Guidelines on Climate Change and Decarbonization

CSN Group

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Context of the Guidelines

The CSN Group ("Company" or "CSN") Guidelines on Climate Change and Decarbonization stem from the Company's commitment to effectively combat and address the challenges posed by climate change.

The transition to a low-carbon economy requires significant efforts, especially in sectors considered difficult to reduce greenhouse gas (GHG) emissions, such as steel, cement and mining. In this context, CSN recognizes the need to invest in innovation projects and projects that aim to increase its energy and operational efficiency to catalyze business opportunities and mitigate its GHG emissions, promoting sustainable and resilient solutions throughout its production chain.

These Guidelines are applicable to all CSN businesses, in particular the Steel, Mining and Cement segments and aim to promote and strengthen the best practices for managing GHG emissions and climate risks and opportunities, in synergy with the principles established by the Company's Sustainability Policy (SEMPRE).

The main objectives of these Guidelines are:

1. Present the position of CSN in the face of the challange, risks and opportunities related to climate change;
2. Establish formal elements of Governance, as well as their responsibilities;
3. Clearly explain the company's guidelines on the subject.

1. Strategic Pillars

In order to direct the Company's climate management and decarbonization practices, ensuring that its commitments are aligned with global climate efforts and its strategy includes the assessment of risks and opportunities associated with changes in climate patterns and the transition to a low-carbon economy, the CSN Group's climate governance will be based on three strategic pillars, namely:

Mitigation Pillar: Focused on the development of initiatives that promote the mitigation of greenhouse gas emissions, considering different time horizons. It encompasses all actions related to the construction of the Decarbonization Journey, including the implementation of projects aimed at reducing GHG emissions, preparing goals, developing sectoral roadmaps and investments in innovation initiatives. This pillar also includes actions related to data collection and quality, in order to ensure their reliability and ensure that they serve as a solid basis for the proper guidance of the Company's action plans;

Adaptation Pillar: From this perspective, the company aims to map climate risks and opportunities in order to formulate adaptation measures, always considering the resilience of the CSN Group in the face of various climate scenarios. In this context, both physical opportunities and risks and those related to the transition to a low-carbon economy are evaluated;

Stakeholder Engagement Pillar: It aims to establish partnerships with different stakeholders in order to continuously integrate external aspects into the CSN Group's strategy and ensure transparent and assertive communication with all its stakeholders. The performance in this pillar seeks to strengthen the relationship with customers, strategic suppliers and local communities, especially in issues related to the development of new products and processes with a low carbon footprint, aiming to generate a positive impact along the value chain. Thus, this pillar can be considered the connecting link between CSN Group and its stakeholders .

2. Climate Governance Structure

Governance on the topics of climate change and decarbonization in the Company will be carried out according to the definitions of responsibilities described below:

2.1 Board of Directors (CA)

Within the scope of Climate Change, the Board of Directors is responsible for deciding on issues that may have material impacts on the Company's business. As an advisory body to the Board, the ESG Committee analyzes the critical issues submitted by the Climate Change Group (GMC), forwarding them to the Board of Directors for consideration.

2.2 ESG Committee

The ESG Committee is an important advisory body to the Board of Directors (CA). It supports deliberations related to the management of risks, impacts and opportunities in social, environmental and corporate governance aspects. Composed of members, among directors and leaders of the various industrial and corporate areas of CSN Group, the Committee also advises the Board in the definition of ESG goals, strategy and monitoring of the organization's performance in these topics. In addition, it promotes a multidisciplinary evaluation of ESG strategies and the risks and opportunities associated with material topics. Within the scope of the ESG Committee, the Thematic Groups were created from the company's Materiality Matrix, including the Climate Change Group (GMC). The GMC, in turn, submits to the ESG Committee the critical issues with the potential to cause material impacts to the company's business. After analysis, the ESG Committee sends them to the Board of Directors.

2.3 Climate Change Group (GMC) and its subgroups

The GMC must maintain operational subgroups dedicated to the segments that represent the most significant operations in carbon emissions of the Company. They are: (1) Steel Decarbonization Journey; (2) Cement Decarbonization Journey; (3) Mining Decarbonization Journey. Each of the subgroups is responsible for: a. the preparation, management and internal publication of monthly reports with indicators directed to the executives of each business; b. Present and discuss decarbonization projects, as well as foster the capillarization of the climate change strategy internally of each segment; c. Identify risks and opportunities related to the segment.

In addition, in order to improve the management of climate-related risks and opportunities, the GMC must keep the Climate Risk and Opportunities Management Subgroup operational, which, to ensure even greater integrity of the theme, should have the participation of members of the Company's Corporate Risk Management area. The Subgroup on Climate Risks and Opportunities Management has as its main functions: a. To monitor and discuss the material climate risks and opportunities for the Company; b. To ensure methodological compliance between climate risks and the Company's corporate risks and opportunities processes c. to propose to the ESG committee and the Audit Committee the incorporation of any risks into the Company's corporate risk matrix..

2.4 Sustainability Board

The Sustainability Board of Companhia Siderurgica Nacional is responsible for advising and supporting the decisions of the Company's Board of Directors regarding environmental, social and governance (ESG) risks and opportunities. In addition, this Board leads the structure of the Decarbonization and Climate Change Management and acts as a key member of the ESG Committee. It also has the following responsibilities: a. Manage the area of Decarbonization and Climate Change, directing decarbonization projects in all segments of the Company; b. Resolve on the Group's ESG goals; c. Manage the main climate risks and opportunities; d. Foster the decarbonization culture in the organization; e. Approve Climate Change and ESG information in external reports; f. Monitor the main GHG emission indicators.

2.5 Decarbonization and Climate Change Management

The Decarbonization and Climate Change Management reports directly to the Sustainability Board. Under the scope of this Management are the following responsibilities: a. Manage and identify means to enable decarbonization projects in all segments of CSN Group; b. Monitor the decarbonization goals ensuring methodological compliance; c. Foster decarbonization projects related to the strategic aspects; d. Report publicly in an objective and transparent manner all information related to climate change in reports to external stakeholders; e. Consolidate, manage and report the indicators of all greenhouse gas emissions of the CSN group; f. Carry out, together with the Climate Risks and Opportunities Management Subgroup, the identification and prioritization of the main climate risks and opportunities as well as propose climate adaptation measures; g. Support commercial and supply teams in the construction of projects related to climate change and decarbonization.

3. Vision on Decarbonization and Our Guidelines

CSN has defined three operational phases to achieve its decarbonization goals in its segments. The first phase, called BLUE Phase, which runs until 2030, focuses on investments associated with projects aimed at improving the Company's operational and energy efficiency. The second phase, called OLIVE, covers the period from 2030 to 2035, and relates projects associated with possible adaptations and improvement of technological routes that reduce GHG emissions. The third phase, GREEN, begins after 2035, and is aimed at deploying innovative and disruptive technologies, which currently have low technological maturity or face challenges related to scale and cost. These three phases direct the construction of the decarbonization roadmaps of the Company's operating segments in the short, medium and long term.

The decarbonization projects developed by CSN must always consider the cost-effectiveness and technological maturity, so as not to compromise the continuity of the Company's business. The Company's strategic investments must use the carbon price as a variable to be considered as a risk or opportunity for decision-making.

4. Working with Stakeholders

In the CSN Group's climate strategy, suppliers, customers, local communities, investors and innovation ecosystems are considered strategic stakeholders. The actions carried out with these stakeholders aim to strengthen transparency and build trust, essential elements for corporate reputation in an increasingly demanding context in relation to social and environmental responsibility. This engagement promotes the construction of strategic partnerships with organizations, governments and suppliers, expanding the Company's ability to implement sustainable solutions with greater effectiveness and impact, thus strengthening its competitive position in the market.

Regarding the management of suppliers and customers, CSN aims to implement practices that integrate the management of issues related to Climate Change in its operations, considering this aspect from the selection of suppliers to the delivery of raw materials or services by the Company, seeking to continuously develop solutions and products aligned with the needs of its partners' decarbonization strategies.

5. CSN Guidelines on Climate Action

With regard to its actions to combat climate change, the Company's performance will be guided by the following guidelines:

Mitigation Pillar

- Quantify and disclose GHG emissions from scopes 1, 2 and 3 annually;
- Use the marginal cost reduction curve (MACC) as a tool to prioritize the most cost-effective initiatives in reducing emissions;
- Map, study, develop and implement projects aimed at reducing the intensity of greenhouse gas emissions to meet the decarbonization goals established by CSN Group;
- Seek energy and operational efficiency in production processes through the modernization of equipment, processes and the use of more efficient technologies;
- Seek to reduce the use of materials with a greater environmental footprint, promoting the use of less carbon-intensive alternatives;
- Develop business models aimed at the just transition to the low-carbon economy, with the participation of strategic partners that support the Company's journey;
- Invest in research and development of new technologies such as carbon capture (CCU or CCS) and green hydrogen production;
- Produce and use energy from renewable sources in its operations, ensuring the maintenance of 100% renewable electricity consumption for assets located in Brazil.

Adaptation Pillar

- Map physical and transition risks, analyzing their impacts on operations in the short, medium and long term in financial terms;
- Consider in the risk and opportunity assessment process the various links in the chain (investors, suppliers, customers and local communities);
- Consider aspects related to the risks and opportunities of climate change and carbon pricing in strategic decision-making such as the acquisition of new assets, investment in technologies and short, medium and long-term budget planning;
- Develop climate adaptation plans to seek to reduce the exposure of its assets to physical climate risks and increase the resilience of its business.

Stakeholder Pillar

- Align information reports related to Climate Change with frameworks such as, among others, the Task Force on Climate Related Financial Disclosures (TCFD), IFRS S2, GRI and the GHG Protocol, among others, reporting their data with transparency, accuracy and timeliness;
- Support partners and entities in discussions under the regulatory and public policy scope related directly or indirectly to the theme of Climate Change;
- Seek to strengthen the practice of sustainable purchasing, and invest in the development and production of products with a lower carbon footprint or that through their use can positively influence the CO2 emission of their transformation chain;
- Work with customers to develop solutions and products aligned with their decarbonization or adaptation strategies to climate change;

Climate Strategy and Governance

- Perform governance on the theme of Climate Change and decarbonization according to the responsibilities defined for each of the bodies that make up its structure;
- Implement the actions and guidelines defined in the three strategic pillars described in this document, which are: mitigation, adaptation and Stakeholder engagement;
- Engage all segments and business units of the Company in internal discussions, seeking to maximize the synergies of the CSN Group and map new opportunities to disseminate the decarbonization strategy in the business units;
- Consider the aspect of just transition as one of the key elements in decision making from the perspective of risk and opportunity.
- Ensure compliance with climate-related environmental legislation, preventing and mitigating impacts.