees. The Company's management holds regular meetings with members of the trade union to discuss the contents of the collective agreement, its implementation, and other important issues related to social partnership.

A bilateral commission assesses the performance by the parties of their obligations under the collective agreement annually. In 2021, the Company and the trade union agreed to make the following amendments to the collective agreement for 2020–2022:

- to increase the monthly payment to employees suspended from work for medical reasons;
- to increase the maximum amount of reimbursed expenses to travel to and from the vacation destination;
- to increase the annual remuneration of members of OHS commissions and quarterly bonuses paid to occupational safety officers;
- to increase the compensation paid to rotational employees;
- to increase the amount of the childbirth allowance;
- to increase the amount of expenses under lease agreements reimbursed to young specialists;
- to raise the age of young specialists to 35 years.

Besides, ALROSA provided financial support to the Profalmaz trade union in the amount of RUB 47 million to organize recreation and rehabilitation of the Company's employees being members of the trade union at Russian health resorts. 1,134 employees received health resort vouchers.

4.10 Plans for 2022 and the medium term

ALROSA's goals for 2022

- Personnel training:
  - to develop practice-oriented training to master skills at hands-on workshops and at training grounds;
  - to convert basic technical courses and some of training sessions to electronic format;
  - to implement the Human Capital Management (HCM) system;
  - to develop professional associations;
  - to develop and implement an adaptation and mentorship system;
  - to develop the internal trainer framework and the "Leaders Develop Leaders" program;
  - to launch corporate training centers at higher educational institutions.
- Social support:
  - to expand benefits and guarantees under the collective agreement;
  - to fulfill social obligations.

5. OCCUPATIONAL HEALTH AND SAFETY

KEY PERFORMANCE INDICATORS IN 2021

0.23

is LTIFR for employees

0.86

is the Vehicle Accident Rate (VAR)

RUB 2.4 billion

was spent on occupational health and safety measures

2,669 employees

received OHS training

KEY EVENTS IN 2021

The Occupational Health and Safety Strategy for 2021– 2025 was adopted

The structure of the Occupational Safety Department and the structure of the OHS Service of the Mirny and Nyurba Division were transformed

The database of internal OHS regulatory documents was updated as part of preparation for ISO 45001:2018 certification

The training course "Risk-Oriented Thinking at Production Sites" was developed

MATERIAL TOPICS

Occupational health and safety

Decent working conditions

UN SUSTAINABLE DEVELOPMENT GOALS

KEY AMBITIONS AND TARGETS UNDER THE SUSTAINABILITY PROGRAM UP TO 2025

Ambition	Target	Status	Progress for 2021
HS1 Eliminating fatalities and accidents	Ensuring zero fatalities among employees of the ALROSA Group and employees of contractors at production sites Ensuring zero accidents at production sites	✗	Two fatalities were registered that were caused by the employees' non-compliance with safety requirements One accident was registered
HS2 Reducing LTIFR	Reducing LTIFR (Lost Time Injury Frequency Rate) to 0.16 by 2025 (or by 10% annually starting from 2022)	✓	LTIFR decreased (from 0.24 to 0.23)
HS3 Improving the occupational health and safety management system	Ensuring certification of PJSC ALROSA and its diamond mining and processing subsidiaries for compliance with ISO 45001 Occupational Health and Safety Management Systems by the end of 2022	✓	As part of preparing for ISO 45001:2018 certification, the database of internal OHS regulatory documents was updated
HS4 Ensuring road transport safety	Achieving the total vehicle accident rate of no more than 0.5 by 2025	✓	The rate was 0.86, which is 8% lower than in 2020
HS5 Reducing the occupational disease rate	Ensuring an annual decrease in occupational hazards to employees that affect the occupational disease rate	✓	A scheduled special assessment of workplaces revealed a significant reduction in occupational hazards thanks to the introduction of modern mining equipment
HS6 Ensuring contractors' compliance with ALROSA's occupational health and safety requirements	Adopting a corporate standard/regulation on interaction with contractors at the ALROSA Group's enterprises – "General requirements for organizing safe work by third-party contractors" Ensuring that 100% of the ALROSA Group's contractors are aware of ALROSA's occupational health and safety requirements when they enter into contracts Conducting a regular assessment of whether contractors' activities comply with ALROSA's occupational health and safety standards and requirements	✓	The standard "Requirements Imposed on Contractors to Ensure Occupational Health and Safety" was developed All contractors must familiarize themselves with occupational health and safety requirements

✓ *achieved* ✓ *in progress* ✗ *failed*

5.1 Management approach to occupational health and safety

ALROSA aims to completely eliminate fatalities among employees and contractors, as well as accidents.

(GRI 403-1)

ALLOCATION OF RESPONSIBILITY

Occupational Safety Department

REGULATORY DOCUMENTS

Occupational Health and Safety Policy

Occupational Health and Safety Strategy for 2021– 2025

Standard "Occupational Health and Safety Documentation Management"

Corporate standard "Requirements Imposed on Contractors to Ensure Occupational Health and Safety"

Standard "Work Order System in Structural Divisions"

Regulations on Industrial Control over Compliance with Occupational Safety Requirements at Hazardous Production Facilities

Procedure for Quarterly Comprehensive Assessment of the Efficiency of the Occupational Safety System in Structural Divisions

ALROSA is aware of its responsibility to employees and contractors and strives to constantly improve the occupational health and safety, traffic safety, and fire safety (hereinafter referred to as the OHS) at all production facilities. Because of the broad geographical footprint of the Company's divisions, the specifics of its production processes, and different levels of occupational hazards, the OHS management system needs constant improvement. ALROSA implements all necessary measures to prevent occupational accidents and injuries: it regularly inspects working conditions, assesses risks at enterprises, and takes steps to reduce the negative impact on employees' health. The safety of production processes is a prerequisite for performance of any work.

In 2021, the ALROSA Group's total OHS expenses amounted to RUB 2.4 billion, or more than RUB 77,000 per employee. These funds were mainly spent on financing in-house emergency response teams, purchasing Personal protective equipment (PPE), and preventing the spread of COVID-19.

Figure 1. The ALROSA Group's spending on occupational health and safety, RUB billion

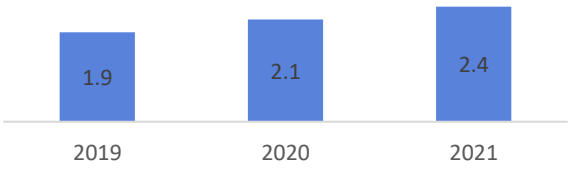
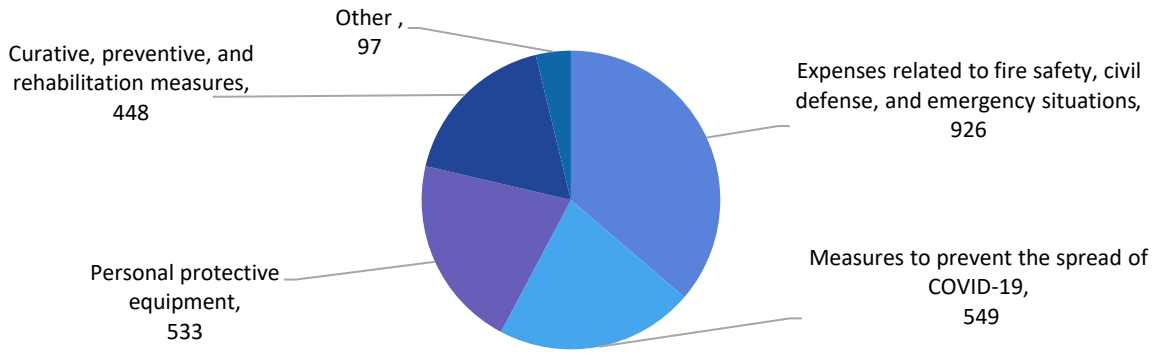


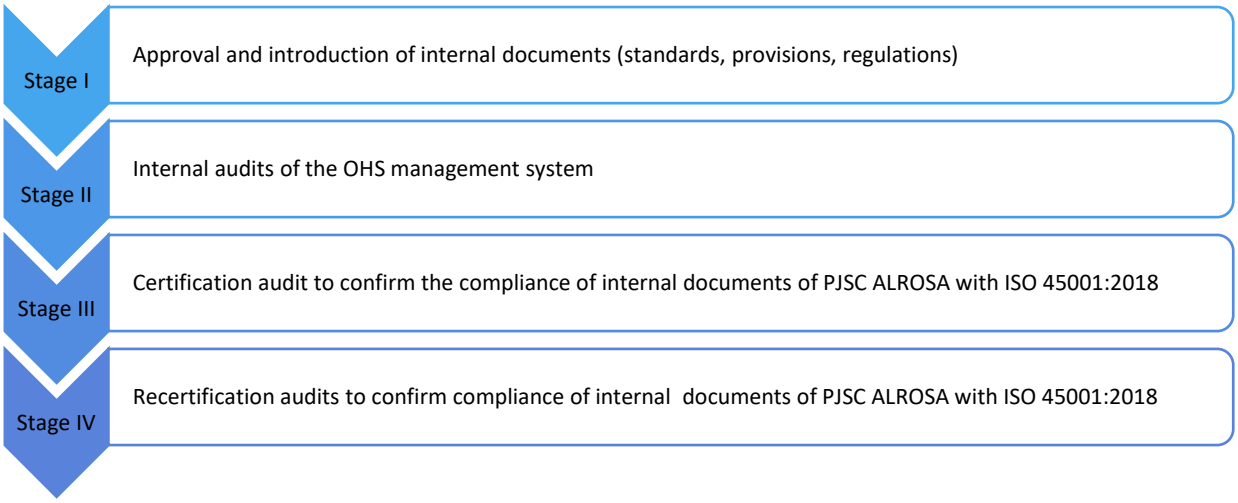
Figure 2. Allocation of the ALROSA Group's occupational health and safety budget, RUB million



The Company strictly adheres to legal requirements and high OHS standards, constantly improves its approaches to ensuring occupational safety, and is guided by international best practices.

ALROSA aims to develop and implement occupational health and safety management principles based on the international standard ISO 45001:2018. To confirm compliance with its requirements, the Company intends to undergo a certification audit by the end of 2025.

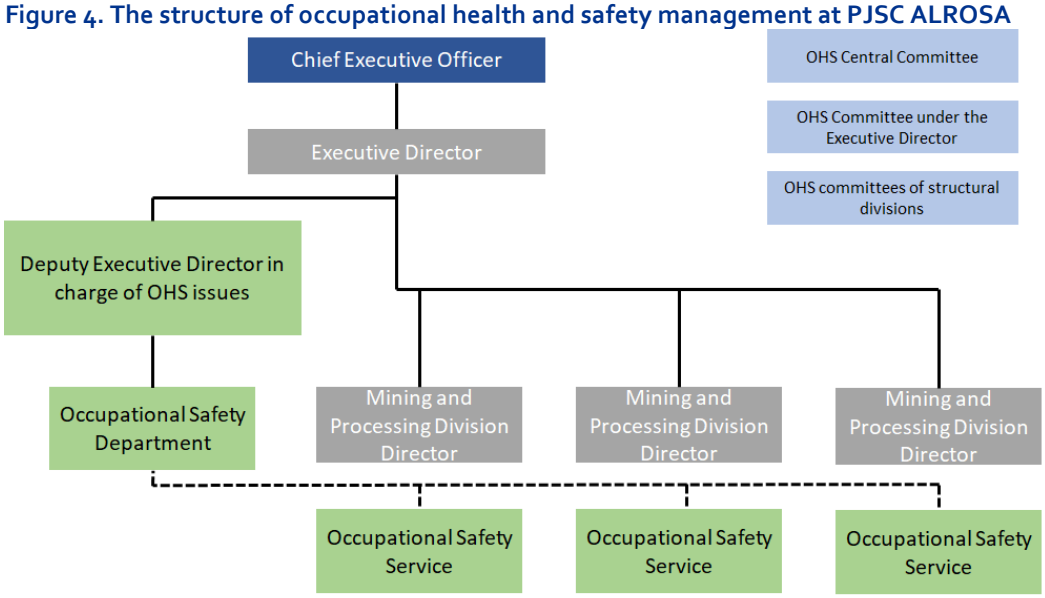
Figure 3. ISO 45001:2018 certification stages



5.1.1 Occupational health and safety management system

Since 2019, the Company has been improving its OHS management system. The Deputy Executive Director of PJSC ALROSA is responsible for its integration and stable operation. The Company's OHS management system has standing committees under the CEO, the Executive Director, and heads of enterprises.

Figure 4. The structure of occupational health and safety management at PJSC ALROSA



One of ALROSA's strategic priorities is involvement of managers in monitoring and resolving OHS issues. KPIs of managers at all levels include their personal OHS targets. They comprise training, audits, and measures to raise awareness among employees.

ALROSA has incentive systems for line managers and employees. They include competitions for the best division and for the title of the "Safety Leader." In 2021, the Company developed the Regulations on Organizing and Holding the Professional Excellence Championship for the Title of the "Best in Profession."

ALROSA's OHS activities are based on its Occupational Health and Safety Policy and a number of internal standards and regulations that are regularly reviewed and updated.

In 2021, as part of preparing for ISO 45001:2018 certification, the Company updated the database of internal OHS regulatory documents. The documentation was aligned with the requirements of the standard, and 17 key documents were developed and updated that specify the procedures for performing work, audits, accident investigations, and assessment of potential incidents. The Company developed and approved key safety rules,

the code of conduct, and principles for managers – additional tools for developing a safety culture at work. ALROSA's structural divisions assess engineering and technical employees of all levels based on the approved Procedure for Quarterly Comprehensive Assessment of the Performance of the Occupational Safety System. In 2021, ALROSA adopted the Occupational Health and Safety Strategy for 2021–2025, highlighting the following areas:

- Development of a leadership team, managers' achievement of leading positions in the area of OHS for their teams;
- Elimination of occupational accidents and injuries through development of a safety culture;
- Reducing the level of exposure to occupational hazards and risks for the health and safety of people;
- Managing the safety of contractors' operations at the Group's facilities;
- Systematization of the Company's approach to OHS management in accordance with the high standards and best practices set forth in ISO 45001:2018;
- Development of the competencies of line managers, specialists and administrative staff in organizing and planning work in accordance with the requirements of ISO 45001:2018;
- Transformation of the operating model of the OHS Service;
- Achievement of the world's best practices;
- Digitalization of OHS processes.

Digitalization of OHS processes

To improve its safety culture and reduce occupational injuries, ALROSA is digitalizing OHS processes. For example, in 2021 the Company successfully implemented the following projects:

- Digitalization of the results of the special assessment of working conditions;
- Digitalization of the procedure for passing medical examinations and creating lists for such examinations;
- Digitalization of the PPE procurement planning and accounting for PPE;
- Pilot testing of the program of inspections as part of the three-level control;
- Pilot testing of an employee electronic passport and modules for pre-shift testing of personnel.

ALROSA analyzes the state of OHS at all of its enterprises to launch promising digitalization projects. They include:

- Development and implementation of an automated risk management system;
- Implementation of a personnel and transport tracking system (beacons, personnel visualization, etc.);
- Use of VR technologies to show employees the causes and consequences of incidents;
- Introduction of mobile surveillance cameras to detect violations of safety rules by personnel when performing open-pit and underground mining operations;
- Development of a system to monitor the state of equipment and working conditions using video surveillance sensors and the employee positioning system.

5.1.2 Employee participation in OHS management

(GRI 403-2)

The Company is focused on increasing employee engagement in OHS issues and requires each employee of the ALROSA Group enterprises and contractors to comply with safety rules.

To monitor the state of the OHS system, the Company has 213 occupational safety officers. In 2021, occupational safety officers performed about **1,300 inspections**.

Occupational safety officers interact with heads of units and shops and other functions of structural divisions. They are responsible for the following:

- Inspection of working conditions, preparation of proposals to eliminate identified violations;
- Informing employees of occupational hazards, the amount of relevant compensation and guarantees;
- Control over timely provision of protective equipment, milk, special food and performance of duties related to occupational safety;
- Participation in joint OHS commissions;
- Participation in development of measures to prevent accidents, injuries, and occupational diseases and to improve the working conditions.

The Profalmaz trade union also monitors the state of the OHS system. In the reporting year, the committees of primary trade union organizations included 31 members of the trade union. Representatives of the trade union and its committees participate in commissions set up to investigate on-the-job injuries and occupational diseases. When investigating each accident, they are responsible for public control over the performance of OHS-related obligations under the collective agreement. ALROSA considers all resolutions of the Profalmaz trade union on OHS issues.

The Company regularly performs preventive monitoring of compliance with OHS rules and instructions at its enterprises together with representatives of the trade union and contractors. Identified violations are promptly eliminated.

Employees of ALROSA or its contractors can report any violations detected by them at a production site, ask a question or share their proposals to ensure safe working conditions by sending an anonymous message to prombez@alrosa.ru.

5.1.3 Development of cooperation with contractors on OHS issues

(GRI 403-4)

ALROSA is actively cooperating with contractors to increase their involvement in OHS procedures. In 2021, contractors' employees participated in identification and management of risks at hazardous production facilities. As part of implementation of its Occupational Health and Safety Strategy, the Company is planning to strengthen control over the work of contractors at facilities and workplaces and to perform joint regular OHS inspections at production and work sites.

In the reporting year, the Company developed the standard "Interaction with Contractors on Compliance with Occupational Health and Safety Requirements." The document specifies the requirements for the OHS training of contractors (completion of training, certification, use of PPE) so that they could perform their work safely and establishes the need for production control. ALROSA is planning to increase the level of contractors' involvement in OHS procedures:

- To prepare a unified list of documents related to cooperation with contractors;
- To train contractors in OHS standards and test their knowledge;
- To organize joint committees.

The Company is planning to create a single database of contractors where it will be possible to see their track record and committed violations and to generate a ranking of the best contractors and a black list of violators. ALROSA will further strengthen control over the work of contractors and introduce uniform requirements related to equipment and production processes.

5.2 Training and development of a safety culture

5.2.1 Workplace safety advice

(GRI 102-21; 403-4; 403-5)

Employees are advised on OHS issues by the Profalmaz trade union, heads of all levels during audits, and OHS commissions. The trade union is responsible for protecting the interests of employees and overseeing the performance of the Company's OHS obligations and provides advice on OHS issues within its authority. The Central Committee explains the rationale behind the decisions made by ALROSA, its strategic development plans and programs.

In 2021, due to COVID-19 restrictions, OHS consultations, workshops, and training sessions were held online. 43 occupational safety officers took part in these events.

The Company regularly informs its employees on results of internal meetings, investigations of accidents and incidents, audits and official inspections regarding compliance with legal requirements.

5.2.2 OHS training

ALROSA is developing a safety culture and regularly conducts mandatory OHS training for employees and managers to check their knowledge of OHS standards and provisions of the relevant Policy.

OHS training is provided at internal and external training centers. Experts in relevant areas are engaged to conduct training sessions, webinars, and knowledge tests. ALROSA Corporate University teaches managers and specialists using relevant programs based on the accreditation of the Ministry of Healthcare of the Russian Federation. In 2021, 2,669 employees received OHS training.

The Company promptly updates and amends training programs in accordance with changes in laws. In the reporting year, training sessions and extraordinary knowledge assessments were prepared in accordance with the new OHS rules that take into account the amendments made to the Labor Code.

In 2021, ALROSA prepared **five OHS training programs** for employees that incorporated the changes made to the labor laws.

In the reporting year, ALROSA developed Temporary Regulations on cooperation when organizing OHS training and testing knowledge of OHS requirements in structural divisions of PJSC ALROSA located in the west of Yakutia. In accordance with the amendments to the laws of the Russian Federation, starting from 2022 the fire safety basics course for employees engaged in fire hazardous work will be replaced with fire safety training in the workplace.

Safety culture training courses

To improve its safety culture, ALROSA motivates its employees and contractors to take special OHS training courses. In 2021, the Company developed a training course entitled "Risk-Oriented Thinking at Production Sites" targeted at all production personnel from workers to senior executives. The Company delivered a classroom training course in the OHS Development Strategy for 686 managers of various levels.

It is also planned to develop a methodological framework for assessing the maturity of the safety culture, developing own competence models, and their testing with subsequent implementation at all enterprises of the ALROSA Group. The Company is planning to discuss the effectiveness of its OHS measures at joint conferences with industry leaders and based on the results of benchmarking across the ALROSA Group. To minimize and prevent OHS risks, the Company, according to its plans for the near future, will implement a tool for detecting, recording, and identifying systemic root causes of accidents. Information on best practices will be consolidated in a specially created register.

ALROSA is planning to automate some processes and procedures, for example, through implementation of such systems as "Automation of personnel training control," "Testing of activity monitoring and driver fatigue detection," "Implementation of a complex of measures to assess driving quality and develop safe driving methods." Activity monitoring and driver fatigue detection have already been partially implemented at the Udachny Division, and these systems are currently being scaled up to cover other production sites.

Automated system "Pre-Shift Express Testing of Employees"

In 2021, the ALROSA Group implemented a pilot project at the Internatsionalny underground mine to use an automated system for express testing of employees before they enter the site. Employees were asked one question about occupational safety and after answering it they were permitted to work. The project proved to be effective, so the Company is planning to put it into full-scale operation in 2022 and replicate it at other ALROSA enterprises.

5.3 Prevention of occupational injuries and accidents

5.3.1 Hazard identification and risk assessment

(GRI 403-2)

ALROSA constantly identifies, assesses, and manages production risks. All the Company's enterprises regularly identify risks and hazards to prevent accidents and occupational injuries. The three-level control procedure and the special assessment of working conditions help identify possible occupational hazards and their specifics on a daily basis.

OHS RISK CONTROL STANDARDS

Standard "Preparation of OHS Documents"[15]

Standard "Organization and Performance of High-Risk Work"[16]

Standard "Management of Professional Risks"[17]

Standard "Management of OHS Guidelines"[18]

Standard "Internal Audits of the OHS Management System" [19]

Standard "Organization and Performance of the Special Assessment of Working Conditions"[20]

Standard "Organization of Safe Work at Height at PJSC ALROSA"[21]

To model safe behavior and prevent injuries and occupational diseases, ALROSA is implementing the practice of refusing to perform or suspending work that threatens the life and health of employees. Its goal is to encourage employees to take responsibility not only for their own health and safety, but also for the health and safety of their colleagues. This practice includes training, monitoring, correction, and termination of work when a hazard is identified in the production process. A justified refusal or suspension of work is an effective tool for identifying, assessing, and managing operational risks.

Moreover, ALROSA is developing additional standards to control key risks. The Company's development of the standard "Critical Risk Management" will become an important measure aimed at preventing occupational injuries. It will help prepare annual/monthly OHS plans based on the risk assessment results. The implementation of a risk-oriented approach will be accompanied by training of new employees in risk management skills.

5.3.2 OHS measures

(GRI 403-3; 403-7)

ALROSA's activities are aimed at minimizing the negative impact on employees' health. The main measures to prevent and mitigate the negative impact include:

- Use of modern equipment to replace manual labor when employees are affected by occupational hazards (e.g. use of modern drilling rigs);
- Special assessment of working conditions in the workplace; assessment of professional risks;
- Medical examinations: preliminary, periodic, pre-shift, pre-trip;
- Audits: internal, external, scheduled, unscheduled;
- Three-level control procedure;
- Use of personal and collective protective equipment;
- Provision of healthy and dietary meals, health resort treatment, and supplementary medical insurance to employees.

In addition, the Company has developed a system to motivate occupational safety managers at various levels. Their performance is assessed on a quarterly basis. The assessment criteria include both the effectiveness of injury prevention and measures taken to minimize risks, and the effectiveness of responses when investigating accidents. ALROSA actively encourages, including through financial rewards, employees who have terminated (suspended) work which, in their opinion, could lead to injuries or deterioration of health.

The Company has developed the Procedure for Quarterly Comprehensive Assessment of the Performance of the Occupational Safety System in Structural Divisions. The document establishes the procedure, methodology, and criteria for evaluating the effectiveness of the occupational safety system in the Company's structural divisions having an occupational safety service, as well as evaluating the performance of certain categories of employees in ensuring the operation of the occupational safety system.

[15] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/216-P dated 30 August 2021.
[16] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/344-P dated 23 December 2021.
[17] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/339-P dated 20 December 2021.
[18] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/318-P dated 10 December 2021.
[19] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/50-P dated 11 March 2022.
[20] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/303-P dated 30 November 2021.
[21] Approved by Order of the Supervisory Board of PJSC ALROSA No. 01/317-P dated 10 December 2021.

5.3.3 Occupational injuries

(GRI 403-9)

In 2021, there were 57 work-related accidents at the ALROSA Group, as a result of which 62 people were injured (48 of them were from the Group's Diamond Mining and Processing Operations). The increase in the number of injured employees compared to 2020 is due to the fact that work was resumed at most sites after the restrictions of 2020 had been lifted. At the same time, LTIFR decreased from 0.24 to 0.23 due to an increase in the number of man-hours worked. Two minor accidents were recorded by contractors.

Figure 5. LTIFR[22] changes across the ALROSA Group

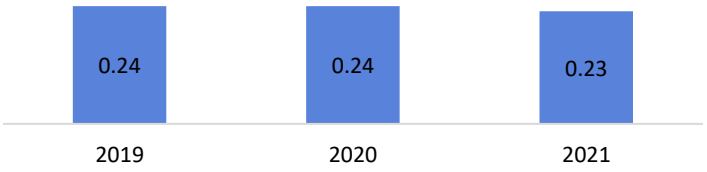
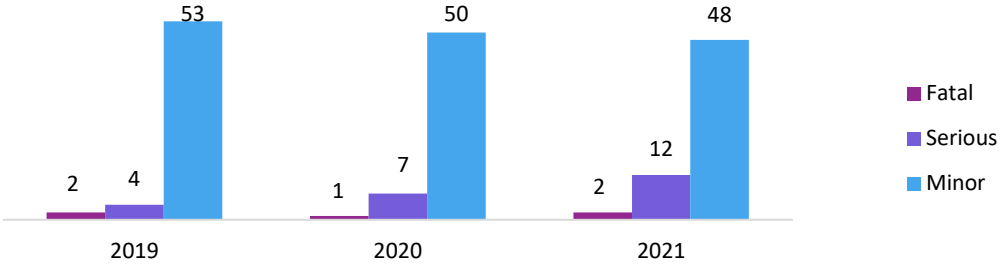


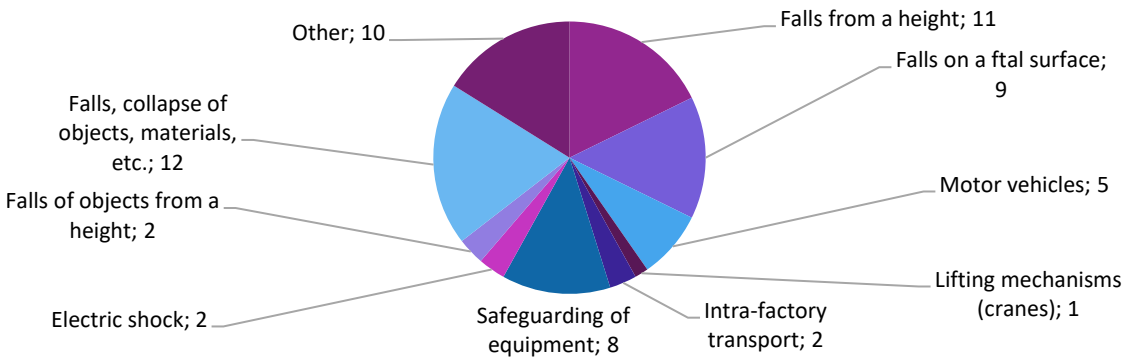
Figure 6. Total number of registered injuries across the ALROSA Group[23]



According to the analysis of the materials of investigations into occupational accidents in 2021, the main types of accidents leading to serious occupational injuries were:

- Absence/failure of machine guards;
- Falls on a level surface;
- Falls in case of different height levels (from height);
- Accidents involving road transport.

Figure 7. Distribution of the number of injured people by main types and factors of injury risks across the ALROSA Group



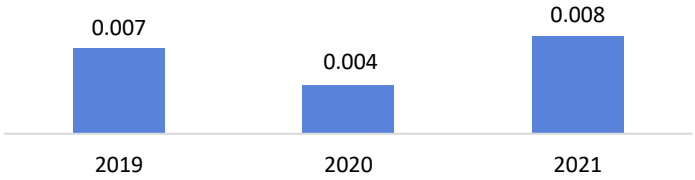
The Company analyzes the reasons for incidents. For example, in 2021 the main reasons were violations of explicit OHS bans and rules regarding the organization of work and relaxation of control.

[22] Lost Time Injury Frequency Rate, LTIFR = number of lost time injuries / number of man-hours worked × 200,000 man-hours.
[23] The 2019 and 2020 data for minor accidents have been adjusted to reflect the date of occurrence rather than the date of completion of the investigation.

Once the causes of incidents have been identified, an action plan is prepared to eliminate them and reduce the risk of their recurrence. ALROSA performs regular inspections in workshops of structural divisions, including cross-checks. In 2021, the Company developed and implemented a communication plan that included various OHS videos, printed materials, seasonal risk calendars for managers and employees and described necessary actions to prevent injuries. Employees are constantly informed of identified violations at production sites and incidents at the Company through social networks and messaging services.

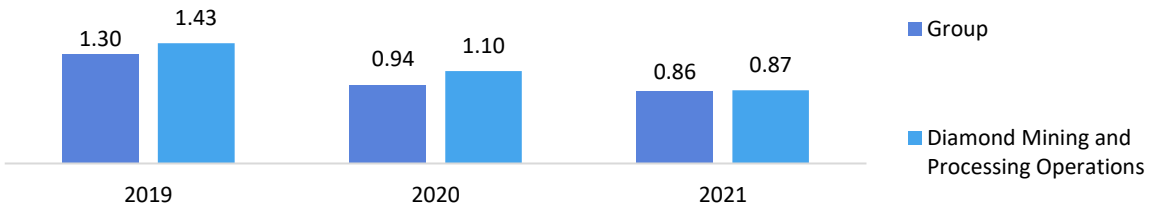
Preventing injuries is a key task for ALROSA. Each occupational accident is considered an emergency event. The Company determines its causes, eliminates the violation based on the results of an internal investigation, and performs additional training of employees. There were two fatalities in the reporting year caused by the employees' failure to comply with safety requirements.

Figure 8. FIFR[24] changes across the ALROSA Group



The Company places special emphasis on transport safety issues. Thanks to the measures taken in the reporting year, the total vehicle accident rate at the ALROSA Group fell by 8% compared to 2020. As for the Company's contractors, their VAR was 5.87.

Figure 9. Total vehicle accident rate (VAR)[25] across the ALROSA Group



5.4 Employee health and prevention of occupational diseases

(GRI 403-6; 403-7; 403-10)

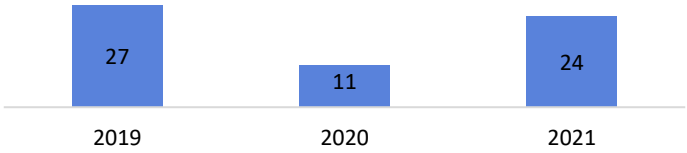
ALROSA ensures and maintains comfortable working conditions with minimum risk to employee health at all stages of the production process. The Company ensures the high quality of medical services provided to employees, including mandatory preliminary (at the time of employment) and periodic medical examinations of employees engaged in heavy labor or working in harmful and/or dangerous working conditions. According to the Occupational Health and Safety Strategy for 2021–2025, ALROSA will continue to automate the processes of admitting employees to work.

To protect employee health and prevent the spread of occupational diseases, the Company performs all types of medical examinations and check-ups stipulated by the laws of the Russian Federation. If initial signs of an employee's exposure to occupational hazards are identified, ALROSA's employees are sent for a thorough medical examination to occupational health centers to identify the causes of occupational diseases and the circumstances of their occurrence. The main causes in the reporting periond include:

- Chemical factors;
- Biological factors;
- Strongly fibrogenic aerosols and dust;
- Physical factors.

[24] Fatal Incident Frequency Rate (FIFR) = number of fatal injuries/number of man-hours worked × 200,000 man-hours.
[25] Vehicle Accident Rate (VAR) = number of motor vehicle accidents for the year × 1 million km/total run of all vehicles of the Company (subsidiary) for the reporting period.
Data for 2020 have been adjusted due to data clarification and error correction.

Figure 10. Number of registered occupational diseases at the ALROSA Group[26]



If acceptable thresholds for occupational hazards are exceeded, ALROSA's employees are provided with personal protective equipment to minimize the impact of harmful factors on them.

According to the Occupational Health and Safety Strategy for 2021–2025, the goal of preventing occupational diseases will be achieved by reducing the impact of occupational hazards identified during the special assessment of working conditions and implementing action plans designed to improve working conditions.

The Company provides employees with voluntary health insurance under corporate programs that include disease prevention and rehabilitation. In accordance with the Health Improvement Plans developed as a result of the special assessment of working conditions, employees are provided with healthy and dietary meals and health resort treatment. As part of social support for employees in case of occupational accidents, there is a compensation mechanism that allows families of injured employees to receive compensation payments within a shorter period. Payments are linked to salaries, which increases average amounts of compensation.

5.5 Prevention of emergencies

ALROSA pays great attention to prevention of emergencies. This includes a set of preventive measures aimed at protecting employee health, reducing environmental damage and the Company's financial losses. The Company organizes events related to civil defense, emergency response, and operation of hazardous production facilities.

Key emergency prevention and response efforts include:

- Civil defense and emergency situations induction training;
- Staff training sessions and command and staff exercises at facilities;
- Creation of systems for monitoring the state of hazardous facilities to assess the operational forecasting of consequences;
- Creation of local warning systems at hazardous production facilities and their connection to the warning systems of municipalities and constituent entities;
- Maintenance in working order of the resources, equipment, and engineering systems designed to detect and localize possible emergency situations (take response measures) and minimize their consequences.

5.6 Plans for 2022 and the medium term

As part of implementing the Occupational Health and Safety Strategy for 2022, ALROSA has set the following goals:

- Further development of the leadership team;
- Development of a database of best practices for implementation at the ALROSA Group's enterprises;
- Management of the safety of contractors' operations at the Company's facilities;
- Replication of the "Pre-Shift Express Testing" project at other enterprises;
- Further digitalization of OHS processes.

[26] Data for 2020 have been adjusted due to data clarification and error correction.

6. ENVIRONMENT

KEY PERFORMANCE INDICATORS IN 2021

2,173 thousand tons of CO_2-equivalent

gross GHG emissions (Scope 1, 2, 3) for the ALROSA Group

0.04 tons of CO_2-equivalent per carat

specific GHG emissions (Scope 1, 2, 3) per carat of diamond products produced in the Diamond Mining and Processing Operations

RUB 6.7 billion

amount of investments in environmental protection

40%

share of power from renewable energy in the total amount of power

RUB 35.8 million

biodiversity conservation costs

83%

share of reused and recycled water

KEY EVENTS IN 2021

The Environmental Policy was updated

The development of the Environmental and Climate Strategy up to 2030 started

Physical climate risks were identified and assessed

Other indirect GHG emissions (Scope 3) were quantified

MATERIAL TOPICS

GHG emissions and climate change

Air emissions

Water management

Impact on land resources and biodiversity

Sustainable waste management and safe operation of tailings dams

Environmental management

UN SUSTAINABLE DEVELOPMENT GOALS

PRINCIPLES OF THE UN GLOBAL COMPACT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

KEY AMBITIONS AND TARGETS UNDER THE SUSTAINABILITY PROGRAM UP TO 2025

Ambition	Target	Status	Progress for 2021
EN1 Conservation of the climate and healthy environment	Ensuring greenhouse gas emissions intensity (Scope 1) at the level not exceeding 0.03 tons of CO2-equivalent per carat of manufactured products annually by 2025 Development of the ALROSA Group's Climate Strategy, including an action plan to achieve carbon neutrality Developing and implementing mechanisms of response to climate change, mechanisms of assessment and management of climate change risks (in accordance with the recommendations of the FSB Task Force on Climate-related Financial Disclosures, TCFD)		Since 2020, the calculation of specific greenhouse gas emissions is carried out for Scope 1, 2, 3. In 2021, specific GHG emissions of the Diamond Mining and Processing Operations were 0.04 tons of CO_2-equivalent/carat of diamond products. As part of developing the Climate Strategy, physical climate risks were identified and assessed in accordance with the TCFD recommendations Physical climate risks were integrated into the Group's overall Risk Management System Risk management measures were developed and are implemented with respect to key physical risks
EN2 Ensuring efficient water use and water disposal	Achieving 15% reduction in surface water withdrawal intensity compared to 2019 level by 2025 Achieving 7.5% reduction in effluent discharge intensity to surface water sources compared to 2019 level by 2025		In 2021, the specific volume of water withdrawn from surface natural sources for the enterprises of the Diamond Mining and Processing Operations was 0.19 m^3/carat (0.12 m^3/carat in 2019) In 2021, the specific volume of treated wastewater discharged into surface natural sources for the enterprises of the Diamond Mining and Processing Operations was 2.01 m^3/carat (1.59 m^3/carat in 2019)
EN3 Ensuring efficient use of resources and responsible production	Achieving 50% increase in recycled and neutralized industrial and municipal waste intensity compared to 2019 level by 2025[27]. Ensuring ISO 14001 Environmental Management System certification of PJSC ALROSA and its diamond mining and processing subsidiaries		In 2021, the specific volume of recycled and treated production (excluding mining waste) and consumption waste for the Diamond Mining and Processing Operations equaled 0.11 tons per thousand carats of produced diamond products (0.17 tons per thousand carats in 2019) Compliance of the existing environmental management systems (EMS) with ISO 14001:2015 was confirmed
EN4 Rehabilitationof disturbed land and forests, and biodiversity restoration	Achieving 10% reduction in the annual volume of disturbed land through annual rehabilitation activities Performing compensatory reforestation activities on an area		In 2021, the area of disturbed land was 1,174 ha, which is 36% less than in 2020. The Company carried out a cycle of forest restoration activities on an area of 809 ha (the area of

[27] Excluding overburden, rock, tailings.

	equal to the area of disturbed forest plantations Ensuring financing for biodiversity conservation and restoration projects at the level of at least RUB 20 million annually	disturbed forest plantations was 598 ha in 2021) In 2021, the Group's total biodiversity conservation costs reached RUB 35 million.

 *achieved*  *in progress*  *failed*

6.1 Approach to environmental protection

ALROSA is committed to the prevention and minimization of the environmental footprint. Environmental safety is included in the Company's system of values and is one of its top priorities.

ALLOCATION OF RESPONSIBILITY

Environmental Center

Chief Power Engineering Departmenthief Power Engineering Department

Risk Management Department

Corporate Finance Department

GUIDELINE DOCUMENTS

Environmental Policy

Comprehensive Program for Environmental Protection and Environmental Safety for 2019–2023

Concept of Energy Saving and Energy Efficiency Improvement up to 2035

The ALROSA Group performs environmental protection activities in accordance with best Russian and global practices. The Company has internal documents (codes, standards and policies) governing environmental protection activities, including voluntary environmental protection obligations.

The Sustainability Program and Policy define environmental responsibility as one of the ALROSA Group's strategic areas.

WWF Environmental Transparency Rating

In 2021, ALROSA was included for the fifth time in the rating of openness of environmental information of mining and metals companies of the Russian Federation prepared by the World Wildlife Fund (WWF) and the UN Development Program/Global Economic Fund/Ministry of Natural Resources and Environment of the Russian Federation. ALROSA ranked 12th-13th among precious metals mining companies.

ALROSA's senior management is involved in environmental issues. To ensure a uniform approach to environmental protection, the Group created the Environmental Center.

Table 1. Environmental management system

Supervisory Board	• Oversees the implementation of the environmental safety and environmental protection strategy • Determines strategic objectives
Executive Committee	• Approves the Environmental Policy • Oversees the implementation of the environmental safety and environmental protection strategy
Executive Director	• Organizes the development of measures and oversees compliance with the requirements of environmental laws • Assesses the environmental management system performance
Chief Engineer	• Ensures compliance of operations with environmental laws, Environmental Policy and international standard ISO 14001:2015 • Prevents administrative and financial risks related to environmental protection
Environmental Center	• Develops environmental standards, programs and regulations • Prepares and receives environmental regulations and permits • Prepares reports for state monitoring and supervision bodies • Performs production environmental control and audit of the environmental management system • Organizes environmental monitoring • Implements environmental, social and environmental measures

In 2021, the Supervisory Board of ALROSA approved a new version of the Environmental Policy that sets forth main environmental protection principles and obligations. The policy applies to regions of presence and the environmental situation at the international level.

In the new version ALROSA highlighted its commitment to renewable energy, resource saving and implementation of global best practices in green technologies.

In 2021, ALROSA worked on developing the Environmental and Climate Strategies up to 2030. Their integration into the ALROSA Group operations and the supply chain will ensure compliance with the standards of responsible business conduct, enhance the trust of clients and consumers, and promote the sustainable development of the diamond industry as a whole.

6.1.1 Environmental management system

(GRI 102-11)

In 2021, ALROSA confirmed compliance of the existing environmental management systems (EMS) with ISO 14001:2015. EMS also meet the requirements of the national standard GOST R ISO 14001-2016.

The Company follows the precautionary principle and strives to prevent and minimize potential environmental risks. Accordingly, ALROSA develops internal environmental standards. The Company has a Standard on Production and Environmental Control that determines the procedure for inspections of production sites.

One of the key tasks of the ALROSA Group is to promote high environmental standards in the supply chain. As part of this activity, in 2021 ALROSA developed the Supplier Environmental Assessment Standard that includes the procedure for checking their compliance with the sustainability principles adopted by ALROSA.

Monitoring the quality of environment

In order to ensure timely control and prevent negative environmental impacts, the Company performs environmental monitoring, including:

- evaluating indicators of the condition of ecosystems and human habitat;
- identifying drivers of change in these indicators and evaluating the impact of such changes, as well as choosing remedial actions;
- developing preventive measures to exclude environmental damage.

Figure 1. Targets of ALROSA's environmental monitoring

Environmental components	Natural objects	Types of adverse impact
•Soil •Surface and ground water •Air •Flora and fauna	•Natural ecosystems •Natural landscapes and their elements	•Discharges to water •Emissions •Waste •Disturbed land •Noise •Vibration •Electromagnetic and radioactive emission

Information and analytical system of environmental monitoring

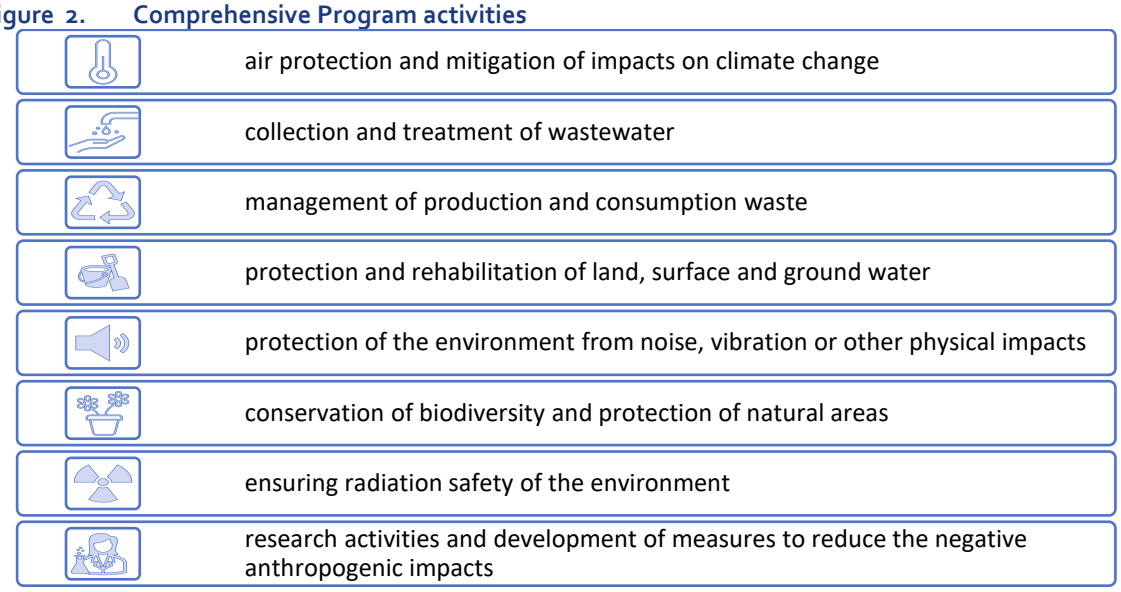
In the reporting year, the information and analytical system of environmental monitoring was launched, which allowed the Company to consolidate the majority of reports for 2021.
All previously planned blocks were implemented in the system:

- general and statistical reporting;
- block of geographic information systems and visualization of all information;
- conclusions in the form of tables and diagrams;
- preparation of a report using a report constructor.

6.1.2 Comprehensive Program for Environmental Protection and Environmental Safety

The Group's Comprehensive Program for Environmental Protection and Environmental Safety for 2019–2023 includes measures to prevent possible negative environmental impact. The planned amount of financing for the Comprehensive Program is RUB 29.4 billion.

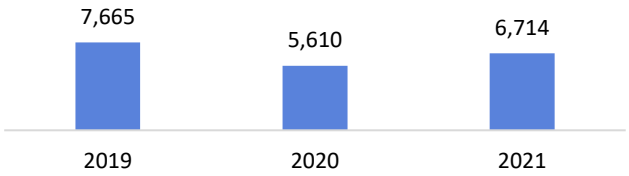
Figure 2. Comprehensive Program activities



6.1.3 Environmental and compliance costs

In 2021, the ALROSA Group allocated RUB 6.7 billion to the Comprehensive Program measures (or 2% of the consolidated revenue).

Figure 3. ALROSA Group's environmental costs, RUB million



Based on the results of inspections conducted in 2021 by the Federal Service for Supervision of Natural Resource Usage (Rosprirodnadzor), Federal Agency for Fishery (Rosrybolovstvo) and the Ministry of Natural Resources and Environment of the Russian Federation, 24 rulings were issued in connection with administrative offenses (of which RUB 1.68 million was paid under 15 rulings, and 9 rulings were overturned by court/administrative decision). Actions were taken in respect of five Rosprirodnadzor instructions out of eight.

(GRI 307-1)

The Company's total environmental impact payment for 2021 amounted to RUB 42.72 million (including RUB 4.46 million for excessive impact).

Table 2. Significant fines and total number of non-financial sanctions imposed on the ALROSA Group for non-compliance with environmental laws and regulations[28]

	ALROSA Group				Diamond Mining and Processing Operations		
Indicator	2019	2020	2021		2019	2020	2021
Number of fines for non-compliance with environmental laws and regulations	4	6	15		4	1	12
Total amount of fines imposed for non-compliance with environmental laws, RUB thousand	230	560	1,682		230	200	962
Number of non-financial sanctions — instructions based on results of Rosprirodnadzor inspections	6	3	8		6	3	6
Number of violations eliminated	5	3	5		5	3	4

[28] In 2020, due to restrictions related to the prevention of the spread of coronavirus infection, the number of supervisory activities conducted by institutional organizations were reduced, and in some regions, activities were excluded.

6.1.4 Improving the environmental culture of employees and local communities

On an annual basis, PJSC ALROSA prepares an environmental and social action plan that includes initiatives to draw the public attention to environmental development, conservation and safety. In 2021 eight events (contests, exhibitions, expositions, environmental campaigns, forums) were held as part of the plan.

Eco-Leader 2021 contest

ALROSA holds an annual corporate contest to determine the most environmentally friendly division of the Company and the most responsible employee. During the year, employees of the Environmental Center inspect industrial facilities and record how household wastes, waste of production oils and welding materials are stored, and then assign scores to employees. Divisions and employees with the best environmental safety compliance indicators receive cash bonuses.

Environmental campaign Protect the Nature

Starting from 2019, as part of the campaign Protect the Nature ALROSA specialists will continue to introduce the fundamentals of environmental literacy to schoolchildren in the Republic of Sakha (Yakutia). During the campaign, employees of the Environmental Center hold classroom hours on the topic of environmental responsibility and provide schools with Pchelka-U mobile testing laboratories intended for simple sample testing of water, air and soil. In addition to the classroom hour, joint clean-ups are organized on river banks.

Contest of environmental projects Th!nk Green

In 2021, the ALROSA Environmental Center organized a contest of regional projects "Th!nk green" to involve the residents of Yakutia in joint project and volunteer activity to create a favorable environment.

The authors of the project Nursery Garden of Perennial Plants won in the contest and received RUB 1 million to grow plants using organic waste as fertilizers and to control weeds. As part of the project, it is planned to sort waste paper, food and wood wastes at certain Group enterprises with weekly collection of these wastes for the needs of the nursery garden. This will make it possible to reduce the amount of waste from the organization of catering and trade in products at the participating enterprises by 50%.

In 2021, the ALROSA Group's environmental performance was recognized by its stakeholders and received letters of appreciation and certificates of honor:

- from the Ministry of Energy of the Russian Federation for its support and participation in the CASE-IN International Engineering Championship, as well as a diploma for its contribution to the promotion of the fuel and energy sector and engineering education;
- from the Committee of the State Assembly of the Republic of Sakha (Yakutia) on Land Relations, Natural Resources and the Environment for its contribution to the development of the Republic's environmental protection activity;
- from the Head of the Municipal District of Yakutia for active participation in the scientific and practical conference IV Readings from Maximov: Issues and Prospects of Environmental Training, Education and Development;
- from the Ministry of Environment, Natural Resources and Forestry of the Republic of Sakha (Yakutia) for impeccable work and individual contribution to the state environmental policy.

6.2 Climate change and GHG emissions

6.2.1 Approach to climate risks management

The ALROSA Group understands and recognizes that global climate change is a major and pervasive problem that can only be solved with joint efforts. As one of the world's leading diamond mining companies ALROSA takes all necessary measures to reduce greenhouse gas emissions and implement low-carbon technologies.

ALLOCATION OF RESPONSIBILITY

Environmental Center

Internal Audit Department

Risk Management DepartmentRisk Management Department

Individuals responsible for energy efficiency

Corporate Finance Department

GUIDELINE DOCUMENTS

Concept of Energy Saving and Energy Efficiency Improvement up to 2035

Environmental Policy

Responding to climate change and improving energy efficiency are the ALROSA Group's guiding principles set forth in the Environmental Policy.

In order to reduce the impact on climate change, ALROSA is implementing technological and technical solutions to reduce greenhouse gas emissions.

Participation in the CDP rating

ALROSA is one of the few Russian metals and mining companies rated D (Disclosure) in the CDP climate ranking based on the 2021 questionnaire.

Climate issues management

Climate change and energy efficiency management is integrated into ALROSA's system of sustainability management with the involvement of managers at all levels.

Figure 4. Climate change management

Strategy and Sustainability Committee	•Approval of the Climate Strategy and high-level consideration of its implementation •Detrmination of the Company's position on climate change issues
Chief Executive Officer – Chairman of the Executive Committee **Heads of structural divisions**	•Responsibility for climate risk management objectives and activities •Responsibility for implementing Climate Strategy measures

ALROSA is constantly improving its system of managing climate risks and greenhouse gas emissions in accordance with global best practices.

6.2.2 Strategy

In 2021, ALROSA began developing the Climate Strategy up to 2030. The approach to developing the Strategy includes determination of the base year for GHG emissions management, analysis of climate scenarios, assessment of climate risks and goal setting.

Figure 5. Climate strategy development tasks

- assess challenges and threats, develop a methodology to assess climate risks and improve the efficiency of the climate change risk management system;
- develop a methodology for estimating other indirect (Scope 3) emissions;
- develop a long-term plan to reduce the Company's carbon footprint and its impact on climate change
- improve transparency of climate change mitigation activities and provide all stakeholders with complete and reliable information on the results in this area
- create a transparent and clear KPI system, develop and implement technical and organizational solutions to achieve those KPIs based on global best practices

(GRI 201-2)

In the course of developing the Climate Strategy in 2021–2022, the Company identified and assessed physical climate risks in the medium- and long-term time horizons (10–20 years and longer) using the following scenarios of increases in the average temperature on the planet:

- + 2.3°C: extreme scenario;
- + 1.8°C: moderate scenario;
- + 1.5°C: ambitious scenario.

Table 3. Physical climate risks of the ALROSA Group

Risk factor	Risk description	Risk mitigation measures
Permafrost thawing	Permafrost thawing will accelerate, inter alia, under a moderate scenario, which will affect, first and foremost, hydraulic structures of mining and processing divisions.	• Tracking key risk factors • Geophysical study of soil at the base of facilities • Reduction of the amount of surplus water in HS, creation of a reserve volume • Additional freezing of stacked tailings of processing plants • Engineering measures to increase the stability of walls and connections, and to reduce the level of seepage
Floods	The risk of flooding of production facilities due to heavy river floods will remain relevant for most assets in the long term	• Tracking key risk factors • Thickening of tailings of processing plants • Construction of erosion control structures for better water retention • Tamping of dams with polymer materials • Increase in the amount of electricity generated to support the operation of pumps (installation of backup gas engine power plants)
Extreme precipitation	Extreme precipitation will not be a risk per se, but will increase the assets' exposure to flooding risks and permafrost thawing risks for HS	
Forest fires	Forest fires may lead to the loss of transport accessibility of certain sites and the destruction of the Mirny and Nyurba Division facilities. The number of fires and the area of forest fires are not expected to increase in the area of assets presence	• Development of an action plan to eliminate and prevent forest fires • Creation and maintenance of firebreak belts in the areas adjacent to production sites
Change in the freeze-up period	The number of days with low temperature levels (–20°C and below) will decrease, which will reduce the operation period of the winter road, the main transportation route for many production assets	• Tracking key risk factors • Regular audit of the reserve stock availability before the winter period • Engaging third-party transport operators under long-term contracts • Construction of an all-season road to the main facilities of the ALROSA Group
Water scarcity	The probability of water scarcity is low, but it should be taken into account due to its effect on the possibility of navigation along the rivers (Lena, Viluy) and electricity generation at the HPP cascade.	• Tracking key risk factors • Alternative routes for delivery of cargo during the summer period (construction of a road from Ust-Kut to Lensk, air transportation using ALROSA airline or contractors)
Extreme heat	Extreme heat (+45°C and above) combined with a high humidity level in the region will reduce available working hours at the Katoka open-pit mine and potential assets in Africa	• Air conditioning at the plant and surface production facilities

Measures aimed at preventing/mitigating risks related to permafrost thawing

Permafrost thawing is one of the most pressing global problems caused by climate change. Since the ALROSA Group operates in the area of permafrost rock, its priority tasks are:

- strict compliance with the legislative requirements on working with permafrost rock;
- continuous permafrost rock monitoring using thermal wells in cooperation with the Permafrost Control Sector at Yakutniproalmaz Institute;
- implementation of measures to limit the increase in soil temperature;
- timely response to changes in the state of permafrost rock;
- compliance with all capital construction standards applicable to territories with permafrost rock.

According to forecasts, if ALROSA continues preserving permafrost rock in a changing climate, sustainable and stable operation of production facilities on permafrost soils will be possible for several decades.

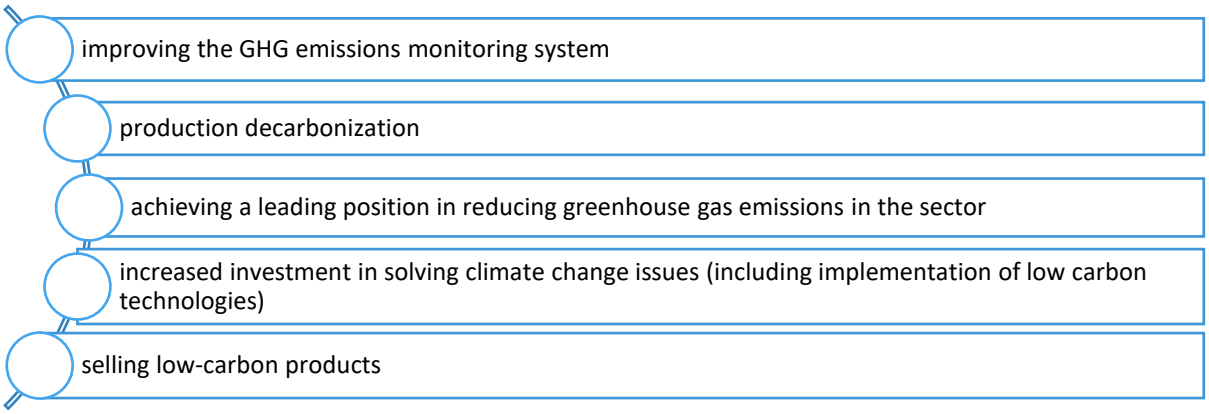
In 2021, as part of a project to identify and assess HS risks associated with permafrost thawing, the Company analyzed accident risk scenarios, developed a machine control program and approved a roadmap for the implementation of an automated wireless monitoring system.

Transitional risks

In addition to physical climate risks, the Group is exposed to transitional risks (political and legal, technological, market, reputational). ALROSA considers the following transitional risks to be the most significant ones:

- costs related to the preparation and verification of greenhouse gas emissions reporting when mandatory emissions reporting is introduced;
- additional financial burden when introducing instruments to limit GHG emissions on national and foreign markets;
- capital expenditures on the use of low-carbon and carbon-free energy sources, if necessary, to achieve a low carbon intensity of processes;
- a reduction in product margins when competitors achieve sectoral greenhouse gas emission standards;
- reduced investment appeal in case of failure to meet the expectations and requirements of investors and independent shareholders on managing climate change issues.

In order to manage these risks, ALROSA performs measures aimed at implementing such opportunities as:



6.2.3 Risk management

The climate risk management system is a set of policies and measures aimed at timely identification, assessment and management of climate risks for all production levels. In 2021, the Company integrated physical climate risks into the ALROSA Group's overall Risk Management System.

Based on the analysis of physical risks, ALROSA identified 24 possible risk scenarios for which it assessed the probability of risk realization through climate modeling, as well as impacts (financial damage and number of days of production interruption).

High probability is characteristic of the risk scenarios associated with permafrost thawing, while the greatest amount of damage and the longest interruption in operating activity will be due to the risk of partial flooding of the Internatsionalny underground mine when the amount of flood water and/or precipitation increases.

For each identified scenario, ALROSA performs risk management measures. Monitoring of physical climate risk indicators allows the Company to ensure timely response to an increase in the risk factor and is based on the following steps:

- identification of key risk indicators (KRI) for each risk factor;
- identification of sources of information to track changes in KRI;
- determination of acceptable and critical levels of KRI for each risk scenario;
- regular monitoring of changes in KRI;
- revision of risk factors (a reassessment of climate risks is to be performed every 5–7 years).

In 2021, the Company began to consider the possibility of creating a division for monitoring issues related to regular update and assessment of climate factors. The next update is to be performed no later than 2030. According to modeling up to 2030, climate change does not pose a significant threat to the Company's operations.

6.2.4 GHG emission metrics and targets[29]

In order to reduce the impact on climate change, the Company annually monitors the amount of greenhouse gas emissions.

(GRI 305-1)

In 2021, the ALROSA Group's direct (Scope 1) greenhouse gas emissions amounted to 1.35 million tons of CO_2-equivalent, which is 12% more compared to 2020.

Figure 6. Direct (Scope 1) GHG emissions, thousand tons of CO_2-equivalent

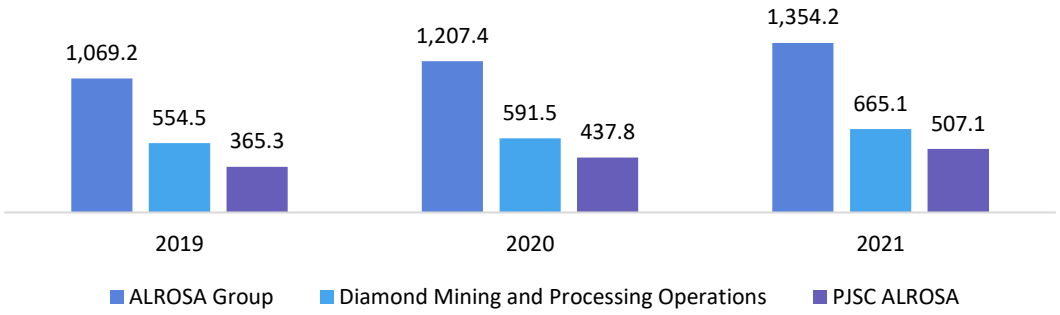
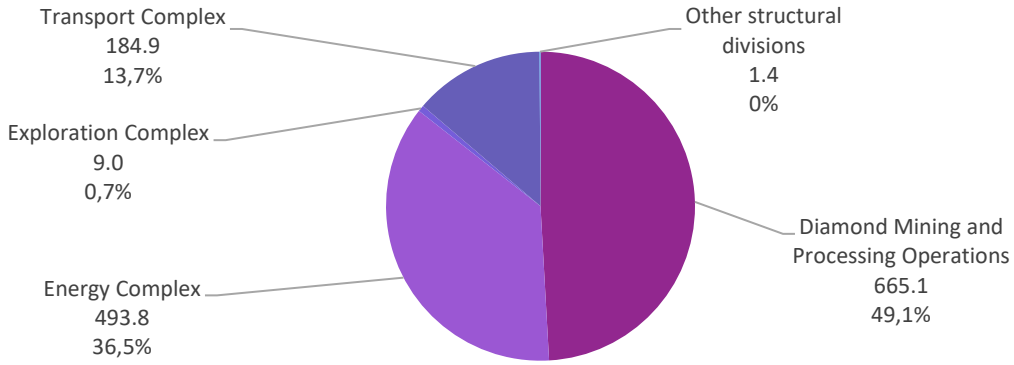
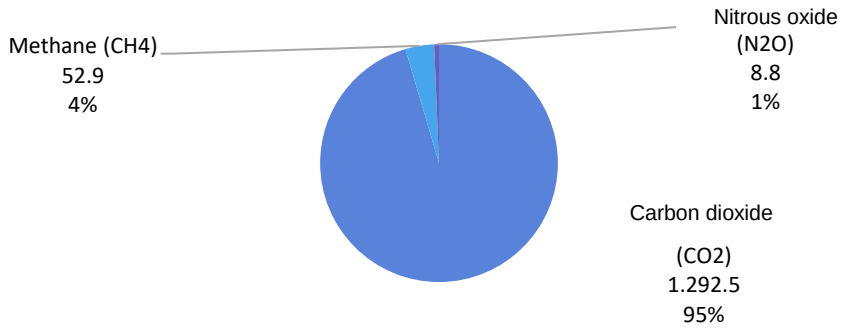


Figure 7. Breakdown of direct (Scope 1) GHG emissions for 2021 by the ALROSA Group divisions, thousand tons of CO_2-equivalent



[29] The methodology for calculating climate change indicators was changed in 2021. The scope of disclosure of quantitative information on the ALROSA Group was also expanded. Therefore, the values for direct (Scope 1), indirect energy (Scope 2) and other indirect (Scope 3) GHG emissions for 2020–2021 are given in accordance with the new methodology based on the GHG Protocol and the expanded scope. Due to these changes, 2020 is the base year for tracking the effectiveness of greenhouse gas emissions reduction. The emissions assessment for 2020 and 2021 covers ALROSA (PJSC) and 33 key subsidiaries and affiliates (in accordance with the coverage of consolidated IFRS reporting).

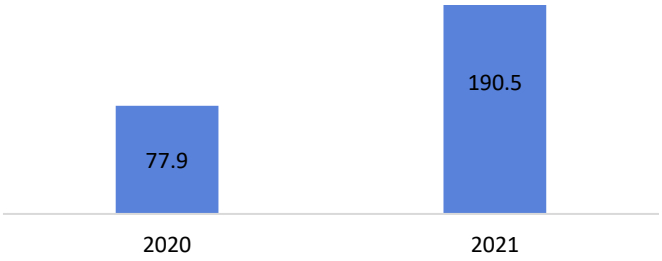
Figure 8. Breakdown of the ALROSA Group's emissions (Scope 1) for 2021 by GHG type[30], thousand tons of CO_2-equivalent



(GRI 305-2)

The indirect (Scope 2) energy emissions of greenhouse gases over the reporting period[31] increased by almost 2.5 times, reaching the level of 190.5 tons of CO_2-equivalent.

Figure 9. Indirect (Scope 2)[32] GHG emissions of the ALROSA Group, thousand tons of CO_2-equivalent



(GRI 305-3)

In 2021, the Company estimated Scope 3 emissions for the first time. Other indirect GHG emissions for the reporting period amounted to 629.0 thousand tons of CO_2-equivalent, which is 13% more compared to 2020 (557,0 thousand tons of CO_2-equivalent in 2020).

Total GHG emissions (Scope 1, 2, 3) for the ALROSA Group for 2021 are equal to 2,173 tons of CO_2-equivalent (18% more than last year). The increase in GHG emissions according to Scope 1, Scope 2, Scope 3 is due to resumed production processes, easing of anti-COVID measures and an increase in the ALROSA Group's perimeter.

(GRI 305-5)

Despite the increase in total GHG emissions in 2021, the ALROSA Group has implemented a number of initiatives to reduce emissions:

- The transfer of vehicles to gas fuel and the use of renewable energy (solar energy) to generate heat and electricity during the reporting period made it possible to reduce GHG emissions by 1,016.49[33] tons of CO_2-equivalent compared to 2020 (1,010.7 tons of CO_2-equivalent for Scope 1 и 5.75 tons of CO_2-equivalent for Scope 2).
- Starting from 2021, the Company has been carrying out R&D work to determine and confirm the possibility of absorption of greenhouse gases by kimberlite rock. Preliminary tests have shown that the potential for carbon dioxide absorption from the atmosphere is 82 kg of CO_2-equivalent per 1 ton of processed ore, which will make it possible to fully compensate for the current volume of GHG emissions produced by the Diamond Mining and Processing Operations and auxiliary subsidiaries of the ALROSA group.

[30] Emissions of HFC (hydrofluorocarbon), PFC (perfluorinated organic compounds), SF_6 (sulfur fluoride (VI)), NF_3 (nitrogen fluoride (III)) are not typical for the Group.
[31] Emissions of Scope 2 for 2021 were calculated using two methods according to the GHG protocol: location-based and market-based. Location-based emissions amounted to 392.1 thousand tons of CO2-equivalent
[32] No calculation of Scope 2 was prepared for 2019. The data according to the market-based method.
[33] The indicator includes carbon dioxide, methane and nitrous oxide emissions.

(GRI 305-4)

Specific GHG emissions (Scope 1, 2, 3) of the Diamond Mining and Processing Operations in 2021 equaled 0.040 tons of CO_2-equivalent per carat of diamond products, which is 23% more than in the previous period.

Under the Sustainability Program up to 2025 ALROSA set the goal to ensure specific GHG emissions (Scope 1) of the Diamond Mining and Processing Operations at the level of up to 0.03 tons of CO_2-equivalent per carat of products produced annually by 2025. This goal was achieved in 2021.

Figure 10. Specific GHG emissions of the Diamond Mining and Processing Operations, tons of CO_2-equivalent per carat [34]

6.3 Energy consumption and efficiency

ALROSA's strategic goals and areas of activity related to energy consumption and energy efficiency are set out in the Concept of Energy Saving and Energy Efficiency Improvement of PJSC ALROSA up to 2035: the document contains measures in the following areas:

- improving energy efficiency of the Company's divisions and reducing energy intensity
- reducing specific energy consumption in the production cost of main products
- replacing non-renewable imported fuel energy resources with local energy resources and renewable energy generated by HPP
- assessment of the potential and efficiency of using alternative types of energy, secondary energy resources and implementing elements of distributed energy.

(GRI 302-1; 302-3; 302-4)

In 2021, the ALROSA Group's total energy consumption (including renewable energy) was 20,798 TJ, which is 15% more than in 2020. The energy intensity of diamond products was 0.64 GJ/carat.

Table 4. The ALROSA Group's energy consumption [35], TJ

Indicator	2020	2021
1) Fuel consumption for natural gas production	5,980	6,889
2) Fuel consumed by the transport fleet [36]	7,336	7,664
3) Fuel consumption for technological purposes	594	2,312
4) Fuel consumption for energy generation	-	10,173
5) Fuel consumption, including	13,405	
5.1) purchased (without renewable energy)	-	4,485
5.2) own generated from renewable energy	-	3,043
5.3) purchased generated from renewable energy	-	659
6) Heat consumption[37], including	7,998	
6.1) purchased (without renewable energy)	-	116
6.2) purchased generated from renewable energy	-	19
7) Energy sold to third-party consumers[38]	17,265	14,561
Total energy consumption (1+2+3+4+5.1+6.1-7)	**18,048**	**17,078**

[34] No calculation of Scope 2, 3 was prepared for 2019.

[35] In the reporting year, ALROSA expanded the reporting perimeter and recalculated the indicators for 2020 for all enterprises of the Group. Data for 2019 is not available for the new perimeter. In 2021, the approach to calculating the volume of energy consumption was refined (values for renewable energy were excluded).

[36] For the Diamond Mining and Processing Operations, the fuel consumed by the transport fleet for 2020 and 2021 amounted to 5,303 and 4,939 TJ respectively (the data for 2020 were updated in the process of improving reporting practices).

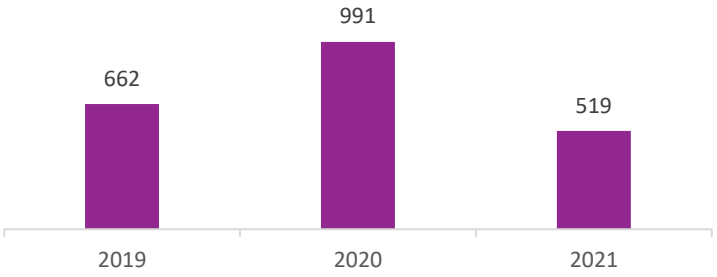
[37] Heat energy is mainly consumed in the form of hot water or steam (for individual Group companies). The volume of heat energy consumption in the form of steam in 2020 amounted to 19 TJ, in 2021 it amounted to 19 TJ.

[38] Sale of thermal energy to third-party consumers is carried out in the form of hot water.

Figure 11. Energy intensity of diamond production [39], GJ/carat

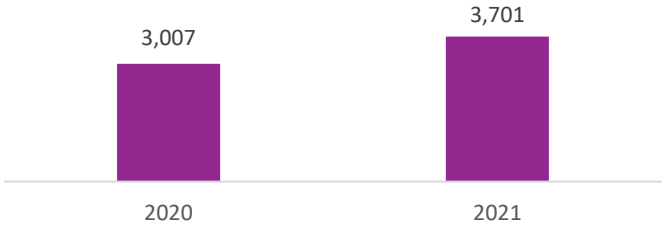
As a result of energy saving initiatives, the Company managed to achieve energy savings of 519 TJ, or RUB 1.21 billion relative to the planned volume of consumption.

Figure 12. Reduction in the consumption of energy due to the implementation of energy saving initiatives in the ALROSA Group [40], TJ



The Transport Complex and power facilities are key sources of GHG emissions from diamond mining. To reduce greenhouse gas emissions, the ALROSA Group uses electricity from renewable sources and replaces the traditional liquid fuel consumed by its own vehicle fleet with natural gas.

Figure 13. Energy consumption from renewable sources in the ALROSA Group[41], TJ



The transition of energy production facilities to environmentally friendly and cost-effective types of fuel is one of the priorities of the ALROSA Group's environmental and energy policy.

Construction of a gas pipeline to the Nakynsky ore field

In 2021, at the St. Petersburg International Economic Forum, ALROSA and the Republic of Sakha (Yakutia) signed a cooperation agreement on the implementation of a project to construct a gas pipeline branch to be routed to the production site of the Nakynsky ore field. The gas pipeline branch is to be constructed by 2024. Total investments in construction will amount to about RUB 2.5 billion, including ALROSA funds.

[39] Energy intensity of diamond production is calculated using the formula: the total volume of energy consumed by diamond mining companies of the Diamond Mining and Processing Operations / the volume of diamond production. When calculating the indicator, the consumption of fuel, heat and electricity is considered (energy consumption outside the organization is not considered). In the reporting year, ALROSA expanded the reporting perimeter and recalculated the indicators for 2020 for all enterprises of the Group. Data for 2019 is not available for the new perimeter. Data for 2021 is calculated using the total volume of energy by ALROSA Group.

[40] The information for 2019 covers the Diamond Mining and Processing Operations.

[41] Almost all of the energy consumed from renewable sources is accounted for by hydropower (ALROSA (PJSC) consumed 1 TJ of solar energy in 2020 and 2021). Biofuel is not used by the Group. In the reporting year, ALROSA expanded the reporting perimeter and recalculated the indicators for 2020 for all enterprises of the Group. Data for 2019 is not available for the new perimeter

Table 5. Fuel consumption from non-renewable sources for energy generation[42], TJ

	ALROSA Group			Diamond Mining and Processing Operations		
Type of fuel	2019	2020	2021	2019	2020	2021
Diesel fuel	7,369	6,227	683	7,369	5,509	120
Fuel oil	1,123	994	1,055	1,123	994	1,055
Natural gas	984	5,950	7,460	984	825	975
Oil	178	404	871	178	146	168
Other	301	1,097	103	301	134	45

The Company actively supports employees' ideas on improving the reliability of energy supply, energy conservation and energy efficiency.

Employee energy efficiency initiatives

As part of the Company's initiative in the area of open innovations Idea Factory, the idea of improving the power grid reliability proposed by a power engineer of the Mirny and Nyurba Division was highly appreciated. It was proposed to equip 0.4 kW incoming switches at integrated transformer substations and switchgears with electricity grid metering controllers. The results of consumer parameters are to be displayed centrally on the power supply unit monitor.

In 2022, ALROSA will continue the transition of transport to natural gas motor fuel, the use of motor oils with a longer life cycle, and will begin the implementation of an energy management system and certification of enterprises according to ISO 50001. This includes the development of a separate policy of the ALROSA Group on energy efficiency and energy conservation.

6.4 Air emissions

Air emissions

ALROSA is constantly implementing measures to reduce air emissions and manage the risks of man-made accidents at production facilities.

The Company is implementing the Innovative Development and Technological Modernization Program of PJSC ALROSA up to 2024 that includes the following initiatives to reduce emissions of pollutants:

- dust-suppression on haul roads in summer;
- using the dust collection system when operating wood and metalworking machines, using hydrocyclones for ore processing;
- using water injection and dry dust collection systems in drilling machines;
- transfer of vehicles and boilers to natural gas (from diesel fuel, gasoline, oil, etc.);
- replacing explosive mixtures based on diesel fuel with emulsion mixtures with low oxygen balance.

In 2021, the Company developed a methodology of accounting for air pollutant emissions.

(GRI 305-7)

Gross air pollutant emissions by the ALROSA Group in 2021 were 14,493 tons, which is 3% less than in 2020.

Table 6. Breakdown of air pollutant emissions[43], tons

	ALROSA Group			Diamond Mining and Processing Operations		
Type of pollutants	2019	2020	2021	2019	2020	2021
Gaseous and liquid substances	8,978	10,882	10,527	8,978	8,823	8,096
Solid substances (dust, smoke)	4,186	4,135	3,966	4,186	4,037	3,870
Total emissions of pollutants into the atmosphere	13,164	15,016	14,493	13,164	12,861	11,965

[42] Data for the Diamond Mining and Processing Operations for 2019 have been updated in the process of improving reporting practices.

[43] The formation of environmental reporting, including reporting on emissions of pollutants into the atmosphere by ALROSA (PJSC), is carried out using the information and analytical system of environmental monitoring based on "1C:Industrial safety. Environmental protection" and the formation of "2-TP air" forms in it using information on the results of industrial and environmental control. The system was launched in 2021.
For subsidiaries, the determination of emissions of pollutants is carried out on the basis of the provided statistical forms "2-TP air", formed using information on the results of industrial and environmental control.

Table 7. Emissions of gaseous and liquid pollutants by type of pollutants, tons

	ALROSA Group				Diamond Mining and Processing Operations		
Type of pollutants	2019	2020	2021		2019	2020	2021
Hydrocarbons (without volatile organic compounds)	2,799	2754	2077		2,799	2,753	2,076
Carbon oxide	2,326	3,494	3,719		2,326	2,654	2,574
Nitrogen oxide and dioxide	2,010	2,408	2,397		2,010	1,682	1,627
Sulphur dioxide	1,612	1,717	1,859		1,612	1,523	1,653
Volatile organic compounds	207	379	349		207	183	143
Other gaseous and liquid pollutants	24	129	125		24	29	24

Ozone-depleting emissions

(GRI 305-6)

No ozone-depleting substances are produced as a result of the Company's production activity. The Company handles no such substances, no such purchases are made for the main production or auxiliary activities.

6.5 Use of water resources

(GRI 303-1)

Water is an essential and irreplaceable resource for ALROSA's operations. The Company's production facilities use water resources in Yakutia and Arkhangelsk region. Although these regions are not water-scarce, ALROSA focuses on water management issues and minimizes the negative impact on water resources, including:

- compliance with regulatory requirements on water use;
- responsible wastewater management;
- development of the water recycling system;
- monitoring of the state of water bodies, including determination of the chemical composition of surface, underground and waste water.

The assessment of the impact on water resources takes place within the framework of the preparation of materials for the environmental impact assessment (EIA) of the planned economic activity. The EIA materials are subsequently discussed at public hearings.

ALROSA's environmental policy includes the following measures in the area of responsible water use:

- reduction in the amount of water consumption and wastewater disposal through the implementation of water recycling systems and the tailings dehydration system;
- construction and upgrade of treatment facilities;
- expansion of water re-injection units into underground horizons, development of hydrogeological monitoring to search for high permeability reservoir layers.

In 2021, the Company launched the following long-term measures to reduce the impact of the ALROSA Group on water resources:

- removal of a tailings dam of Processing Plant No. 8 and reconstruction of the stream diversion channel of the Sokhsolookh River;
- construction of a third stream diversion channel to minimize the impact of dredging.

6.5.1 Water withdrawal and water consumption

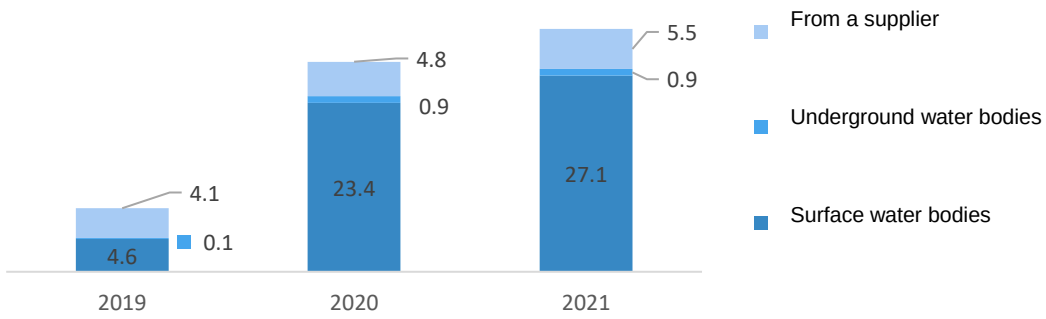
(GRI 303-3)

The nature of the production process involves the withdrawal of fresh water by the ALROSA Group from surface and underground sources, and purchases from suppliers.

In 2021, the total water withdrawal was 33.6 million m^3, which is 16% more than in 2020. Water consumption for the Group's production needs was 29.2 million m^3.

Figure 14. Total water withdrawal[44], million m³

Figure 15. Breakdown of water withdrawal by the ALROSA Group by source[45], million m³

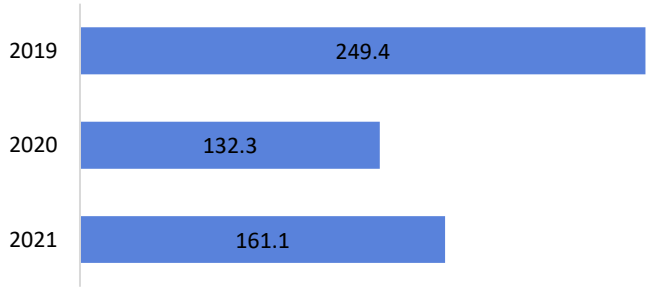


(GRI 303-5)

ALROSA makes rational use of water resources through the implementation of a recycled water system (water is used repeatedly after the relevant treatment) and reused water supply system (water is used without interim treatment) into production processes.

The total amount of water consumed by the ALROSA Group in 2021 was 194.7 million m³, and the share of recycled and reused water in the production cycle was 83% of the total amount (82% in 2020).

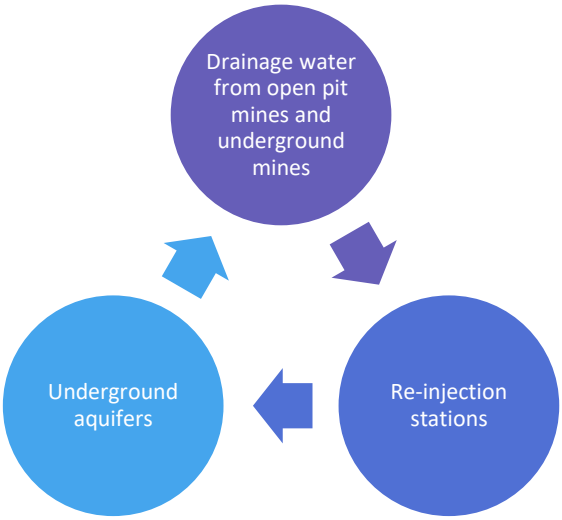
Figure 16. Volume of recycled and reused water supply in the ALROSA Group, million m³



ALROSA also uses a system of associated mineralized water circulation:

[44] The main natural sources of water supply in the ALROSA Group are: the reservoir of the Markha River, the Chuonalyr River, the Malaya Botuobia River, the Irelyakh River, the buffer reservoir of the Hannya River, the reservoir of the Bezymyanny-1 stream, the Severnaya Vaizitsa River, Lake Samoyedskoye, the Bolshaya Kuonapka River, the Ebeleeh River, the Molodo River, the Daldyn Oyuur-Yurege River, the Sytykan River, Lena River, the reservoir of the Vilyu River, Lake Sis-Kuel, as well as artesian wells. The total volume of water withdrawn by the Group from natural sources amounted to 28.1 million m³ in 2021, of which the Energy Complex of the Group is responsible for taking the largest volume of water from natural sources (21.4 million m³ in 2021).

[45] The information for 2019 covers the Diamond Mining and Processing Operations.



While maintaining its original composition, all open-pit, drainage and mine associated mineralized water goes to:

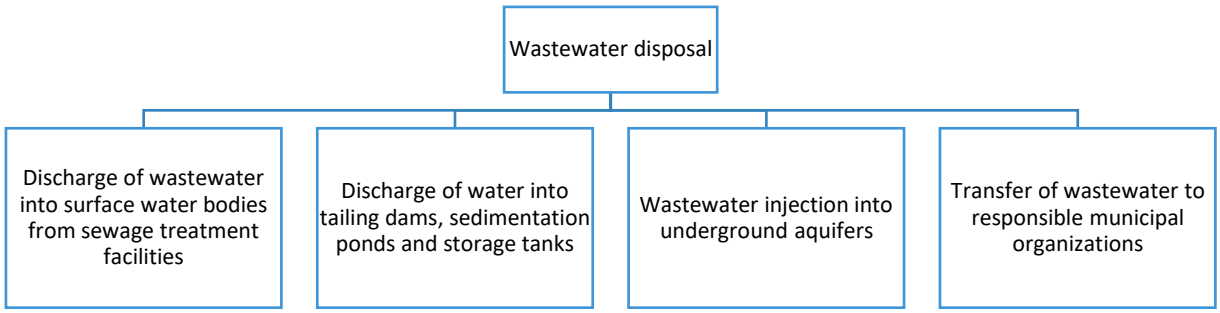
- underground aquifers;
- Metegero-Ichersky aquifer system;
- Levoberezhny fault line;
- Storage tanks and sedimentation ponds.

6.5.2 Wastewater disposal

(GRI 303-2, 303-4)

The ALROSA Group discharges wastewater generated in the course of its operations to various destinations.

Figure 17. Destinations of wastewater disposal



Wastewater is discharged within the limits established in accordance with permits and decisions on the provision of water bodies for use. Discharge limits and standards are calculated on the basis of the Environmental Impact Declaration taking into account the specificity of water bodies (hydrological, fishery and hydrochemical characteristics, including background concentrations of normalized pollutants in water bodies).

The ALROSA Group thoroughly monitors the safety of water discharged. The Company's industrial and sanitary laboratories regularly examine the quality of wastewater at all industrial sites.

The Company uses no nuclear substances or aggressive chemical agents in mining and processing of diamond ore. Accordingly, the wastewater contains no toxic, cancerogenic or radioactive substances.

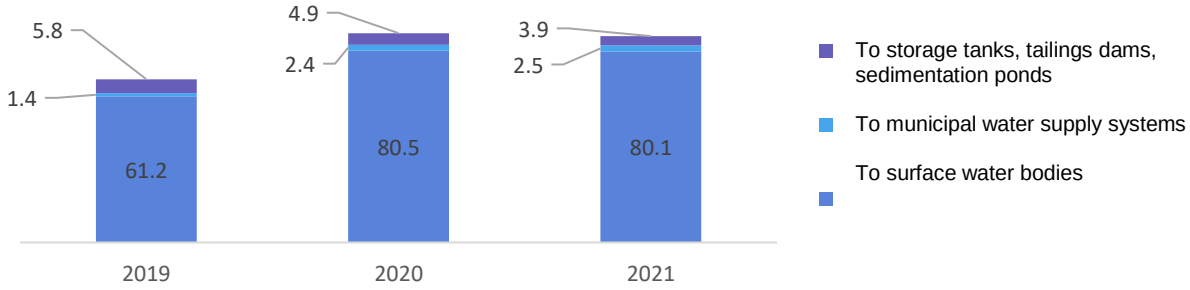
Wastewater desalting technology

ALROSA is constantly looking for technologies to minimize the impact on water resources. In 2021, the Company carried out pilot testing of the wastewater desalting technology at the Mirny and Nyurba Division to bring the water to a concentration that allows discharging it into the river network. The results of the tests were positive in 2021, and similar tests continue in 2022.

The total wastewater disposal in 2021 amounted to 82.6 million m³. Most of the water was discharged into surface fresh water bodies (80.1 million m³). The total volume of discharges did not exceed the permitted limits.

Figure 18. Wastewater discharge to surface water and municipal water supply systems[46], million m³

Figure 19. ALROSA Group wastewater discharge by destination[47], million m³



The amount of pollutants discharged by the Company with wastewater was 28,000 tons, which is 40% more than in the previous reporting period. This trend is explained by the discharge of water from the shunting container of the tailings dam of Processing Plant No. 8 as part of the project on removing the tailings dam (discharge of pollutants as a result of removing the facility equaled 11.2 thousand tons).

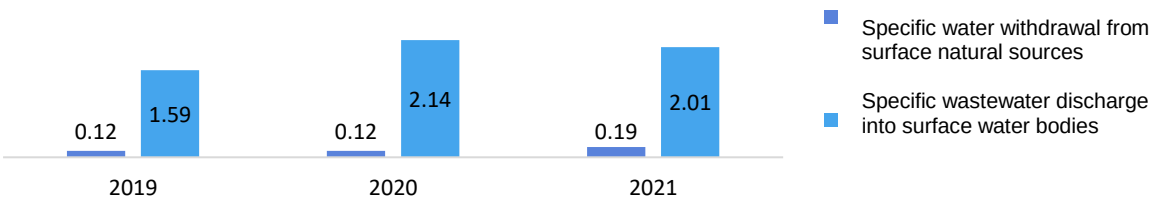
Figure 20. Discharge of pollutants into water bodies by the ALROSA Group, thousand tons

As part of the Sustainability Program for 2021–2025, the Company set targets to reduce by 2025 the specific water withdrawal from surface natural sources by 15% and the specific waste discharge into surface water bodies by 7.5% compared to 2019. In 2021, these indicators for the Diamond Mining and Processing Operations were 0.19 m³/carat and 2.01 m³/carat, respectively. A 6% decrease in the specific figure for discharge compared to 2020 was caused by an increase in the volume of water discharge as a result of discharging wastewater from the shunting container as part of removing the tailings dam of Processing Plant No. 8 (discharge of 4,616.87 thousand m³).

[46] Natural sources of wastewater discharge in the ALROSA Group include: the Sokhsolookh River, the Irelyakh River, a tributary of the Dyulung Otuu Stream and the Bezymyanny-3 Stream, the Molodo River, the Talakhtakh river, the Ebelakh River, the Zolotitsa River, the Daldyn River, the Lena River, the Vilyu River. The ALROSA Group discharged 80.1 million m³ of wastewater into these water bodies in 2021. The Diamond Mining and Processing Operations of the Group is responsible for the discharge of the largest volume of wastewater into surface water (65.1 million m³ in 2021).

[47] The information for 2019 covers the Diamond Mining and Processing Operations.

Figure 21. Specific water withdrawal from surface natural sources and specific wastewater discharge into surface water bodies, Diamond Mining and Processing Operations, m³/carat



6.6 Waste management

Approach to waste management

(GRI 306-1)

As a result of the Group's operating activities, production and consumption wastes of various hazard classes are generated. A significant part of the generated waste is classified as non-hazardous[48]. The waste generation structure of the Group is dominated by the waste of mining assets of the Diamond Mining and Processing Operations (99.95% of the total mass), namely overburden rocks and tailings of diamond-bearing ores. These mining wastes are practically non-hazardous, and their impact on the environment is minimal. The share of hazardous waste in the total volume of waste generation (excluding stripping and tailings) amounted to 3.1% in 2021 (0.03% falls on waste of hazard classes I and II).

ALROSA constantly takes measures to reduce the amount of waste generated at various stages of production and to re-use waste in the production cycle.

Waste is managed in accordance with its hazard class, aggregate state and chemical characteristics. The hazard class of waste is determined based on results of annual bio-testing. ALROSA does not transport, import, export or process wastes that are hazardous in accordance with Annexes I, II, III and VIII to the Basel Convention. The return of waste to the economic turnover, including as secondary energy resources, is a priority area for the Company.

Monitoring and control of waste management

(GRI 306-2)

ALROSA annually monitors its own waste disposal facilities as part of the Waste Disposal Monitoring Program to minimize the negative impact of these facilities on the environment. Based on the results of monitoring, a report is prepared for Rosprirodnadzor. No inconsistencies were identified during monitoring in 2021. Every five years ALROSA performs a stocktake of overburden dumps and dry tailings.

An independent audit of waste management is performed annually during the period of re-certification or inspection of the environmental management system.

Waste generation and management indicators

(GRI 306-3; 306-4; 306-5)

In 2021, the total amount of waste generated by the ALROSA Group increased by 60% compared to 2020 and amounted to 129,333,852 tons due to the increase in production volumes. 98% of the total volume of waste is of hazard class V of mining assets (waste from diamond production – overburden). Some overburden is re-used in the production process and used in construction.

[48] According to the environmental legislation of the Russian Federation, hazardous waste is of hazard classes I, II and III (extremely dangerous, highly dangerous and moderately dangerous), and non–hazardous waste is of classes IV and V (low-hazard and practically non-hazardous).

Figure 22. Waste generation by the ALROSA Group, t

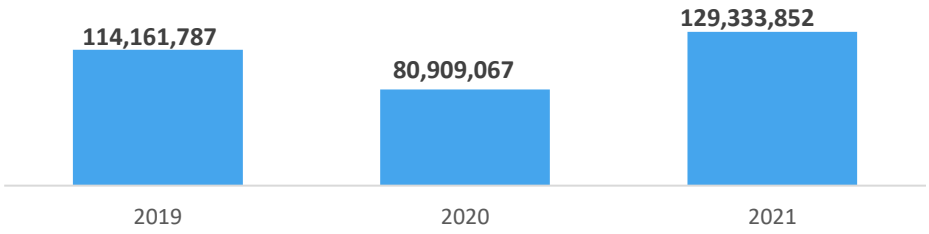
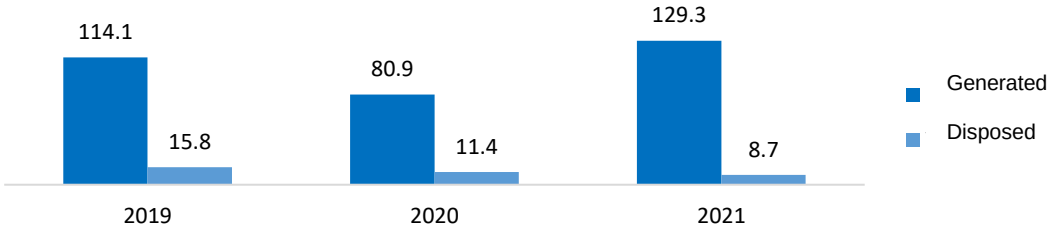


Figure 23. Volume of mining waste generated and disposed of by the ALROSA Group's Diamond Mining and Processing Operations, million t



In 2021, the volume of waste disposed of by the Group fell by 24%, while the volume of waste transferred to other organizations for subsequent landfilling/storage grew by 9.5 times compared to 2020. The reduction in waste disposal volumes in 2021 was caused by a reduction in the need to use mining waste for own needs (filling of dams, roads, etc.). The increase in the amount of waste transferred for disposal is due to planned work on dismantling buildings/structures/facilities in 2021.

Table 2. Volume of the ALROSA Group's wastes by type of waste management, t

Type of waste management	ALROSA Group			Diamond Mining and Processing Operations		
	2019	2020	2021	2019	2020	2021
Disposal	15,754,269	11,351,010	8,676,195	15,754,269	11,349,819	8,674,805
Neutralization	1,216	769	678	1,216	615	566
Placement at own sites for landfilling/storage	96,167,904	96,455,084	121,581,390	96,167,904	96,455,084	121,581,374
Transferred to other organizations for landfilling/storage	8,793	5,667	57,131	8,793	3,858	54,996

(GRI 306-2)

Table 3.Waste generation by the ALROSA Group by hazard class in 2021

Class	Description	Type of waste treatment
Class I (extremely hazardous)	Mercury-quartz lamps and fluorescent lamps that lost their consumer qualities	• Transfer for neutralization and disposal to specialized enterprises licensed to the declared type of activity.
Class II (highly hazardous)	Waste lead batteries containing electrolyte (undamaged) and waste battery acid (sulfuric acid); uninterruptible power sources that have lost their consumer qualities	

Class III (moderately hazardous)	Waste oils	• Using waste petroleum products as secondary energy resources or fuel and energy resources. • Treatment of sludge, oil and other filters contaminated with petroleum products at Forsazh-2M modern mobile units.
Class IV (low hazard)	Construction waste, scrap tires and air tubes, wood scrap, weld slag, ash and slag waste from coal combustion, waste generated as a result of mechanical and biological treatment of wastewater	• Recycling at own enterprises (use of tires as structural elements). • Treatment at Forsazh-2M units. • Transfer for neutralization and disposal to specialized enterprises licensed to the declared type of activity.
Class V (nearly nonhazardous)	Waste from diamond production (overburden) and processing of diamond-containing ore (tailings)	• Recycling of part of waste at own enterprises: (using overburden rocks and tailings for the establishment of dams and embankments, construction works, rehabilitation of disturbed lands, riprap and road maintenance).

A significant share of ALROSA's total waste comes from non-recyclable packaging materials used by the Company's counterparties to supply products. In order to reduce the amount of this waste, the Company plans to oblige counterparties to supply products in recycled or biodegradable containers. If a counterparty cannot stop using non-recyclable packaging, ALROSA will request confirmation of payment of the environmental fee at the end of the financial year.

Tailings thickening technology

ALROSA is actively applying the tailings thickening technology at processing plants. The technology makes it possible to significantly reduce water consumption, increase the efficiency of tailings stacking, and extend the service life of the existing tailings dam of the plant.

The thickening unit includes a system of pumps, a battery of hydrocyclones and large tanks. By means of the centrifugal force the unit extracts most of the recycled water from the tailings of the plant, the recycled water is re-used in production and the sands left after thickening are placed in the tailings dam.

Discussion of using recycled waste in production

Environmental specialists of ALROSA, together with specialists of four subsidiaries and Yakutniproalmaz Institute, held a third environmental meeting on Lake Chuonalyr timed for the International Plastic Bag Free Day.

The meeting included the discussion of using recycled waste in production and the exchange of experience of enterprises on the topic "Waste into Income."

As part of the Sustainability Program for 2021–2025, the Company aims to increase the proportion of recycled and neutralized production[49] and consumption waste by at least 50% by 2025 compared to 2019. In 2021, the indicator for the Group's Diamond Mining and Processing Operations reached 0.11 tons per thousand carats of produced diamond products (0.17 tons per thousand carats in 2019).

In the Environmental Strategy the development of which began in 2021 ALROSA plans to enhance its commitment to increase the share of waste subject to recycling and treatment.

The reform of the Company's waste management system is planned for 2022–2023. In particular, it will affect the reduction in the volume of production and consumption waste generation through the use of biodegradable packaging of supplied products or the supply of products in recycled containers.

6.7 Management of tailings dams

(413-1; 413-2)

ALROSA manages tailings dams in complete compliance with the requirements of Russian laws. All the Company's tailings dams classified as first and second-class hydraulic structures are subject to declaration, expert review and operating permits.

[49] Excluding overburden, rock, tailings.

The Company manages six tailings dams operated in the permafrost area and entered in the State Register of Waste Disposal Facilities and the Russian Register of Hydraulic Structures.

Declaration, expert review and receipt of an operating permit

The Safety Declaration of Hydraulic Structures of Tailings Dams contains the results of assessing the risk of accidents at the tailings dams (including risks affecting the life of local communities and the environment). According to the results of simulating accident scenarios and risk assessment, no settlement would be in the flooding area in the event of potential accidents at the Company's tailings dams.

In accordance with legal requirements, the Company updates the declaration at least once every five years. Before it is updated, a regular inspection is performed with the participation of the authorized state body (Rostekhnadzor). A hydraulic structure is assessed for compliance with safety criteria: actual indicators and the condition of tailings dams are analyzed.

After the declaration is prepared, it is subject to expert review by an independent organization accredited by Rostekhnadzor. Based on the expert opinion, the operating permit is extended.

Monitoring of the condition of tailings dams

ALROSA continuously reviews each tailings dam for compliance with safety criteria. Each facility is subject to production environmental control performed in accordance with the action plan approved by the Company's chief engineer. At the end of 2021, no violations of the stability, integrity and functioning of the ALROSA tailings dams were identified.

Program for machine control of HS production risk factors

In 2020, ALROSA developed and approved a program for machine control of HS production risk factors at the Company's HS. The main goal of the project is to build an early warning system through the installation of a network of sensors in the HS control and measuring equipment to monitor their condition in real time.

To implement the Program, the Company developed and approved a roadmap for 2020-2024 for deploying an automated wireless monitoring system at the Company's tailings dams. In 2020, the automated wireless monitoring system was deployed at the tailings dam of Processing Plant No. 14 of the Aikhal Division, and in 2021 – at tailings dams of the Udachny Division.

Risk management at HS

Various structural divisions of the Company have their own responsibilities in the area of HS risk management, independent expert organizations exercise additional control.

Table 4. Organizational structure of the Company's system for managing risks at hydraulic engineering facilities

Managing function	Area of responsibility
Chief Engineer	• Oversees production risk management
Risk Management Department	• Coordinates the risk management process • Aggregates risk information • Reports to the Executive Committee and the Supervisory Board of the Company
Deputy Chief Engineer for HS	• Organizes and supervises HS monitoring • Performs operational risk management – determines risk response methods, develops risk minimization measures
Yakutniproalmaz Institute	• Develops design documentation with the involvement of external experts • Performs design supervision over compliance with design solutions • Performs regular monitoring of the condition of HS • Provides recommendations on safe operation of HS and risk mitigation
Chief Engineers of MPDs operating HS	• Organize risk management processes, risk processing and monitoring • Perform risk mitigation activities
Deputy Chief Engineers for HS of MPDs	• Perform HS monitoring • Perform daily risk management and analysis of risk monitoring results • Perform risk mitigation activities

Operation personnel of HS	• Responsible for HS operation • Monitors the condition of structures and identifies risks on a daily basis • Implements decisions on minimizing the risk of emergency at HS
Industrial and sanitary laboratories	• Conduct periodic water sampling and their chemical analysis for subsequent assessment of the condition of HS
Environmental Center	• Controls and monitors the environment around HS • Addresses issues of land rehabilitation and resource use
Independent expert institutions	• Conduct independent expert assessment of design documentation, the state of structures, facility inspection, risk assessment, special types of observations

Development of a corporate standard on tailings dam management

In 2021, ALROSA initiated the development of an internal standard on tailings dam management. The Company performed a number of necessary measures, including analysis of the Russian legislation on tailings dam management, analysis of internal regulatory documents and diagnostics of the tailings dam management structure.

Tailings dam management measures

ALROSA's key initiatives to minimize risks during HS operation in 2021:

- strengthening of fencing in seepage areas by placing anti-seepage elements to enhance the stability of facilities;
- implementation of an automated system of wireless monitoring at two tailings dams of the Udachny Division for early warning of emergency situations at HS;
- comprehensive monitoring of facilities exposed to the risk of permafrost thawing, and subsequent development of a plan to manage such risks.

Elimination of seepage at Processing Plant No. 14 of the Aikhal Division

Since 2020, ALROSA has been working on eliminating seepage at a tailings dam of Processing Plant No. 14 of the Aikhal Division. The project consists of nine stages, the last of which the Company intends to implement in 2023.

In 2021, ALROSA performed two stages of the project: assessment of the stability, seepage strength and temperature of the soil base of the dam at Processing Plant No. 14, and development of a technology to eliminate seepage cracks at the base of the tailings dam and the processing plant dam.

6.8 Land rehabilitation

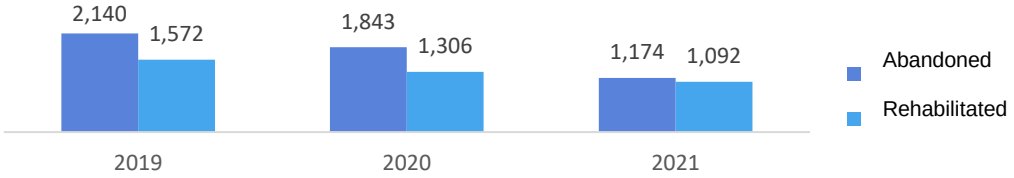
As part of the development of existing and new deposits, ALROSA is carrying out comprehensive work on the conservation and restoration of natural landscapes and the systematic reduction of the area of abandoned lands. In accordance with legal requirements, the Company restores the land disturbed during mining operations and transfers it to the owners – local municipalities or forestry enterprises. Abandoned land is restored in accordance with the annually updated Rehabilitation Plan.

Land rehabilitation is the process of preventing land degradation and bringing it to a usable condition. It includes technical and biological rehabilitation of land resources, including tailings and land disturbed as a result of exploration.

In 2021, ALROSA together with external specialists performed a cycle of forest restoration work on an area of 809 ha with a deforested area of 598 ha.

In 2021 the ALROSA Group's abandoned land area was 1,174 ha and the reclaimed land area was 1,092 ha.

Figure 24. Total area of land abandoned and reclaimed by the ALROSA Group, ha[50]



6.9 Biodiversity conservation

(GRI 304-1; 304-2; 304-3; 304-4)

ALROSA is implementing projects to protect and replenish the biodiversity of the Republic of Sakha (Yakutia) as part of the Comprehensive Program on Environmental Protection and Environmental Safety for 2019–2023; ALROSA Group's total biodiversity conservation costs in 2021 amounted to RUB 35.8 million, which is 7% more than in the previous reporting period.

Support of specially protected natural areas and a natural park

One of ALROSA's environmental priorities is to support and preserve specially protected natural areas (SPNAs).

Creation of ALROSA-Rangifer-Chekanovsky SPNA

In 2021, the Government of the Republic of Sakha (Yakutia) signed a Resolution on the creation of the SPNA of the republican significance "ALROSA-Rangifer-Chekanovsky" with an area of more than 64.1 thousand ha.

Chekanovsky chain in the Bulunsky district is home to the main breeding stock of reindeer of the Leno-Olenek population that ensures its successful reproduction and sustainability. This is the most exploitable population of wild reindeer that supports the life-sustaining activity of indigenous minorities of the North. Its population size is 84,000.

The creation of SPNAs will make it possible to preserve the main summering grounds of the breeding stock of the Leno-Olenek population of wild reindeer, fawning and graziery of the young stock.

ALROSA spent more than RUB 7 million on research and field work under the project.

Another area of ALROSA's biodiversity conservation activity is supporting the Living Diamonds of Yakutia natural park established in 2009 to preserve natural ecosystems in the major industrial town of Mirny on the territory of more than 32,000 ha. Yaks, bisons, musk oxen, bears, roe, deer and other animals live in the park under conditions close to natural. In 2021, ALROSA spent RUB 4 million on the park's needs.

Participation in the project of the Pleistocene Park

In 2021, ALROSA became the official partner of the Pleistocene Park, a project to create an ecosystem similar to the ecosystem of the mammoth steppes of the Late Pleistocene in the territory of the Republic of Sakha (Yakutia). The goal of the project is to confirm the hypothesis that pastures with a high level of biodiversity prevent permafrost thaw and climate change. The implementation of the project will significantly affect the conservation of permafrost and increase in the level of biodiversity throughout the region.

Monitoring and assessment of impact on biodiversity

PJSC ALROSA manages five production sites located in close proximity to specially protected areas (two sites to each of the resource reserves of the republican significance Beke and Ochuma, and one site – to the reserve Junkun).

The Company places high emphasis on the conservation of the population of rare animal species under threat of extinction, and monitors the biodiversity of the territories once every three years.

Specialists of the Company found six rare and protected species of plants and animals included in the Red Lists of Russia and the Republic of Sakha (Yakutia) and inhabiting the ALROSA Group areas of operations: three species in the area of JSC Almazy Anabara operations (two of them are vulnerable and one disappearing), three more species – in the area of PJSC ALROSA operations (threatened, rare and vulnerable species).

[50]Data for 2019 for the ALROSA Group cover the Diamond Mining and Processing Operations.

In 2021, ALROSA monitored flora and fauna to identify the most affected species (including Red List species). However, due to the unfavorable epidemiological situation, monitoring was not completed in the reporting period and will continue in 2022.

Participation in studies of the lesser white-fronted goose population

In 2021, studies of the Institute of Biological Problems of the Cryolitozone identified nesting sites for an disappearing species of the lesser white-fronted goose on the territory of the Muna River within the specially protected natural area Beke located in close proximity to the license blocks of ALROSA. According to ornithologists, the reasons for the decline in the population of the species need to be studied. In this regard, ALROSA, in cooperation with the Institute, has begun large-scale research into the population of the lesser white-fronted goose and other Red List species. The project is planned to be implemented in 2022–2023, with investments of RUB 2.98 million.

Monitoring of wild reindeer population

Since 2016, ALROSA, in cooperation with the Institute for Biological Problems of Cryolithozone, has been monitoring the wild reindeer of the Leno-Olenek population supporting the traditional life of indigenous minorities of the North. The results of monitoring performed using radio collars for labeling show that deer migration routes remain relatively constant, but wintering sites vary annually.

During the period of wild reindeer migration, ALROSA arranged the places where the reindeer passed through the infrastructure lines on its industrial territories, and developed a scheme for blocking traffic when animals crossed technological roads.

In addition, ALROSA financially supports the Zapad team engaged in the protection of wild reindeer and the identification of illegal hunting in seasonal migration areas.

Starting from 2022, the Company plans to perform annual monitoring of ichthyofauna, including fish and zooplankton. ALROSA considers cooperation with expert organizations and government agencies that monitor changes in populations of certain species.

Fish population restoration

On an annual basis, together with the Chernyshevsky fish breeding farm, ALROSA is engaged in fish stocking of Yakutia rivers and lakes with valuable fish breeds. In Lensk, specialists of the ALROSA Environmental Center released 842,000 juvenile whitefish into the Lena River. In addition, more than 1.3 million peleds were released into the Vilyuy reservoir in the village of Chernyshevsky. In 2021, the amount of financing reached RUB 10.7 million, and in 2022 the Company plans to step up financing to RUB 17.4 million.

Creation of infrastructure to restore the fish population

As part of its cooperation with the Chernyshevsky fish breeding farm, ALROSA plans to create an infrastructure for growing young valuable fish species. The investments will amount to RUB 7.4 million. The juvenile fish will be kept in a specially equipped hatchery line. They will then be released into the Vilyuy and Lena rivers. This approach will increase the survival of juvenile fish and accelerate the recovery of its population. The release of fish is planned for 2024–2025.

Landscape gardening

A separate area of work is the landscaping of urban area as part of implementing the social and environmental action plan of PJSC ALROSA. In 2021, employees of the Company's structural divisions and the center for supplementary education planted 50 dwarf apple trees in the center of Mirny and in the town park to improve the area.

7. DEVELOPMENT OF REGIONS OF PRESENCE

KEY PERFORMANCE INDICATORS IN 2021

RUB **6.1** billion

allocated to social expenses

20 agreements

are in force between ALROSA and the regions of presence

KEY EVENTS IN 2021

A new Agreement on the Social and Economic Development of the Republic of Sakha (Yakutia) in 2021–2025 was concluded

New cooperation agreements with Yakutia uluses for 2021–2025 came into effect

The Regulations on the contest "ALROSA Territory" were approved

MATERIAL TOPICS

Local communities
Procurement from local suppliers

UN SUSTAINABLE DEVELOPMENT GOALS

PRINCIPLES OF THE UN GLOBAL COMPACT

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

KEY AMBITIONS AND TARGETS UNDER THE SUSTAINABILITY PROGRAM UP TO 2025

Ambition	Target	Status	Progress for 2021
C1 Ensuring sustainable volume of social investments	Ensuring annual amount of social investment in accordance with approved programs		All programs stipulated by the budget for 2021 have been implemented
C2 Ensuring performance of contractual obligations with regional authorities	Ensuring 100% timely fulfilment of obligations under targeted donation agreements with regional authorities		In 2021, special-purpose donations amounted to RUB 3.9 billion The annual volume of social investments was ensured under all agreements between the Company and the regions of presence
C3 Construction and maintenance of social infrastructure	Developing, maintaining and ensuring stable operation of the Company's social infrastructure assets in the regions of operation Participating in construction of large infrastructure assets in cities and regions of operation		Financing of measures to relocate citizens from dilapidated and substandard housing in 2021 amounted to RUB 300 million Participation in infrastructure and urban development projects, creation of conditions for advanced development, creation of a favorable environment for youth development
C4 Contributing to local purchasing	Ensuring annual purchases from local suppliers registered and operating in the regions of ALROSA Group operation		Purchases from local suppliers in the regions of presence grew by 40.3% 30% of the total procurement was from local suppliers in the regions of presence

 *achieved*

 *in progress*

 *failed*

7.1 Approach to the management of social investments

ALROSA is primarily focused on the regions of its operations. As one of the largest employers in Russia, the Company makes a significant contribution to the social and economic development of its regions of presence, including large-scale social programs and sustainable partnerships with local communities.

(GRI 413-1)

ALLOCATION OF RESPONSIBILITY

Directorate of Social Services and Regional Development

Marketing and Public Relations

REGULATORY DOCUMENTS

Social Policy

Regulations on Charity, Other Donations and Sponsorship

Regulations on the Commission on Financial and Sponsorship Support

Regulations on the Contest "ALROSA Territory"

Regulations on Socially Significant and Socially Useful Expenses and Sponsorship

The Company's success and development prospects are inseparably linked to the well-being and prosperity of its regions of operation. That is why ALROSA traditionally places special emphasis on the development and strengthening of cooperation with regional communities. The focus is on joint implementation of programs and projects that help to ensure a decent quality of life for the population and to preserve traditional religious and cultural values.

ALROSA is involved in the implementation of federal and regional projects aimed at supporting education, medical institutions and healthcare programs, the development of culture and sports, and site improvement measures.

Social investments cover both own projects and programs as part of cooperation with the Special Fund for Future Generations of Yakutia, individual NPOs and regional authorities.

The Chief Executive Officer – Chairman of the Executive Committee determines the Company's social policy. Its implementation is overseen by the Directorate of Social Services and Regional Development that forms the consolidated budget for social projects based on the data of all ALROSA Group companies and submits it to the Supervisory Board for approval. The division supervises the allocation of investments, interacts with the Fund for Future Generations and the Republic's local authorities that prepare reports on the implementation of programs and the use of funds.

In addition to the main documents, in 2021 the Company developed the Regulations on the contest "ALROSA Territory" that determine the procedure for financing the best social and public projects. In 2022 the Group intends to develop regulations on the environmental and social impact assessment of PJSC ALROSA.

Contest "ALROSA Territory"

In 2021, the Company held a contest of social initiatives "ALROSA Territory" for the first time. Its main goal is the improvement of the quality of life and comprehensive development of the social infrastructure and the urban environment in the Mirny district. ALROSA finances up to 70% of the cost of projects on creating modern comfortable public and cultural spaces in order to improve the quality of life. In 2021, 20 projects were submitted for the contest, eight of which became winners. The Company plans to allocate up to RUB 50 million a year to implement the best projects.

Cooperation agreements

- Agreement on the Social and Economic Development of the Republic of Sakha (Yakutia) for 2021–2025 aimed at the joint implementation of programs and projects for the social and economic development of the Republic of Sakha (Yakutia)
- Cooperation agreements with Yakutia uluses up to 2021. New agreements were concluded for 2021–2025 under the Agreement on the Social and Economic Development of the Republic of Sakha (Yakutia)
- Agreements on Social and Economic Development of Oleneksky, Nyurba districts and the Sadynsky national nasleg in the Republic of Sakha (Yakutia)
- Annual agreements on social and economic cooperation of JSC Almazy Anabara with the Anabarsky, Oleneksky, Bulunsky, Zhigansky and Eveno-Bytantaysky uluses

- Cooperation agreement between ALROSA and the Federal Agency for Ethnic Affairs (FAEA of Russia) to preserve the traditional way of life of the indigenous minorities of the North, Siberia and the Far East

The agreement on social and economic development of the Nyurba district, which expired in 2021, has been extended for a new period of 2022–2024.

7.2 Social investments in the development of the regions of presence

(GRI 203-1; 203-2; 413-1)

KEY AREAS OF SOCIAL EXPENSES, RUB mln	
Education	1,247.2
Health and recreation programs	1,213.0
Culture and sports, social infrastructure	2,023.9
Housing and landscaping	902.4
Targeted assistance based on the decisions of the commission, other charitable and sponsorship support	739.2

Figure 2. Social expenses[51] of the ALROSA Group, RUB bln

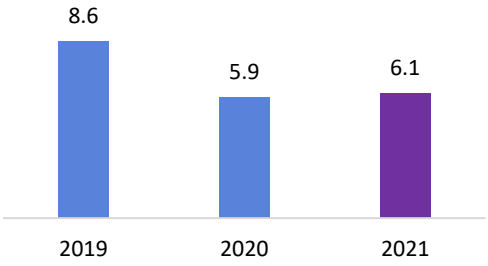


Figure 3. Breakdown of social investments, %

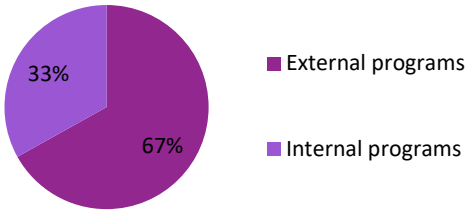
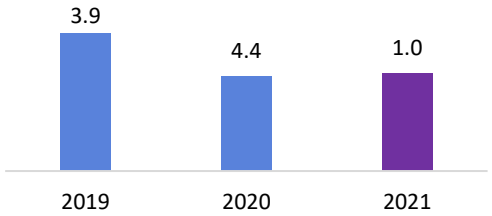


Figure 4. Contributions to the NPF Almaznaya Osen, RUB bln[52]



The Group's social expenditures are among the highest in the industry. In 2021, the Company spent RUB 6.1 billion on infrastructure development, provision of gratuitous services and implementation of social programs for employees, and transferred contributions to the non-state pension fund Almaznaya Osen. In total, social expenses comprised 2.1% of ALROSA's revenue.

[51] The amount of social expenses published in the Sustainable Development Report for 2020 included the Company's contributions to the NPF (non-state pension fund) Almaznaya Osen (Diamond Autumn).

[52] The reduction in contributions to the pension fund Almaznaya Osen is due to terminating the remittance of pension contributions related to the transition to the pension system with an actual return; not granting a corporate pension due to natural outflow; transition from a corporate program to a parity one.

An essential part of ALROSA's social policy remains the contributions to the non-state pension fund Almaznaya Osen, which supports the Company's pensioners. In 2021, the contributions were RUB 1.0 billion.

Every year, ALROSA and the Special Fund for Future Generations of Yakutia conclude special-purpose financing agreements for the implementation of projects on the advanced development of the republic, construction of new social infrastructure facilities, creation of conditions for harmonious development and unlocking the creative potential of children and young people. The Company finances special-purpose programs "Development" and "Assistance." Since 2011, 39 social facilities have been financed under both programs: 8 educational institutions, 10 sports facilities, 10 cultural facilities, 4 hospitals, 4 rehabilitation centers and 3 residential buildings.

Total contributions to the Special Fund for Future Generations of the Republic of Sakha (Yakutia) amounted to **RUB 1.1 billion** in **2021**. Over the period **2011–2021**, ALROSA transferred RUB **8.3 billion** to the fund.

The Company's social investments are non-refundable and are allocated on the basis of agreements with the regions of presence.

In financing social and infrastructure programs and projects, the Company actively engages local residents and other stakeholders in the process of identifying promising areas. A key tool in this area is the care.alrosa.ru web portal, created by ALROSA in 2020, which publishes information on social and charitable projects in the regions of presence. The portal contains a feedback form and contacts for more detailed information.

7.2.1 Education

ALROSA finances educational initiatives and provides targeted assistance to educational institutions, participates in the construction and renovation of schools and educational centers.

Financing of Almazik Preschool Educational Establishment

Up to 2019, ALROSA was the sole founder of Almazik Preschool Educational Establishment. Since the conclusion of the agreement with the Mirny district municipality, financing has been carried out on equal terms. The structure of the organization includes 29 kindergartens in the Mirny district. In 2021, ALROSA's contribution amounted to RUB 543.7 million.

New building of the Children's Center for Supplementary Education "Childhood Palace"

In 2021, ALROSA allocated RUB 115.3 million to finance the construction of the Children's Center for Supplementary Education "Childhood Palace" in Mirny. More than 200 children will be able to attend the center simultaneously. The building will be the venue for at least 40 different study groups and clubs for children and teenagers, including music and dance studios, art and craft workshops, industrial robotics club, bioquantum and industrial design groups.

Participation in the implementation of the "Childhood Lab" sub-program

The sub-program includes three projects: "Growing up with Yakutia," "Ecosystem of Children's Giftedness Development" and "Early Aid." Its main objectives are to organize scientific research in the area of physical health and mental development of preschool children, and to create and implement innovative preschool educational programs and methods. Supporting early intervention for children and their families to detect developmental deviations as early as possible and promoting optimal physical and mental health conditions are also priorities.

Helping children from low-income families

During the reporting year, ALROSA financed the "Territory of Childhood" program that provides targeted assistance to children and families in distressed life situations, large and needy families and families with children with disabilities, and supports children's sports.

Creation of conditions for youth development

ALROSA is financing the construction of the Future Generations Park in Yakutia. Plans include the creation of a unique public space for useful leisure and outdoor recreation. The goal of the project is to set up an ecosystem for the creative, intellectual, mental and physical development of the younger generation. In the educational cluster of the park, children will be able to gain in-demand skills – digital, project, entrepreneurial, etc. The construction is expected to be completed by 2025.

Award of winners in the competitions of the 5th Republican Meeting "Green Pioneers of Yakutia"

ALROSA is a partner of the annual national meeting of the Green Pioneers during which schoolchildren present environmental projects in the category "Best Environmental Trail Project" and participate in the secondary raw material craft competition "Useful Waste".

7.2.2 Healthcare

To support the health of employees and their families, ALROSA implements a whole range of projects, including voluntary health insurance and health resort recreation.

In the regions of presence, ALROSA implements various programs, including support for medical institutions and contribution to combating COVID-19.

For more information on ALROSA's healthcare programs for employees, see the section "Social support."

Building of the therapeutics and children's unit in the Verkhoyansky Ulus

At the beginning of 2021, 30-bed therapeutics and children's units were opened in the village of Batagay, Verkhoyansky district, with a health center for 180 visits per shift built using ALROSA's financing for the amount of RUB 698 million.

Support for the healthcare system of the Mirny district

In 2021, the Company allocated RUB 204.3 million to upgrade the healthcare system of the Mirny district as part of the Comprehensive Healthcare Development Plan for 2021–2025.

Provision of water to the Vilyuyskaya group of uluses

Since 2019, ALROSA has been financing the Program for comprehensive research of the environmental condition of the Vilyuyskaya group of uluses and public health in these territories for the period 2019–2023, which covers 29 naslegs and settlements. In total, the Company has already allocated RUB 450 million. In 2021, the Company allocated funds to the installation of water intake and hydrogeological wells, water treatment facilities, and geological study of underground water reserves. ALROSA performed field work and laboratory research into the condition of the rivers, ichthyofauna, and conducted a large-scale medical examination of the population. These studies will serve as the basis for the development of a set of medical and social measures to improve the health of the population of the Vilyuyskaya group of uluses and to create a favorable environment for life in this region.

7.2.3 Culture and sports

ALROSA's social investments in the development of culture and sports include the maintenance of the Company's Culture and Sports Complex, organization of cultural and sporting events for employees and special-purpose charitable donations in the regions of presence.

For more information on ALROSA's cultural and sports programs for employees, see the section "Social support."

Mirny District Development Program

In 2021, as part of the Diamond Cities Forum, ALROSA held consultations on drafting a program for culture and sports development in the Mirny district. Its goal is to expand opportunities for sports and physical training. The program is to commence in 2022.

Culture an`d Leisure Complex

ALROSA funded the construction of a two-storey multifunctional center in the village of Maya, Megino-Kangalassky ulus. The Complex includes a theater, gyms and rehearsal rooms for folk performance groups.

An environmental quest for schoolchildren

ALROSA cares for the level of environmental responsibility of the younger generation. In 2021, the Environmental Center held a quest for students from Mirny schools. During the quest, the children performed tasks related to the environment and biology.

7.2.4 Housing and landscaping

Assistance in the development of infrastructure in the regions of presence is ALROSA's strategic area of activity. The Company implements staff support programs that provide for preferential mortgages, the creation of a housing stock and the provision of assistance during relocation.

For more information on ALROSA's staff housing program, see the section "Social support."

When interacting with its regions, the Company concludes contracts and agreements on financing improvement projects in the towns of presence. To create a comfortable and modern infrastructure of single-industry towns and villages, ALROSA invests in projects to improve the urban environment.

Programs of relocation from dilapidated and substandard housing

Since 2012, ALROSA has been financing a program for the demolition of dilapidated and substandard housing and the relocation of residents according to the demolition schedule for the Mirny district approved by the Government of the Republic of Sakha (Yakutia). In 2021, the Company financed measures for the amount of RUB 300 million. ALROSA finances a similar program in the settlement of Aikhal; in the reporting year the Company spent RUB 24.4 million on its implementation.

Development of a comfortable urban environment

In 2021, the Company financed the start of developing the draft architectural and art concept for the town of Mirny. The goal is to create favorable conditions for the life and work of ALROSA employees and the population, and also the comprehensive development of the Mirny district – to create a comfortable region taking into account the principles of modern urbanization and diversity of the urban environment.

Assistance to people affected by forest fires

ALROSA allocates funds not only as part of special-purpose financing, but also provides unscheduled assistance to local communities affected by emergencies. For example, in 2021, by decision of the Supervisory Board, the Company spent RUB 200 million on the construction of new housing and the payment of monetary compensation to the residents of the village of Byas-Kyuyol in the Gorny Ulus of the Republic of Sakha (Yakutia) who were affected by forest fires.

7.2.5 Targeted assistance based on Commission decisions

ALROSA provides charitable assistance based on requests from individuals, regional administrations and NPOs. The Financial Support and Sponsorship Commission reviews requests and approves the amount of assistance.

Every year the Commission considers approximately 300–400 requests from employees and pensioners of the Company, residents of the regions and various organizations. In 2021, the Company updated the Regulations on the ALROSA Financial Support and Sponsorship Commission.

Decisions cover assistance to people, for example, in organizing treatment and rehabilitation. If necessary, expensive medicines are purchased for those injured in accidents. Assistance is provided to the injured during a fire or natural disaster. People in material distress or in unforeseen and emergency circumstances are also supported. The Commission also accepts requests from organizations, in particular, assistance is provided to hospitals, municipalities, and non-profit and non-governmental organizations in Yakutia. In 2021, the ALROSA Group's expenses on such requests amounted to RUB 82.6 million.

7.3 Support for indigenous minorities

(GRI 411-1)

One of ALROSA's key obligations is to preserve the culture, customs and values of ethnic and other social groups in the regions of presence. The Company recognizes the importance of preserving and maintaining the national

traditions of indigenous minorities of the North living in Yakutia. ALROSA helps them in agricultural and traditional fishing activity, and finances social events. One of the Company's primary goals is to build an effective dialog with indigenous minorities and provide targeted assistance to them to improve their quality of life.

Figure 10. Areas of support for indigenous minorities

The priority areas of support are the development of the economy of Arctic uluses, the creation of favorable conditions for solving basic social problems, compliance with environmental requirements, retraining and employment of local people.

For more information on the employment of local and indigenous people, see the section "Creation of jobs in regions."

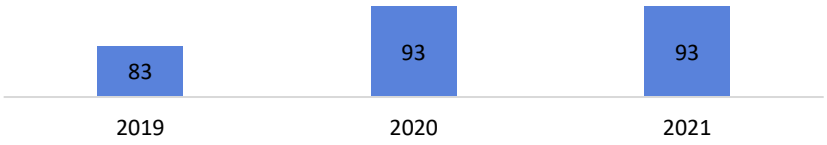
7.3.1 Assistance in the development of Yakutia uluses

In 2011, ALROSA entered into cooperation agreements with Yakutia uluses for the period up to 2021 with an annual cash transfer to each ulus in the amount of RUB 9.25 million. In the reporting year, new cooperation agreements came into effect for the period 2021–2025. Over the course of five years, ALROSA will provide Anabarsky, Verkhne-Vilyuysky, Vilyuysky, Lensky, Mirny, Nyurba, Oleneksky, Suntarsky and Kobyaysky uluses of Yakutia with financial assistance for the total amount of RUB 370 million.

The funds will be used for the comprehensive development of territories, strengthening and improvement of interrelations in the social, environmental, cultural and religious areas, as well as for supporting education, sports, healthcare, agriculture and other priority areas.

From 2011 to 2021, ALROSA allocated RUB 953 million to various social and economic measures under agreements with the uluses of Yakutia.

Figure 11. Expenses for the development of Yakutia uluses[53], RUB million



In addition to the agreements with the uluses of Yakutia, since 2020 ALROSA has annually entered into an Agreement on Social and Economic Development of the Sadynsky National Evenki nasleg of the Mirny district of the Republic of Sakha (Yakutia). Financing in this area amounted to RUB 10 million in 2021.

At the beginning of 2021, agreements on the social and economic development were signed between JSC Almazy Anabara and the municipal uluses. Agreements with the heads of the Anabarsky national (Dolgan-Evenki) ulus, the Oleneksky Evenki national district and the Eveno-Bytantaysky national ulus are annual and signed within the approved budget of the ALROSA Group. In 2021, JSC Almazy Anabara allocated RUB 109 million to the social and economic development of the uluses in the Republic.

[53] Starting from 2020, the amount of expenses includes financing under the Agreement on the Social and Economic Development of the Sadynsky National Evenki nasleg of the Mirny district of the Republic of Sakha (Yakutia) equal to RUB 10 million per year.

The special-purpose financial assistance of ALROSA is used for the development of districts – construction and renovation of social facilities, development of reindeer farming, support for indigenous people of the North and traditional fishing. Under the agreements, the Company allocates funds for environmental events and campaigns, supporting medical and educational institutions, arranging children's leisure, youth conferences, sporting events and mass cultural events. ALROSA implements projects to train local staff and work with talented children and youth.

Future of Diamond Cities Forum

In 2021, a forum was held to consider initiatives and take decisions jointly with the Government and municipalities of Yakutia with regard to the development of socially important projects and programs:

- a comprehensive healthcare development plan in the Mirny district;
- municipal sub-program for relocation from substandard housing in the settlement of Aikhal;
- contest "ALROSA Territory";
- development of a draft architectural and art concept for the town of Mirny;
- development of a draft program to develop culture and sports in the Mirny district.

7.3.2 Preservation of the culture and traditions of the indigenous peoples of Yakutia

ALROSA not only supports the social and economic development of the territories where indigenous minorities live, but also seeks to preserve their cultural heritage. The Company participates in annual traditional national holidays and provides financial support. Between 2012 and 2021, 15 cultural facilities in Yakutia were built using ALROSA funds. The activities of each such facility are in one way or another connected with the preservation of national traditions.

Holding national holidays and contests

Every year the Company acts as one of the organizers and sponsors of the "Reindeer Herders' Day" and the national holiday "Ysyakh Olonkho" in the uluses of Yakutia where indigenous minorities live. In 2021, ALROSA sponsored the Manchaara Games Sports Day and allocated RUB 1 million for the event. The Company participates in the preparation and holding of the International Sports Games "Children of Asia," the Sports Games of the Peoples of the Republic of Sakha (Yakutia), and international promotion of mas-wrestling.

Support for folk art

The divisions of the ALROSA Culture and Sports Complex are a venue for 13 amateur groups of Yakut folk art (choreography, vocal art, folklore) with more than 200 members. In addition, every year ALROSA organizes the Tuoi-Haya Music Festival to support young talented people and develop variety arts.

Preservation of writing and language

ALROSA focuses on projects aimed at the careful attitude to and preservation of the native language and writing of the peoples of Yakutia. The Company works closely with the Federal Agency for Ethnic Affairs of the Russian Federation, with which an agreement on cooperation has been signed.

Preservation of the culture of the peoples of the North

In 2021, ALROSA supported the ethnic and cultural project Kyndykan, which aims to draw global public attention to the indigenous minorities of the North, their culture and traditions, and the importance of maintaining their traditional way of life and identity.

ALROSA participated in the publication of the fairy-tale "The Extraordinary Story of Kyndykan" and in producing a short animation film under the same title. Recognizing the significant contribution of the project to the preservation of the traditional way of life of indigenous minorities of the North, their authentic culture and languages, the Company gave the name "Kyndykan" to a large 91.86 karat diamond mined in the Oleneksky district.

Publication of the book "The Well of Fairy-Tales" in the Yakut and Evenki languages

In 2020, the ALROSA Environmental Center held the children's literature and art contest "The Well of Fairy-Tales", which selected fifty best pieces of work from more than two hundred applications received. In 2021, 500 copies of environmental fairy-tales were published in three languages: Russian, Yakut and Evenki.

In 2021, the Environmental Center was awarded a letter of appreciation from the Administration of the Head and Government of the Republic of Sakha (Yakutia) for its contribution to the revival of cultural heritage and the preservation and development of the state and official languages of the Republic.

7.4 Procurement from local suppliers

(GRI 102-9; 204-1)

In 2021, the ALROSA Group spent RUB 150.8 billion on procurement in total. Local businesses had a significant share in procurement of inventory and services in 2021. The purchases from local suppliers amounted to RUB 44.6 billion

30% of the total procurement was **from local suppliers** in the regions of presence.

Figure 12. Top 5 suppliers by geography, %

7.4.1 Support for small and medium-sized enterprises (SME)

ALROSA cooperates with small and medium-sized enterprises in many areas. The categories of purchases from SMEs in the regions of presence are not limited to a particular area of supply or a narrow range of services. The Company takes a responsible approach to market analysis and works with SME partners in various fields, including occupational safety, environmental monitoring and innovations.

Small and medium-sized businesses, including micro-enterprises, dominated the supplier structure in 2021 accounting for 67% of the counterparties.

In 2021 the total amount of the ALROSA Group purchases from SMEs equaled **RUB 32.1 billion**.

Figure 13. Supplier structure by counterparty type, %[54]

ALROSA regularly informs SMEs about participation in the Company's procurement procedures. As part of the Agreement on social and economic development of the Republic of Sakha (Yakutia), ALROSA participates in joint programs to promote the development of small and medium-sized enterprises.

[54] According to the classification of counterparties in the Unified Register of Small and Medium-Sized Enterprises from the website of the Federal Tax Service https://rmsp.nalog.ru/

In 2021, the Company took part in six workshops on ensuring the access of SMEs to major customers' purchases held by JSC SME Corporation in the Republic of Sakha (Yakutia), Arkhangelsk, Smolensk and Novosibirsk regions. With the support of the Ministry of Enterprise, Trade and Tourism of Yakutia, the Government of the Mirny district and JSC SME Corporation, the Company held an annual workshop for local entrepreneurs, the majority of whom were representatives of SMEs from various sectors of the economy and the production sector. The workshop was attended by more than 100 SMEs in the region.

ALROSA facilitates the placement of orders for agricultural products for the Company's needs with local producers in order to develop agricultural production and preserve the traditional lifestyle of local communities.

7.4.2 Transparent and competitive procurement

ALROSA is committed to improving the efficiency of procurement management processes. Procurement management aims at the timely, efficient and transparent provision of the Company with goods, work, and services of appropriate quality in the necessary quantity and on the best possible terms.

Ensuring transparency and competitiveness is one of the key principles in procurement procedures.

To regulate these activities, the Company has developed a number of documents to comply with antitrust policy:

- Compliance of the Procurement Business Process
- Supplier Code of Business Ethics
- Rules for Equal-Opportunity Access of Suppliers to Procurement of Goods, Works

In order to comply with antimonopoly legislation, the Company performs procurement procedures on external independent electronic trading platforms.

Comprehensive evaluation of the effectiveness of antitrust measures of the Company is carried out based on the correlation of the number of complaints of procurement participants to the Federal Antimonopoly Service or the Company's commission for consideration of complaints, on which positive decisions were made, to the total number of purchases made. In 2021 the number of such requests was 12, with a total number of procurement procedures equal to 17.9 thousand. Thus, the share of purchases for which claims were filed by participants was 0.06%, which corresponds to a low risk of violation of antimonopoly requirements.

7.5 Plans for 2022 and the medium term

The Company intends to further support the well-being of local communities. In 2022 and the medium term, ALROSA plans to ensure:

- a stable level of social investments in accordance with approved programs;
- annual purchases from suppliers registered and operating in the regions where the ALROSA Group operates;
- full performance of obligations under special-purpose donation contracts with regions of presence on or before the due date;
- support of own social infrastructure projects and participation in projects on the construction of major infrastructure facilities in cities and regions of presence;
- implementation of programs for the professional and career development of young specialists of the Company and young people, as well as programs for adaptation for indigenous and minority peoples in regions of presence.

8. APPENDICES

8.1 About the Report

8.1.1 Description of the Report

(GRI 102-46, 102-51, 102-52, 102-54, 102-56)

The 2021 Sustainability Report (hereinafter the Report) is the 11th annual non-financial report prepared by ALROSA. The previous report was published with Q3 2021. The document is intended to inform a wide range of stakeholders about the principles, goals, results and prospects of the Company's activities in the field of sustainable development.

The English version of the Sustainability Report is a translation of the Russian version prepared on August 5, 2022.

This Report has been prepared using the following standards and guidelines as a methodological basis:

- GRI Standards, Core disclosures;
- UN Global Compact principles;
- UN Guiding Principles on Business and Human Rights;
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

ALROSA's Sustainability Report for 2021 has been has been assured by independent assurance provider, a report on its results is provided in Appendix 2.

8.1.2 Scope of the Report

(GRI 102-46, 102-48, 102-49, 102-50)

The terms "ALROSA Group," "ALROSA," "Group," "Company" in this Report mean PJSC ALROSA and 33 key subsidiaries and associates (in accordance with the scope of the consolidated IFRS financial statements) included in the following divisions:

- Rough and polished diamonds;
- Transport;
- Power;
- Exploration;
- Security;
- Sales;
- Scientific and technical;
- A network of social and other organizations.

Where necessary, the text of the Report contains information about changes in wording, restatement of indicators. A number of indicators disclosed in previous non-financial reports have been recalculated due to the refinement of data collection and calculation methods, the elimination of inaccuracies, and the expansion of the data consolidation perimeter.

This Report covers the period from 1 January to 31 December 2021, and in some cases significant sustainability events for the first quarter of 2022 are disclosed. The financial information included in the Report is presented and calculated on the basis of International Financial Reporting Standards (IFRS).

Occasionally, in order to avoid duplication of information, this Report refers to other publicly available documents of the Company.

8.1.3 Independent ussurance

(GRI 102-56)

Annualy ALROSA's Sustainability Reports undergo an independent limited assurance, including an independent professional assessment of the Report's compliance with GRI Standards. In 2021, the Company engaged JSC

"Business Solutions and Technologies" to confirm the reliability of the information presented in this Report, to ensure the quality, consistency, accuracy and comparability of data.

The external assurance of non-financial statements is determined annually by the decision of the Company's Sustainability Working Group.

8.1.4 Identification of material topics

(GRI 102-47, 102-49)

As part of the materiality analysis, the Company's Sustainability Working Group performed an additional analysis of stakeholder requests for the reporting period and reports of peer companies, which confirmed the continuation of general trends in material topics.

Table 8. Full list of topics (the most significant topics are in bold)

Material topics	GRI indicator
Environment	
1. **Energy consumption and efficiency**	GRI 302
2. GHG emissions and climate change	GRI 305
3. Air emissions	GRI 305
4. Water management	GRI 303
5. **Biodiversity**	GRI 304
6. Waste management and tailings dam management	GRI 306
7. Environmental management	GRI 307
8. Exploration works and deposit development	-
Social aspect	
9. Staff training and development	GRI 404
10. **Diversity and equal opportunity**	GRI 405, 406
11. Occupational health and safety	GRI 403, 410
12. Interaction with local communities and indigenous peoples	GRI 413
13. Respect for human rights and non-discrimination	GRI 405, 406, 407, 410, 411, 412
14. Shutdown of operations	-
Corporate governance and economic performance	
15. Economic performance	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.
16. Responsible supply chain	GRI 414
17. Compliance with legislative requirements	GRI 307, 419
18. Social and economic impact on regions of operations	GRI 203, 411, 413
19. **Responsible business practices**	GRI 205, 402, 419
20. Innovative activity	-
21. Digitalization of production	-
22. Corporate governance	GRI 102

8.2 Independent Assurance Report

(GRI 102-56)

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INDEPENDENT ASSURANCE REPORT

Independent practitioner's limited assurance report to PJSC ALROSA Board of Directors on the 2021 Sustainability Report for the year ended 31 December 2021.

Scope of limited assurance engagement

We have been engaged by PJSC ALROSA to perform an assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 ('the Standard') to provide public limited assurance of Selected Data prepared in accordance with the GRI Standards presented in PJSC ALROSA Sustainability Report ('the Report') for the year ended 31 December 2021.

Limited assurance procedures and roles

Selected Data

We carried out limited assurance on accuracy of the following data related to 2021 year and included into the Report:

1. of the Selected key performance indicators specified below in the section *"Selected non-financial performance data for public limited assurance,"* related to the year ended 31.12.2021 and included into the Report; and
2. PJSC ALROSA 's self-declaration in preparing its Report 2021 with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Standards as stated in the Report in section 8.1.1. Description of the Report.

Our key limited assurance procedures

To achieve limited assurance, the ISAE 3000 requires that we review the processes, systems and competencies used to compile the areas on which we provide our assurance. Considering the risk of material error, we planned and performed our work to obtain all of the information and explanations we considered necessary to provide sufficient evidence to support our limited assurance conclusion.

To form our conclusion, we undertook the following procedures:

- Analyzed on a sample basis the key systems, processes, policies and controls relating to the collation, aggregation, validation and reporting processes of the selected sustainability performance indicators;
- Interviewed employees of PJSC ALROSA responsible for sustainability performance, policies and corresponding reporting;
- Conducted selective substantive testing to confirm accuracy of received data to the selected key performance indicators;
- Inquired management and senior executives to obtain an understanding of the overall governance and internal control environment, risk management, materiality assessment and stakeholder engagement processes relevant to the identification, management and reporting of the sustainability issues and selected performance indicators;
- Performed selective review of disclosures in the Report on compliance with GRI Standards.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, errors or non-compliance may occur and not be detected. Additionally non-financial information, such as that included in reporting documents is subject to more inherent limitations than financial information, given the nature and methods used for determining, calculating and sampling or estimating such information.

Our work has been undertaken so that we might state to PJSC ALROSA those matters we are required to state to them in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than PJSC ALROSA for our work, for this Report, or for the conclusions we have formed.

Our engagement provides limited assurance as defined in ISAE 3000. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Roles and responsibilities

- Those charged with governance are responsible for the preparation, accuracy and completeness of the sustainability information and statements contained within the Report. They are responsible for determining PJSC ALROSA sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to express a conclusion on the Selected Data based on our procedures. We conducted our engagement in accordance with the ISAE 3000 published by The International Auditing and Assurance Standards Board (IAASB).

Independence and quality control

- We have complied with the independence and other ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
- The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Selected non-financial performance data for limited assurance

We have been engaged by the Board of Directors of PJSC ALROSA to perform limited assurance procedures on accuracy of the following key performance data of the 2021 reporting year included into the Report:

GHG Emissions	Direct GHG emissions (Scope 1) total, mln. tons of CO2 equivalent; Energy indirect GHG emissions (Scope 2), mln. tons of CO2 equivalent;
Energy	Total fuel consumption and breakdown, Tj: — by types of fuel resources, Tj; Total energy consumption by group, Tj;
Waste	Waste generation, total tons and by: — by types of circulation, tons;
Employment	Staff turnover, %; Total number of employees, persons and breakdown: — by gender, people;
Occupational health and safety	Number of accidents among the Group's employees, amount of accidents; Fatal injuries among the Group's employees, amount of fatalities;
Social investments and local communities	The volume of social investments, million rubles.

Limited assurance conclusion

Based on the scope of our work and the assurance procedures performed nothing has come to our attention that causes us to believe that the aforementioned Selected Data, which we were engaged to provide limited assurance on, as specified in the 'Roles and responsibilities' section above are materially misstated.

Natalya Kaprizina,
Engagement partner

AO "Business Solutions and Technologies"
(ORNZ № 12006020384)

5 August 2022

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8.3 GRI Content Index

(GRI 102-55)

Indicator	Section / comment	Page	External assurance
GRI 102: General Disclosures (2016)			
Organizational profile			
102-1 Name of the organization	About the Company		+
102-2 Activities, brands, products and services	About the Company Information is disclosed to a limited extent due to changes in the applicable legislation for organizations issuing securities.		+
102-3 Location of headquarters	Contact information		+
102-4 Location of operations	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-5 Ownership and legal form	About the Company Contact information		+
102-6 Markets served	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-7 Scale of the organisation	About the Company Headcount and personnel structure Information is disclosed to a limited extent due to changes in the applicable legislation for organizations issuing securities.		+
102-8 Information on employees and other workers	Headcount and personnel structure **End-of-period headcount by type of employment contract and gender of ALROSA Group** 2019 2020 2021 Total number of employees by permanent employment contract 24,185 28,954 29,701 *women* 7,660 9,946 9,910 *men* 16,525 19,008 19,791 Total number of employees by temporary employment contract 1,898 1,915 2,287 *women* 459 558 544 *men* 1 439 1 357 1 743 **End-of-period headcount by type of employment and gender for ALROSA Group** 2019 2020 2021 Total number of employees working full-time 25 909 28 809 28 559 *women* 7 998 9 842 9 129 *men* 17 911 18 967 19 430 Total number of employees working part-time 174 2 060 3 429 *women* 121 662 1,325 *men* 53 1,398 2,104 Information on the structure of personnel by both type of employment		+

	and region is not provided due to the fact that such records are not kept. The main types of work are performed by full-time employees of ALROSA Group companies. Information on end-of-period headcount in existing breakdowns is consolidated at the level of PJSC ALROSA after providing the required data from the subsidiaries.		
102-9 Supply chain	Information is not disclosed extent due to changes in the applicable legislation for organizations issuing securities.		+
102-10 Significant changes to the organization and its supply chain	Information is disclosed to a limited extent due to changes in the applicable legislation for organizations issuing securities.		+
102-11 Precautionary principle or approach	Environmental management system The Company is guided by the precautionary principle, especially in the area of health, industrial safety and environmental impact. The principle is implemented in the risk management process.		+
102-12 External initiatives	Approach to sustainability Contribution to the UN Sustainable Development Goals		+
102-13 Membership of associations	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
Strategy			
102-14 Statement from senior decision-maker	Message from the Chief Executive Officer — Chairman of the Executive Committee		+
102-15 Key impacts, risks and opportunities	Contribution to the UN Sustainable Development Goals		+
Ethics and integrity			
102-16 Values, principles, standards and norms of behavior	Business ethics and anti-corruption		+
102-17 Mechanisms for advice and concerns about ethics	Business ethics and anti-corruption		+
Corporate governance			
102-18 Governance structure	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-19 Delegating authority to resolve economic, environmental and social issues from the highest governance body to senior executives and other employees	Corporate governance		+
102-20 Executive-level responsibility for economic, environmental and social topics	Corporate governance		+
102-21 Consulting stakeholders on economic, environmental and social topics	Training and development of a safety culture		+
102-22 Composition of the highest governance body and its committees	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-23 Chair of the highest governance body	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+

102-24 Nominating and selecting the highest governance body	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-25 Conflicts of interest	Business ethics and anti-corruption		+
102-26 Role of highest governance body in setting purpose, values and strategy	Corporate governance		+
102-27 Collective knowledge of highest governance body	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-28 Evaluating the highest governance body's performance	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-29 Identifying and managing economic, environmental and social impacts	Information is not disclosed t due to changes in the applicable legislation for organizations issuing securities.		+
102-30 Effectiveness of risk management processes	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-31 Review of economic, environmental and social topics	Corporate governance		+
102-32 Highest governance body's role in sustainability reporting	Corporate governance		+
102-35 Remuneration policies	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-36 Process for determining remuneration	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-37 Stakeholders' involvement in remuneration	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
Stakeholder engagement			
102-40 List of stakeholder groups	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-41 Collective bargaining agreements	Human rights		+
102-42 Identifying and selecting stakeholders	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-43 Approach to stakeholder engagement	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-44 Key topics and concerns raised	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
Reporting practice			
102-45 Entities included in the consolidated financial statements	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
102-46 Defining report content and topic boundaries	About the Report		+
102-47 List of material topics	About the Report		+
102-48 Restatements of information	About the Report		+
102-49 Changes in reporting	About the Report		+
102-50 Reporting period	About the Report		+
102-51 Date of most recent report	About the Report		+
102-52 Reporting cycle	About the Report		+
102-53 Contact point for questions regarding the report	Contact information		+

102-54 Claims of reporting in accordance with the GRI Standards	About the Report		+
102-55 GRI content index	GRI Content Index UN Global Compact compliance table		+
102-56 External assurance	About the Report Independent Assurace Report		+
Material topics			
GRI 201: Economic Performance (2016)			
GRI 103 Management approach 2016	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
201-1 Direct economic value generated and distributed	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
201-2 Financial implications and other risks and opportunities due to climate change	Climate change and GHG emissions Information is disclosed to a limited extent due to changes in the applicable legislation for organizations issuing securities.		+
201-3 Defined benefit plan obligations and other retirement plans	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
201-4 Financial assistance received from government	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
GRI 202: Market Presence (2016)			
GRI 103 Management approach 2016	Creation of jobs in regions Remuneration and appraisal		+
202-1 Ratios of standard entry level wage by gender compared to local minimum wage in significant regions of operation	Remuneration and appraisal The information on the average monthly salary for ALROSA Group and in the respective constituent entities of the Russian Federation is presented without a breakdown by gender		+
202-2 Proportion of senior management hired from the local community	Creation of jobs in regions See Glossary for definitions of "senior executives", "local community" and and "significant locations of operation"		+
GRI 203: Indirect Economic Impacts (2016)			
GRI 103 Management approach 2016	Development of regions of presence		+
203-1 Infrastructure investments and services supported	Development of regions of presence		+
203-2 Significant indirect economic impacts	Social investments in the development of the regions of presence Information is disclosed to a limited extent due to changes in the applicable legislation for organizations issuing securities.		+
GRI 204: Procurement Practices (2016)			
GRI 103 Management approach 2016	Development of regions of presence		+
204-1 Proportion of spending on local suppliers	Procurement from local suppliers See Glossary for definition of "local suppliers" and "significant locations of operation"		+
GRI 205: Anti-corruption (2016)			
GRI 103 Management approach 2016	Business ethics and anti-corruption		+
205-1 Operations assessed for risks related to corruption	Business ethics and anti-corruption All divisions of the Company and counterparties are covered by the risk assessment implemented by the security service. No significant risks		+

	associated with corruption were identified in the reporting year.		
205-2 Communication and training about anti-corruption policies and procedures	Business ethics and anti-corruption All employees and counterparties (100%) of the Company are familiarized with the Anti-Corruption Policy Information on the structure by region, personnel category, or business partnership category is not presented due to records are not kept.		+
205-3 Confirmed incidents of corruption and actions taken	Business ethics and anti-corruption In the reporting year, no confirmed cases of fraud or corruption were identified in the Company. No incidents of corruption were identified, according to the statistics metology on terminated contracts.		+
GRI 207: Tax (2019)			
207-1 Approach to tax	The Company pays taxes in accordance with the laws of the Russian Federation.		+
207-2 Tax governance, control and risk management	The Company pays taxes in accordance with the laws of the Russian Federation.		+
GRI 302: Energy (2016)			
GRI 103 Management approach 2016	Approach to environmental protection Energy consumption and efficiency		+
302-1 Energy consumption within the organization	Energy consumption and efficiency Energy consumption and sales for cooling are not specific to the Group. Coefficients of conversion of fuel and energy resources into fuel equivalent and GJ are assumed in accordance with Appendix No. 2 to the Methodological Recommendations for calculating the key energy efficiency indicator of ALROSA Innovative Development Program. The fuel oil conversion factor was adopted in accordance with the Order of the Ministry of Natural Resources of the Russian Federation dated June 30, 2015 No. 300. The natural gas conversion factor was adopted in accordance with Order No. 02/243-R dated July 29, 2021"On the approval of coefficients for the conversion of natural fuel into conditional".		+
302-3 Energy intensity	Energy consumption and efficiency		+
302-4 Reduction of energy consumption	Energy consumption and efficiency Values for the reduction of energy consumption due to the implementation of energy saving initiatives are presented compared with the previous period. The calculation takes into account fuel, electric and thermal energy. The Company does not have an approved calculation methodology.		+

	The reduction in consumption is calculated in the presence of metering devices by a statistical method under comparable conditions, in the absence of metering devices by a calculation method based on the characteristics or mode of operation of the equipment before and after the implementation of the measure.		
GRI 303: Water and Effluents (2018)			
GRI 103 Management approach 2016	Approach to environmental protection Use of water resources		+
303-1 Interactions with water as a shared resource	Use of water resources		+
303-2 Management of water discharge-related impacts	Use of water resources ALROSA Group enterprises that discharge effluents are not located in regions where there are no discharge standards and regulations.		+
303-3 Water withdrawal	Use of water resources The Group takes in fresh water only. Water withdrawals in regions with observed water shortages by source type are not disclosed because, according to the water risk map developed by WWF (Water Risk Filter), Group companies do not withdraw water in regions with a high level of physical water risks.		+
303-4 Water discharge	Use of water resources The Group discharges only fresh wastewater. The volume of effluent discharge in areas with water shortages is not disclosed because, according to the water risk map developed by WWF (Water Risk Filter), the Group does not discharge effluents in regions with a high level of physical water risks. According to existing requirements, 22 indicators of the quality of treated wastewater are standardized, which are allowed to be discharged into surface water bodies.		+
303-5 Water consumption	Water consumption in water scarce areas is not disclosed because, according to the water risk map developed by WWF (Water Risk Filter), the Group does not consume water in regions with high physical water risks.		+
GRI 304: Biodiversity (2016)			
GRI 103 Management approach 2016	Approach to environmental protection Biodiversity conservation		+
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity conservation PAs in the immediate vicinity of which the Group's license areas are located are characterized by terrestrial and freshwater ecosystems (resource reserve "Beke" - protection of ungulates, fur-bearing animals, spawning places of valuable fish species; resource reserve "Ochuma" -		+

	preservation of typical landscapes of western Yakutia, a system of large and small lakes, objects of flora and fauna; resource reserve "Dzhunkun" - protection of fauna representatives (elk, wild reindeer, sable, ermine, muskrat, grouse, grouse, partridge, migrating birds). The area of five license areas located in the immediate vicinity of the protected areas is 20,150.5 km².		
304-2 Significant impacts of activities, products, and services on biodiversity	Biodiversity conservation In 2021, the biodiversity impact assessment (performed every three years) was conducted partially due to the unfavorable epidemiological situation. The resulting part of the assessment was postponed to 2022.		+
304-3 Habitats protected or restored	Biodiversity conservation		+
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity conservation		+
GRI 305: Emissions (2016)			
GRI 103 Management approach 2016	Approach to environmental protection Climate risk management Air emissions		+
305-1 Direct (Scope 1) GHG emissions	GHG emission metrics and targets Biogenic emissions are not specific to the Group. Direct emissions estimates take into account carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). The emission coefficients for calculating Scope 1 were taken from the following sources: • UK Government GHG Conversion Factors for Company Reporting, 2021 • Emission Factors for Greenhouse Gas Inventories, 2021		+
305-2 Energy indirect (Scope 2) GHG emissions	GHG emission metrics and targets The estimation of indirect energy emissions takes into account carbon dioxide (CO_2). The emission factors for calculating Scope 2 were taken from the following sources: *Location-based:* • Climate Transparency (2021 Report) for Russia, Africa, China, Israel • Dubai Electricity & Water Authority (sustainability report 2020) for UAE • US Env Protection Agency (EPA) eGrid for USA • Association of Issuing Bodies (AIB) 2021 for Belgium		+

	• UK Government GHG Conversion Factors for Company Reporting, 2021 *Market-based:* • UK Government GHG Conversion Factors for Company Reporting, 2021 • https://www.atsenergo.ru/results/co2		
305-3 Other indirect (Scope 3) GHG emissions	GHG emission metrics and targets Biogenic emissions are not specific to the Group. Estimate of other indirect emissions takes into account carbon dioxide (CO_2). The emission coefficients for calculating Scope 3 were taken from the following sources: • UK Government GHG Conversion Factors for Company Reporting, 2021 • US Env Protection Agency (EPA) eGrid		+
305-4 GHG emissions intensity	GHG emission metrics and targets Calculation of specific emissions takes into account carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O).		+
305-5 Reduction of GHG emissions	GHG emission metrics and targets 2020 is the base year.		+
305-6 Emissions of ozone-depleting substances (ODS)	Not recorded.		+
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	Air emissions The Company does not have emissions of persistent organic substances under the Stockholm Convention.		+
GRI 306: Waste (2020)			
GRI 103 Management approach 2016	Approach to environmental protection Waste management		+
306-1 Waste generation and significant waste-related impacts	Waste management		+
306-2 Management of significant waste-related impacts	Waste management Monitoring and control of indicators of waste management and the impact of the Group's waste management activities on the environment are carried out through industrial environmental control and industrial environmental monitoring (control of generation, accumulation, disposal/neutralization is carried out both on our own and by third-party organizations; control of waste disposal is carried out at our own and third-party waste disposal facilities). Waste data collection and reporting are carried out with the help of an information and analytical environmental monitoring system. The system provides data visualization		+

	through dashboards of various types, information exchange, including data on solid waste landfills, waste disposal facilities, illegal landfills.		
306-3 Waste generated	Waste management No breakdown by hazard class due to updating the accounting methodology. Disclosure is planned for the next reporting period.		
306-4 Waste diverted from disposal	Waste management No breakdown by hazard class due to updating the accounting methodology. Disclosure is planned for the next reporting period.		
306-5 Waste directed to disposal	Waste management The breakdown of waste sent for disposal into hazardous and non-hazardous is not disclosed, since only non-hazardous waste is subject to disposal/storage at our own and third-party facilities.		+
GRI 103 Management approach 2016	Waste management		+
GRI 307: Environmental Compliance (2016)			
GRI 103 Management approach 2016	Approach to environmental protection		+
307-1 Non-compliance with environmental laws and regulations	Environmental and compliance costs		+
GRI 308: Supplier Environmental Assessment (2016)			
GRI 103 Management approach 2016	Requirements for suppliers and contractors		+
308-1 New suppliers that were screened using environmental criteria	Business partners were not assessed according to ESG criteria during the reporting year.		+
308-2 Negative environmental impacts in the supply chain and actions taken	Business partners were not assessed according to ESG criteria during the reporting year.		+
GRI 401: Employment (2016)			
GRI 103 Management approach 2016	Development of human capital		+
401-1 New employee hires and employee turnover	Headcount and personnel structure The data provided is not disaggregated by gender, age and region due to the fact that these factors are not consolidated.		+
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Remuneration and appraisal		+
GRI 402 Labor/Management Relationships (2016)			
GRI 103 Management approach 2016	Human rights		+
402-1 Minimum notice periods regarding operational changes	Human rights The terms of informing are set for all employees, regardless of their category or union membership.		+
GRI 403: Occupational Health and Safety (2018)			
GRI 103 Management approach 2016	Occupational health and safety		+
403-1 Occupational health and safety management system	Management approach to occupational health and safety		+
403-2 Hazard identification, risk assessment, and incident investigation	Management approach to occupational health and safety Prevention of occupational injuries and accidents		+

403-3 Occupational health services	Prevention of occupational injuries and accidents		+
403-4 Worker participation, consultation, and communication on occupational health and safety	Management approach to occupational health and safety Training and development of a safety culture		+
403-5 Worker training on occupational health and safety	Training and development of a safety culture		+
403-6 Promotion of worker health	Social support Employees' health and preventive treatment of occupational diseases		+
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Prevention of occupational injuries and accidents Employees' health and prevention of occupational diseases		+
403-9 Work-related injuries	Prevention of occupational injuries and accidents The data are not broken down by gender as the Company does not keep relevant records. The ratio of recorded injuries is not presented. No records of occupational injuries are kept by contractors.		+
403-10 Work-related ill health	Employees' health and prevention of occupational diseases The data are not broken down by gender as the Company does not keep relevant records. No fatalities due to occupational diseases were recorded. No records of occupational diseases are kept by contractors.		+
GRI 404: Training and Education (2016)			
GRI 103 Management approach 2016	Training and development		+
404-1 Average hours of training per year per employee	Training and development No records of the average annual number of hours of instruction by gender are kept.		+
404-2 Programs for upgrading employee skills and transition assistance programs	Training and development		+
404-3 Percentage of employees receiving regular performance and career development reviews	Training and development 100% of employees regularly evaluate their performance based on a system of functional KPIs.		+
GRI 405: Diversity and Equal Opportunity (2016)			
GRI 103 Management approach 2016	Business ethics and anti-corruption Human rights		+
405-1 Diversity of governance bodies and employees	Headcount and personnel structure		+
405-2 Ratio of basic salary and remuneration of women to men	Employee remuneration complies with ILO Convention No. 100 - the principle of equal remuneration for men and women workers for work of equal value. There is no difference in the base wage rate of women to the base wage rate of men for all categories and regions of employee activity. The ratio is 1:1.		+

GRI 406: Non-discrimination (2016)			
GRI 103 Management approach 2016	Human rights		+
406-1 Incidents of discrimination and corrective actions taken	None identified in the reporting period		+
GRI 407: Freedom of Association and Collective Bargaining (2016)			
GRI 103 Management approach 2016	Human rights		+
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human rights None identified in the reporting period		+
GRI 408: Child Labor (2016)			
408-1 Operations and suppliers at significant risk for incidents of child labor	No incidents of child labor and the related risks were identified		+
GRI 409: Forced or Compulsory Labor			
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No incidents of forced or compulsory labor and the related risks were identified		+
GRI 410: Security Practices (2016)			
GRI 103 Management approach 2016	Human rights		+
410-1 Security personnel trained in human rights policies or procedures	ALROSA set of ethics and human rights policies is posted on the Company's corporate website for business partners to familiarize themselves with. Training in this area is provided for security units that are part of the ALROSA Group.		+
GRI 411: Rights of Indigenous Peoples (2016)			
GRI 103 Management approach 2016	Support for indigenous minorities		+
411-1 Incidents of violations involving rights of indigenous peoples	In the reporting period, no cases of violations of the rights of representatives of indigenous and minority peoples were identified.		+
GRI 412: Human Rights Assessment (2016)			
GRI 103 Management approach 2016	Human rights		+
412-1 Operations that have been subject to human rights reviews or impact assessments	No reviews/assessments were conducted during the reporting period (but they are planned)		+
412-2 Employee training on human rights policies or procedures	Human rights Without indicating the proportion of employees in the total number of staff. The average duration of the course is 3-4 hours. In the reporting year no records of the total number of hours devoted to training were kept, the share of employees who received training was not calculated.		+
GRI 413: Local Communities (2016)			
GRI 103 Management approach 2016	Development of regions of presence		+
413-1 Operations with local community engagement, impact assessments, and development programs	Management of tailings dams Social investments in the development of regions of presence Programs of interaction with local communities are implemented at all key enterprises of the Company.		+
413-2 Operations with significant actual and potential negative impacts on local communities	Management of tailings dams No significant actual or potential negative impacts on local communities were identified in the reporting year.		
GRI 414: Supplier Social Assessment (2016)			
GRI 103 Management approach 2016	Requirements for suppliers and contractors		+

414-1 New suppliers that were screened using social criteria	Business partners were not assessed according to ESG criteria during the reporting year.		+
414-2 Negative social impacts in the supply chain and actions taken	Business partners were not assessed according to ESG criteria during the reporting year.		+
GRI 419: Socioeconomic Compliance (2016)			
GRI 103 Management approach 2016	Business ethics and anti-corruption Human rights		+
419-1 Non-compliance with laws and regulations in the social and economic area	Information is not disclosed due to changes in the applicable legislation for organizations issuing securities.		+
Specific material topics relevant to ALROSA Group			
Exploration works and deposit development			
GRI 103 Management approach 2016			+
Area of disturbed land	Land rehabilitation		+
Area of reclaimed land	Land rehabilitation		+
Responsible supply chain			
GRI 103 Management approach 2016	Ensuring responsible supply chains and increasing consumer confidence Requirements for suppliers and contractors		+
Innovative activity			
GRI 103 Management approach 2016	Development of innovations		+

8.4 UN Global Compact compliance table

Compliance with the UN Global Compact

Area of responsibility	The UN Global Compact principle	Page
Human rights	Businesses should support and respect the protection of internationally proclaimed human rights	Human rights Support for indigenous minorities
	Businesses should make sure that they are not complicit in human rights abuses	
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Human rights Approach to personnel management Trade union Ensuring responsible supply chains and increasing consumer confidence
	Businesses should uphold the elimination of all forms of forced and compulsory labor	
	Businesses should uphold the effective abolition of child labor	
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	
Environment	Businesses should support a precautionary approach to environmental challenges	Approach to environmental protection Ensuring responsible supply chains and increasing consumer confidence
	Businesses should undertake initiatives to promote greater environmental responsibility	
	Businesses should encourage the development and diffusion of environmentally friendly technologies	
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	Business ethics and anti-corruption Ensuring responsible supply chains and increasing consumer confidence

Glossary

Charity refers to voluntary activity undertaken by the Company on a non-commercial basis (free of charge or on favorable terms) such as transfer of assets to individuals or legal entities, including cash funds, and performance of work, provision of services and other support at the Company's expense.

Safe working conditions refer to a working environment in which the impact of harmful and hazardous production factors is excluded or the level of such impact does not exceed hygienic standards.

Stakeholder engagement refers to the Company's activities aiming to understand the expectations and concerns of its stakeholders and to involve them in the decision-making process.

Payments and benefits are direct payments made by the organization to its employees, as well as payment for services rendered to or of expenses incurred by employees. Severance pay in excess of statutory minimum, payment for temporary business interruption, additional benefits related to work injury, survivor benefits, and additional paid days off.

Stakeholders are individuals and legal entities or groups of persons who either influence or are influenced by the Company's activities, as well as having the right under the law and international conventions to directly bring claims against the Company. Stakeholders are the Company's shareholders, investors, employees, suppliers, contractors, consumers, trade unions and other public organizations, government and local authorities, mass media, residents of the area where the Company operates, etc.

Corporate social responsibility refers to the philosophy of behavior and concept for the business community, companies and business representatives to build their activities with a view to meeting the expectations of stakeholders for the purpose of sustainable development.

Collective agreement is a legal document that regulates social and labor relations at an enterprise, as well as securing benefits and guarantees at the employer's expense.

IUCN Red List is a list of endangered plant and animal species with their global conservation status, developed by the International Union for Conservation of Nature.

Local suppliers are an organization or entity that supplies products or services to the reporting organization and is located in the same geographical market as the reporting organization. The geographic definition of "local" in the context of the Company's procurement activities refers to the Russian Federation.

Local population is the population of a certain territory, regardless of its ethnic composition or culture.

Local community refers to people or groups of local residents who live and/or work in all areas exposed to economic, social or environmental impact (both positive and negative) of the Company's divisions. The local community can comprise both people living in proximity to these divisions and those from remote isolated settlements affected by them.

Mission means a reason for existence, the purpose of the Company that makes it different from other similar organizations.

Motivation is a mechanism for enhancing labor efficiency and productivity, as well as incentive for an employee or a group of employees to pursue activities aimed at achieving the Company's goals.

Young employee is a PJSC ALROSA employee up to the age of 35, regardless of their educational background.

Occupational incident or accident is an event resulting in an injury or other health impairment or damage of an employee in the course of performance of their respective duties under an employment contract within the territory of the Company's production facilities or while traveling to or from the place of work by transport provided by the Company, entailing the transfer of such employee to another job, temporary or permanent occupational disability or death.

Significant locations of operation are regions of the Russian Federation where the Company's key assets are located.

Sustainability report (non-financial report, social and environmental report) means a straightforward, reliable and balanced description of the Company's core activities along with results achieved in the areas related to values, goals, sustainable development policy, and issues of greatest interest to key stakeholders. It is a public document for informing shareholders, employees, partners and other stakeholders about how and at

what pace the Company is achieving its mission or strategic development goals in respect of economic sustainability, social wellbeing and environmental sustainability.

Occupational safety is a system for ensuring the safety of life and health of employees at their workplaces, including legal, social, economic, organizational, technical, sanitary, medical, rehabilitation and other activities.

Environmental and resource-saving activities refer to the area of the Company's programs implemented to reduce its environmental impact.

HR management is an end-to-end integrated system for human resource management, which covers all stages of interaction between employees and the Company, from attraction, adaptation and retention of an employee in the Company to their retirement.

Community development program means a detailed plan of actions to minimize, mitigate and compensate for the adverse social and economic impacts, designed to identify opportunities and measures to enhance the positive effect of the project on the local community.

Occupational disease is a disease that appears and develops due to systematic and prolonged exposure of an employee to workplace factors peculiar to such an occupation or to conditions peculiar only to a certain industry.

Environmental costs mean all costs associated with environmental protection incurred by or on behalf of the Company to prevent, reduce, control and document environmental aspects, environmental impact and environmental hazards. They also include costs of waste handling, treatment, environmental improvement and remediation of environmental damage.

Risk is a threat of adverse impact of external and internal factors on the achievement of the Company's corporate goals.

Senior executives are the Company's top managers holding senior managerial positions (President, vice presidents, heads of structural divisions).

Certification means confirmation of compliance of qualitative characteristics with the level required by the quality standard.

Social policy means the activities of employers, managers and employees aimed at maintaining and/or changing their social status, meeting social needs, harmonizing social interests, implementing social rights and guarantees, providing social services and protecting personnel from the social point of view.

Social programs refer to the Company's voluntary efforts or activity to develop and motivate personnel, create favorable workplace conditions, develop the corporate culture, and support local communities and charity purposes; they have a systemic nature and are related to the business strategy and aimed at meeting the balanced demands of different stakeholders.

Staff turnover means the number of employees who leave the Company voluntarily (other than retired employees) or are dismissed for other reasons (violation of labor discipline).

Sustainable development is a concept of development of the world community that provides for considering the interests of not only the present generations, but also the future ones.

Abbreviations

MPD	**Mining and processing division**
GOST	State standard of the Russian Federation
HS	Hydraulic structure
HPP	Hydraulic power plant
PEI	Pre-school educational institution
IM	Indigenous minorities
KPI	Key performance indicators
SME	Small and medium-sized enterprises
IFRS	International Financial Reporting Standards
NPF	Non-state pension fund
NCGS	National corporate governance score
UN	United Nations Organization
OHS	Occupational health and safety
OECD	Organization for Economic Cooperation and Development
PJSC	Public joint-stock company
PCR test	In the Report: a test to detect the COVID-19 coronavirus infection
RF	Russian Federation
USA	United States of America
Ulus	District, an administrative and territorial division of the Republic of Sakha (Yakutia)
FADN of Russia	Federal Agency for Ethnic Affairs
UN SDGs	UN Sustainable Development Goals to 2030
CDP	Carbon Disclosure Project is an international non-profit organization that helps companies and cities disclose their environmental impact.
COVID-19	The novel coronavirus infection, first discovered in China, which caused the 2020 pandemic
ESG	Environmental, social and governance
GRI	Global Reporting Initiative that publishes standards for non-financial reporting (GRI Standards)
ISO	International Organization for Standardization is an international standard-setting body, international standards for management systems
IR	Investor Relations
LTIFR	Lost Time Injury Frequency Rate
RJC	Responsible Jewellery Council
WWF	World Wildlife Fund

Units of measurement

ha	hectare
t	tonn
mln	million
bln	billion
m²	square meter
m³	cubic meter
RUB	Russian rubles
ppl	people
USD/$	US dollar

Contact information

(GRI 102-3; 102-5; 102-53)

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