

"ZANGEZUR COPPER & MOLYBDENUM COMBINE" CJSC

Climate Change Strategy 2026-2040

**ZCMC Climate Change Strategy 2026-2040:
In alignment with SBTi (Science Based Targets
initiative) and TCFD (Task Force on Climate-related
Financial Disclosures) principles.**

*Revised to incorporate independent red flag assessment
recommendations (Wood Mackenzie, March 2026).*

SBTi
SERVICES

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

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EXECUTIVE SUMMARY

Zangezur Copper Molybdenum Combine CJSC (ZCMC) is committed to a proactive climate strategy that balances ambition with practical feasibility. We have set a high-level goal to reduce our Scope 1 and 2 absolute greenhouse gas (GHG) emissions by 20% by 2040 (against 2022 baseline), demonstrating our intent to contribute to global climate efforts while recognizing the realities of our operating context.

This long-term target underscores our leadership intent in sustainable mining, signaling our commitment to meaningful emissions reductions over time. At the same time, we are adopting a flexible approach – our strategy will be periodically reviewed and adjusted as technologies evolve, new opportunities arise, and external conditions change. By doing so, ZCMC aims to remain aligned with internationally recognized best practices on climate action, all while preserving the agility to respond to future developments.

STRATEGIC OVERVIEW AND ALIGNMENT

International Framework Integration

ZCMC has developed this strategy to serve dual purposes: first, to facilitate internal planning through clear operational roadmaps and to second, to meet stakeholder expectations for transparency through public disclosure. The approach aligns with the Science Based Targets initiative (SBTi), ensuring our emissions reduction targets are grounded in climate science, and with the Task Force on Climate-related Financial Disclosures (TCFD), structuring our risk management and reporting in line with global best practices.

ZCMC's climate ambition is positioned within the context of evolving expectations across the global copper mining sector; while peers are announcing increasingly ambitious targets, the Company has established its climate goals in alignment with its overall strategy and anticipated global metals demand.

Sectoral Context

As a hard-to-abate sector, mining faces unique challenges in decarbonization. Our strategy acknowledges that global copper and molybdenum demand could double by 2040 to support the clean energy transition, potentially leading to a significant increase in industry emissions without intervention. ZCMC's proactive approach enables the Company to manage emerging regulatory and market risks-such as the EU Carbon Border Adjustment Mechanism, evolving Armenia national climate policy, and customer-imposed emissions standards-while preserving competitiveness and market access. ZCMC have established a regulatory monitoring process to regularly track climate-related regulations in Armenia, the EU, the US, China, and other relevant markets. ZCMC will also participate in industry associations (such as ICA and ICMM) and stakeholder consultations to influence policy development and anticipate regulatory changes.

CLIMATE GOALS AND SCIENCE-BASED TARGETS

Primary Objective

Core Target: Reduce ZCMC's Scope 1 and Scope 2 absolute GHG emissions by 20% by 2040 (relative to the 2020 baseline)

This science-based target aligns with the Paris Agreement's temperature goals, considering our sector's specific challenges and regional context.

Scope 1 emissions encompass direct GHG emissions from ZCMC-owned or controlled sources, such as fuel combusted in company vehicles and equipment.

Scope 2 emissions encompass indirect greenhouse gas (GHG) emissions resulting from the purchase of electricity and energy.

Our focus on these scopes reflects emissions within our direct operational control.

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Scope 3 Emissions Strategy

ZCMC's Scope 3 emissions account for approximately 70% of the company's total GHG emissions (as reported in the 2024 Sustainability Report). While this strategy's core target focuses on Scope 1 and 2, we will manage and offset Scope 3 emissions through our supply chain with broader sustainability initiatives, and specifically commit to the following:

- **Scope 3 screening and prioritisation:** By the end of 2027, complete a Scope 3 inventory aligned with the GHG Protocol to identify high-impact categories (expected to include purchased goods and services, fuel- and energy-related activities, upstream transportation, and processing of sold products).
- **Supplier engagement:** Develop and implement a supplier engagement programme targeting key emissions-intensive suppliers, including climate-related requirements in procurement processes and contracts.
- **SBTi Scope 3 targets:** Utilise SBTi Scope 3 guidelines to establish science-based value chain targets through the CATP. Conduct peer benchmarking to assess feasible target levels and timelines.

Implementation Trajectory

The implementation uses the 2022 GHG inventory as the formal baseline year. We will conduct periodic reviews to ensure alignment with the latest climate science and pursue SBTi validation. Our strategy encompasses Mitigation and Adaptation measures, as well as Responsible Resource Management. ZCMC has already initiated multiple projects that are a step forward for the climate change initiatives.

EMISSIONS REDUCTION STRATEGY

Our multi-faceted approach encompasses immediate actions and long-term investments across **five key pillars**:

1.

Energy Efficiency & Process Optimisation

We will complete energy audits and retrofits for all major facilities by 2030, with particular focus on optimising crushing, grinding, and ventilation processes. Studies indicate these measures could reduce our operational emissions by over 10%, while also yielding immediate cost savings.

2.

Renewable Energy Transition

Our strategic commitment centres on achieving at least 30% renewable electricity by 2030, with continuous increases toward 2040. We will explore solar, wind, and hydro opportunities specific to the Syunik region while pursuing the electrification of processes currently dependent on fossil fuels. Analysis shows that 30% renewable power adoption could reduce ZCMC's combined Scope 1 and 2 emissions by approximately 17-18%, making this a cornerstone of our strategy.

To reduce dependence on national grid decarbonisation timelines, ZCMC will investigate and negotiate long-term power purchase agreements (PPAs) with Armenian renewable energy developers and/or purchase Renewable Energy Certificates (RECs) or Guarantees of Origin (GOs).

3.

Fleet Modernisation

Annual Target: Introduction of 5-10 new hybrid/electric vehicles to replace older diesel vehicles.

This systematic fleet transformation will encompass buses and light vehicles, complemented by eco-driving training programmes. Looking toward 2030-2040, we will pilot and adopt zero-emission haul trucks and machinery as technologies mature. Fleet modernisation is projected to yield approximately 7% emissions reduction in the medium term while also reducing local air pollution. ZCMC will state the current fleet baseline and track conversion rates annually.



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4.

Process Electrification & Innovation

Our long-term technology roadmap includes strategic R&D partnerships to electrify core mining processes, including hauling, drilling, production and material handling. We plan to construct a 150 GWh/year solar power station annually accounting for 20% of ZCMC's total energy consumption. We will maintain active monitoring of emerging technologies such as carbon capture, utilisation, and storage (CCUS). The approach phases low-cost measures from 2026 to 2030 and reserves high-impact technologies for 2030 to 2040 as they advance.

For emerging technologies (hydrogen haul trucks, CCUS, electrified heavy machinery), ZCMC will conduct technology readiness assessments and establish go/no-go decision gates - for example, committing to hydrogen haul trucks only when hydrogen costs fall below defined thresholds and global mining deployments demonstrate a proven operational track record.

5.

Operational Excellence

Additional initiatives include capturing or flaring fugitive emissions, optimizing the use of explosives to reduce nitrous oxide releases, and implementing circular economy practices. Land rehabilitation and tree-planting programmes will help sequester carbon to offset residual emissions, though our primary focus remains on direct reductions. Funding social programmes such as installing solar panels, water-heating stations, and reforestation, and landscaping in affected communities, will help us mitigate the impact.

Climate Governance

Effective delivery of this climate strategy requires clear governance structures, defined accountability, and robust oversight mechanisms. ZCMC establishes the following governance framework for climate strategy implementation:

Board Oversight: The Board of Directors retains ultimate oversight of ZCMC's climate strategy and performance. The Board will review climate strategy progress at least annually, receiving reports on emissions reduction trajectory, milestone achievement, and any material changes to risk exposure or strategy.

Sustainability and Risk Committee: The Sustainability and Risk Committee, as established under ZCMC's governance charter, provides an additional layer of oversight by integrating climate-related risks into the enterprise risk management framework. This includes monitoring transition risks (regulatory, market, technology) and physical risks (water stress, extreme weather events) relevant to ZCMC's operations in the Syunik region.

TRANSPARENCY AND STAKEHOLDER ENGAGEMENT

Reporting Framework

We commit to TCFD-aligned disclosure and external assurance in our sustainability report, covering governance oversight mechanisms, strategy and scenario analysis, risk management processes, and metrics and targets. Key metrics include annual trends in Scope 1 and 2 emissions, energy consumption per unit of output, renewable energy share, and progress in fleet modernisation. This transparency allows external parties to assess ZCMC's climate performance and credibility while meeting evolving expectations from investors, lenders, and regulators

Targets within this policy can be revised or expanded based on the latest scientific reports, emerging trends and progress (or lack thereof) in achieving existing targets



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Assurance and Verification

ZCMC commits to annual third-party limited assurance of Scope 1, 2 and 3 emissions data, transitioning to reasonable assurance by 2030. Assurance findings and any material restatements will be disclosed in the annual sustainability report.

Stakeholder Engagement Strategy

Employee engagement encompasses climate action training programmes, energy savings suggestion schemes, and recognition for sustainability achievements, thereby building an internal culture of climate responsibility. Local communities will receive transparent communication on environmental improvements and be consulted on adaptation measures, particularly regarding watershed management. Investors and lenders will receive clear disclosure on climate risk management and on our positioning as a future-ready business, potentially improving access to capital and reducing financing costs. Customer engagement will highlight how ZCMC's products are becoming more sustainable, creating opportunities for market differentiation.

IMPLEMENTATION ROADMAP

Short - to Medium -Term (2026-2030)

Technically mature and cost-effective measures

- **Renewable Electricity:**
Achieve a 30% share of renewable power in total electricity consumption (covering both process loads and buildings). Investigate long-term PPAs and RECs.
- **Process Modernization:**
Increase energy efficiency through targeted retrofits and operational optimizations (e.g. high-efficiency motors, improved grinding circuits). Develop MACC to prioritise investments.
- **Transport Decarbonization:**
 - Introduce **eco-driving** training and policies
 - Target a **20-30% electric/hybrid vehicle** share in our passenger fleet
 - Target a **15-30% share** of renewable-powered trains for on-site rail haulage.
- **Building Retrofits:** Retrofit **of our buildings** to low-carbon standards (insulation upgrades, efficient HVAC systems).
- **Solar Power Station:** Complete feasibility study and financing plan (by 2028). Begin construction, targeting commissioning by 2030–2031. Gradually up to 150 GWh/yr capacity covering ~20% of total energy consumption.

Long - Term (2031-2040)

Emerging or higher-cost solutions that will unlock further reduction potentials

- **Renewable Power:**
Scale renewables to reach up to **100% renewable electricity** for all operations and facilities.
- **Advanced Fleet Decarbonization:**
 - Achieve **100% renewable-powered trains** and begin deploying **hydrogen-fueled** heavy machinery (subject to go/no-go decision gates).
 - Move up to **100% electric/hybrid** passenger vehicle fleet.
- **Complete Building Upgrades:**
Retrofit **100% of buildings** to low-carbon standards.
- **Process Electrification / Fuel Switching:**
Electrify remaining fuel-based processes where feasible, or switch to **low-carbon fuels** (e.g. green hydrogen) for equipment that cannot yet be fully electrified.
- **Scope 3 Engagement:** Implement supplier engagement programme. Set and track Scope 3 reduction targets per SBTi methodology. Annual disclosure.

Contingency

Should key technologies underperform expectations or costs exceed projections, ZCMC will activate contingency plans that redirect investment toward proven alternatives. The climate roadmap is integrated into overall mine planning and capital allocation processes to ensure consistency and deliverability.