

galaxy

Task Force on Climate-Related Financial Disclosures (TCFD) Index

For more information, reference [Galaxy Annual ESG Report 2023](#)



Task Force on Climate-Related Financial Disclosures (TCFD) Index

As part of Galaxy’s Annual ESG Report, we have detailed our alignment to the Task Force on Climate-Related Financial Disclosures (TCFD). TCFD recommendations are organized into four pillars that allow for a consistent, standardized approach to analyzing climate-related risks and opportunities: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets. Galaxy’s TCFD response represents our efforts towards implementing the recommendations of the TCFD. More in-depth information can be found in our full 2023 ESG Report.

Governance

Recommended Disclosure

GLXY Response

Describe the board’s oversight of climate-related risks and opportunities

Galaxy’s Board of Directors and its Compensation, Corporate Governance, and Nominating (CGN) Committee are responsible for overseeing our sustainability framework, strategy, and objectives. The Board of Directors and its CGN Committee are informed on key ESG program initiatives and updates through Board of Director meetings and annual reports from the ESG Steering Committee. Updates to the Board of Directors and its CGN Committee may include climate-related risks and opportunities that may materially affect Galaxy. The Board periodically assesses publications on environmental, social, and other sustainability topics. The Audit Committee is responsible for supervising risk management to establish an optimal equilibrium among incurred risk, shareholder returns, and long-term business resilience. Our Chief Operating Officer (COO) and Chief Risk Officer (CRO) spearhead our risk functions, overseeing the creation and upkeep of policies and procedures for the identification, assessment, monitoring, management, and mitigation of risks. The COO serves on the ESG Steering Committee and reports to the Board of Directors providing updates on key risks and the measures taken by management to address climate related risks and opportunities.



Governance (Continued)

Recommended Disclosure

Describe management’s role in assessing and managing climate-related risks and opportunities

GLXY Response

Our ESG Steering Committee is comprised of senior executives across business lines and regions and is charged with ensuring the effective implementation and oversight of the Company’s ESG strategy at the business level. Our overall ESG strategy is developed and executed by Galaxy’s Investor Relations team, who regularly meet to review and evolve the Company’s ESG strategy for the benefit for all of our stakeholders, which may include climate-related risks and opportunities that may materially affect Galaxy. The ESG Steering Committee reports to the Board of Directors.

Strategy – Climate Related Risks

Potential Risk

Potential Impact on GLXY

TRANSITION RISK: POLICY & LEGAL

Increased pricing of GHG emissions	MT-LT	Introduction of mandatory carbon pricing may result in increased operating and/or compliance costs.
Enhanced emissions-reporting obligations	ST-MT	Introduction of new or enhanced climate-related reporting obligations may result in increased operating and/or compliance costs. The Investor Relations team closely follows developments in reporting requirements and is proactive in addressing current and future obligations.
Mandates on and regulation of existing products and services	MT-LT	Introduction of climate-related mandates on and regulation of digital assets may result in increased operating and/or compliance costs and reduced demand for digital asset products and services, investor appetite, and capital availability.



Strategy – Climate Related Risks (Continued)

Potential Risk

Potential Impact on GLXY

TRANSITION RISK: MARKET

Uncertainty in market signals	ST-MT	<p>Our leading sources of revenue are dependent on the prices of digital assets and the institutional adoption of the ecosystem. Our operating results have and may significantly fluctuate due to a variety of factors, including the highly volatile nature of digital assets. Significant positive or negative changes in digital asset prices will not necessarily result in similar benefit or impairment to our operating results and financial condition.</p> <p><u>Reference Galaxy Digital Holdings LTD. Annual Information Form 2023, Risk Factors, Page 91 - 92, 110</u></p>
Changes in network dynamics	LT	<p>The diversification of Galaxy’s business model helps mitigate the Company’s exposure to any single change in digital asset network dynamics. Further, certain changes in network dynamics will impact each of Galaxy’s operating businesses differently. For example, the Bitcoin halving has the most direct impact on our mining business. The Bitcoin network was designed to have a maximum supply of 21 million coins, and the amount of newly minted bitcoin awarded to miners halves every 210,000 blocks, approximately, every 4 years. This impacts the profitability of our mining business as the reward for mining a block is halved at the time of the event. Following the most recent halving event in April of 2024, Galaxy continued to operate its mining business with positive gross profit margins and without any business interruption.</p>
Increased cost of raw materials Infrastructure expansion costs Increased cost of electricity	MT-LT	<p>The potential increased cost of raw materials may affect energy and supply-chain costs. Resources necessary to increase expand Galaxy’s infrastructure, including building supplies and hardware utilized in our mining operations, may come with increased costs as these operations are scaled. Increases in the cost of electricity may also lead to higher operating expenses for our mining business.</p> <p><u>Reference Galaxy Digital Holdings LTD. Annual Information Form 2023, Risk Factors, Page 129 - 131</u></p>



Strategy – Climate Related Risks (Continued)

Potential Risk

Potential Impact on GLXY

TRANSITION RISK: REPUTATION

Shifts in client preferences
Stigmatization of sector
Increased stakeholder concern

ST

Bitcoin mining has faced stigmatization due to its environmental impact and energy consumption. Critics often highlight the carbon footprint associated with the energy-intensive proof-of-work consensus mechanism, leading to concerns and calls for more sustainable practices within the industry. The industry is actively exploring and adopting solutions such as renewable energy usage to mitigate environmental concerns and address the stigma associated with its environmental impact. However, skepticism associated with bitcoin mining almost always glosses over the workings of the carbon offset market and how sourcing “Renewable Electricity” works in practice, as well as the nuances of Bitcoin mining operations and their interplay with electricity grids and markets.

Galaxy’s flagship Bitcoin mining site, Helios, is located about an hour east of Lubbock in Texas’ ERCOT West Zone which has a unique market structure and a higher concentration of renewable generation relative to other U.S. regions or ERCOT zones, with more renewables coming online in the new few years. Renewable energy sources across the system often produce more energy than is needed during peak production times, driving the value and price for this energy down. Flexible loads such as Bitcoin miners serve as an interesting solution to this problem, as they can step in to consume electricity when prices are very low, helping to establish a price floor, raising the value of these hours and providing support for renewable energy producers. Through this operation, Bitcoin miners like Galaxy serve as an economical signal to spur further investments in electricity generation, all while not taking up the extremely valuable grid capacity when it’s most needed.

Galaxy is committed to achieving its long-term goal of expanding its use of sustainable energy and remains proactive in exploring creative ways to mitigate the environmental impact of our mining operations and educate stakeholders, to help alleviate concerns.

Reference Galaxy Digital Holdings LTD. Annual Information Form 2023, Risk Factors, Page 100 - 101



Strategy – Climate Related Risks (Continued)

Potential Risk

Potential Impact on GLXY

PHYSICAL RISK: ACUTE AND CHRONIC

Increased severity of extreme weather events

MT-LT

Rising mean temperatures

The physical risks of climate change may impact the availability and cost of materials and natural resources, sources and supply of energy, demand for Bitcoin and other cryptocurrencies, and could increase our insurance and other operating costs, including, potentially, to repair damage incurred as a result of extreme weather events or to renovate or retrofit facilities to better withstand extreme weather events.

Rising temperatures may impact the ability to run mining rigs due to the potential for overheating. This may lead to additional costs to install cooling systems to maintain operating conditions for the mining equipment or additional costs related to machines replacements.

Galaxy has integrated immersion cooling technology into our Bitcoin mining facilities. Immersion cooling keeps mining hardware cool through submerging it in a liquid coolant that transfers heat away from the hardware and into the surrounding liquid coolant, a process more energy efficient than traditional fan-cooling. Galaxy made the decision to dedicate additional capital to these systems to be more efficient with our energy usage and extend the life of the machines, avoiding wasteful machine turnover. Galaxy now operates one of the largest single-face immersion cooling system in the world.

Reference Galaxy Digital Holdings LTD. Annual Information Form 2023, Risk Factors, Page 113 - 114



Strategy – Climate Related Opportunities

Potential Opportunity

Potential Impacts on GLXY

OPPORTUNITIES: RESOURCE EFFICIENCY

Resource efficiency

ST-MT

Enhancing our operational efficiency presents an opportunity to decarbonize. Galaxy is committed to curtailing its mining operation at the Helios site during peak demand periods to alleviate strain on the grid and avoid contributing to demand surge pricing. Galaxy also supports renewable energy sources by consuming electricity from these sources when prices are low to establish a price floor and raise the value of these hours. Bitcoin miners make renewable energy projects more economical viable and help to promote further investments in these projects.

Our New York office location hosts the majority of our workforce, and holds a LEED Gold Certification, WELL Health Safety Ratings, and is equipped with EnergyStar and WaterSense fixtures that help minimize our energy and water intensity. Our offices in Chicago and San Francisco hold LEED Certifications. Our Hong Kong office holds an Indoor Air Quality Certificate and a Gold Rating for Flushing Water from the Quality Water Supply Scheme For Buildings. Additionally, we have established paper, plastic, and electronic waste reduction strategies, alongside our wide-scale recycling efforts and composting program in our New York office, to better manage natural resources.

OPPORTUNITIES: ENERGY SOURCE

Use of lower-emission sources of energy

ST-MT

Use of lower-emission sources of energy present an opportunity to decarbonize and reduce risk exposure to the potential introduction of carbon pricing. This may reduce operating costs and increase revenue, capital availability, and reputation. Galaxy’s Mining business remains committed to achieving its long-term goal of expanding its use of sustainable energy and targets an energy mix that utilizes a higher percentage of sustainable energy than the ERCOT grid as a whole, while its majority source of energy is drawn from the West Texas grid. Note: Galaxy does not own the Renewable Energy Credits associated with sustainable energy sources. We believe that this approach will help reduce our marginal cost of production, while also indirectly helping decarbonize our Scope 2 GHG emissions.



Strategy – Climate Related Opportunities (Continued)

Potential Opportunity

Potential Impacts on GLXY

OPPORTUNITIES: ENERGY SOURCE

Use of new technologies	MT	<p>Blockchain technology and digital assets may play a role in the transition to a low carbon economy by providing innovative solutions for enhanced transparency, efficiency, and sustainability. Blockchain enables the creation of decentralized and transparent platforms that allow consumers to trace the origin of energy from renewable sources in real-time, incentivizing the use of clean energy by providing verifiable proof of its source, thereby encouraging a shift towards sustainable practices.</p> <p>Galaxy also utilizes new technologies to improve efficiency in our mining facilities, such as immersion cooling. Compared to traditional fan-cooling methods, immersion cooling is more energy efficient. We are proactive in analyzing new technologies that could optimize our mining operations and our energy efficiency.</p>
Shift toward decentralized energy generation	MT-LT	<p>Bitcoin miners may have the potential to enhance the shift toward decentralized energy generation by co-locating near renewable energy producers and acting as an off-taker for excess energy production. By acting as off-takers for excess energy production from renewable sources, miners contribute to optimize the utilization of sustainable energy. This symbiotic relationship not only helps renewable energy producers manage intermittent energy generation but also promotes the efficient use of surplus power. This may lead to a de-stigmatization of the asset class, increased capital availability, and enhanced reputation.</p>



Strategy – Climate Related Opportunities (Continued)

Potential Opportunity

Potential Impact on GLXY

OPPORTUNITIES: PRODUCTS & SERVICES

Shift in client preferences	MT-LT	<p>Introduction of climate-related and broader mandates on and regulation of digital assets may lead to a shift in client preference and facilitate institutional adoption of digital assets.</p> <p>As Galaxy has one of the first and most comprehensive sustainability programs in the digital asset ecosystem, stakeholders may perceive us as adequately addressing climate-related issues resulting in increased demand for products and services, revenue, investor appetite, and capital availability to grow the ecosystem.</p>
Participation in renewable energy programs	MT	<p>Bitcoin miners offer flexible load and through participation in demand-response programs may present an opportunity to help balance electricity grids and encourage investment in renewable projects. Renewable energy sources can produce more energy than is needed during peak production times, driving the price for this energy down. Bitcoin miners can step in to consume electricity when prices are low, helping to establish a price floor, raising the value of these hours and providing support for renewable energy producers. Miners make renewable energy projects more economical viable and help to spur further investments in these projects. Additionally, Bitcoin miners can curtail operations to help alleviate the strain on the grid, improve its stability and smooth energy price volatility. Galaxy is committed to curtailing its mining operation at the Helios site during peak demand periods on the grid to alleviate strain on the grid and avoid contributing to demand surge pricing.</p>



Strategy

Recommended Disclosure

Describe the organization's processes for identifying and assessing climate-related risks

GLXY Response

When identifying the potential climate-related risks Galaxy may face, we utilized our established risk-management framework and leveraged management's key role in our sustainability program's governance structure. Additionally, our biennial ESG materiality assessment identified key focus areas that are essential to our long-term business strategy, consequently informing our climate-related risk identification process. Our climate-related risk identification process included the following steps:

- **Identify:** We reviewed Galaxy's business lines and risk factors, TCFD guidelines and recommendations, ESG frameworks, standards, raters, and our peers to understand the current climate-related risk landscape and identified potential material climate-related risks.
- **Categorize:** We refined a list of potentially material climate-related risks, which were categorized under TCFD guidelines and recommendations.
- **Assess Impact:** We explored each potential climate-related risk in detail to understand its potential impact on our business.
- **Gather Feedback:** We engaged key internal stakeholders to receive feedback on potential climate-related risks, including our Chief Operating Officer (COO) and Chief Risk Officer (CRO), who lead our risk functions, including our Co-Head of Mining and the lead of our ESG steering committee.
- **Engage Management:** Galaxy's TCFD response, including potential climate-related risks, was reviewed by the ESG Steering Committee, and approved by the Board of Directors.

This is a process Galaxy replicates on a bi-annual basis to capture changing perspectives, new market conditions and the evolving ESG landscape.



Strategy (Continued)

Recommended Disclosure

Describe the organization's processes for managing climate-related risks

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

GLXY Response

Managing and mitigating risk in a constantly evolving environment is fundamental to our ability to run our business and serve our clients. We approach risk management as an essential business process integrated throughout our business lines and corporate functions. We believe risk management is the responsibility of everyone at Galaxy.

The Board of Directors' Audit Committee oversees the identification, assessment, and management of risk to achieve a proper balance between risk incurred, shareholder returns, and long-term business resilience. Our COO and CRO lead our risk functions, including the development and maintenance of policies to identify, assess, monitor, manage, and mitigate risk.

While Galaxy does not formally integrate climate-related risks into our overall risk management, all climate-related risk is managed through our sustainability program's governance structure, which includes the Board of Directors, COO, and other senior executive members of the Risk Committee. Additionally, Galaxy indirectly manages climate-related financial risks by continuously hedging our exposure through a macro approach that considers a wide array of scenarios.

In 2023, Galaxy formed a dedicated Environmental Sub-Committee of our ESG Steering Committee. This sub-committee plays a crucial role in overseeing our environmental sustainability strategy and actively identifying, anticipating and managing climate-related risks. Its primary focus is on the Bitcoin mining business, which accounts for the majority of Galaxy's carbon footprint. The Environmental Sub-Committee is responsible for developing and implementing the Company's environmental strategy.



Metrics & Targets

Recommended Disclosure

GLXY Response

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

To assess climate-related risks and opportunities in line with our strategy and risk management process, we measure the following climate-related metrics:

- Scope 1, 2, and 3 greenhouse gas (GHG) emissions
- GHG emissions intensity per employee
- Bitcoin mining energy mix
- Global offices operational efficiency

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks

We engaged Apex Group to conduct Galaxy’s third GHG assessment covering Scope, 1, 2, and 3 emissions. Apex Group follows the GHG Protocol methodology for calculating emissions and uses nationally recognized emissions factors, published by regulated authorities, to ensure the robustness of calculations. Where necessary, Apex Group may build bespoke models for unique emissions sources, grounded in best-in-class data and scientific approaches. Apex Group conducted this GHG assessment and verification of data independently, as a third-party, with no conflicts of interest.

Galaxy’s Scope 1, 2, and 3 GHG emissions were approximately 31,950 metric tonnes of carbon dioxide equivalent (mtCO₂e). We will continue to disclose our GHG emissions on an annual basis and are committed to increasing transparency around our impact.

For more details, see Page 13 of this report.

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

Our GHG calculations and assessment are essential to helping us to understand our impact, find opportunities to enhance our operational efficiency, and implement best practices to reduce our footprint. Our Mining business remains committed to achieving its long-term goal of expanding its use of sustainable energy, which we believe will help drive down our marginal cost of production, while also indirectly helping decarbonize Galaxy’s Scope 2 GHG emissions.



Metrics & Targets (Continued)

Recommended Disclosure

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

GLXY Response

Galaxy aims to transition towards a more sustainable energy mix over the long term and targets to achieve a non-REC energy mix that utilizes a higher mix of sustainable energy than the ERCOT grid as a whole, while its majority source of energy is drawn from the West Texas grid (Note: Galaxy does not own the Renewable Energy Credit associated with the sustainable energy sources). Galaxy will achieve this through curtailing at opportune times. High demand periods typically occur when there is less solar and wind power supply. During these period, BTC miners can curtail to lower demand, helping to stabilize the grid and reducing Galaxy's use of non-renewable energy sources. This will also be aided by ERCOT's plans to bring more solar and wind operations online in the West Texas region. Additionally, Galaxy will continue to utilize technologies to drive energy efficiency.

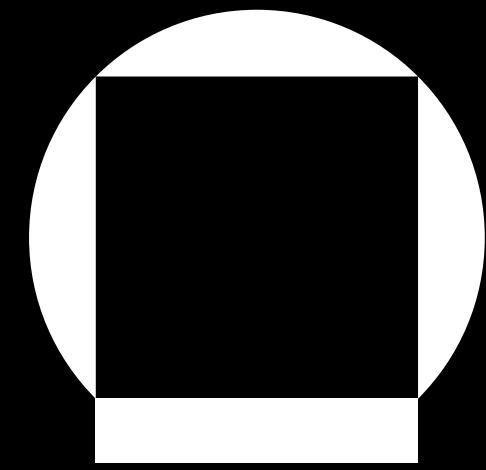


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