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2021 Report Use of Proceeds and ESG Performance Indicators

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Use of Proceeds Report for Green Loans



Companhia Brasileira de Alumínio (CBA) is constantly evolving to become increasingly sustainable. CBA's long-term strategy has been grounded in the three pillars of ESG (Environmental, Social and Governance) to ensure we deliver a low-carbon aluminum and sustainable solutions in partnership with stakeholders, while developing the communities where we operate and positively influencing the broader aluminum value chain.

The benefits from CBA's new strategy include: greater operational efficiency, cost reductions, operational stability, improved management of natural resources, a more consistent organizational culture, better access to capital markets and improved management of ESG-related aspects.

As part of our proactive efforts to mitigate environmental impacts from our operations, we have raised green funding to finance a range of sustainability-related projects, especially technologies that aims to reduce greenhouse gas emissions, water consumption and waste generation.

In 2020, CBA was the first company in Brazil to issue green-certified Export Credit Notes (NCEs), demonstrating CBA's leadership in sustainable finance. The proceeds from these transactions, totaling R\$ 500 million are being used toward sustainable projects that will also promote Companies' exports. As we continued to deliver on our sustainability strategy, in December 2021 we completed our first issuance of Debentures for a total of R\$ 230 million, also classified as a green loan with a second-party opinion issued by SITAWI, a specialized consulting firm that assessed our company and a framework outlining our key environmental projects, and verified that they are aligned with the Green Bond Principles released by the International Capital Market Association (ICMA).

Of the R\$ 730 million raised across these three different transactions, R\$ 100 million had been allocated as of December 31, 2020 toward production process improvements creating tangible environmental benefits for the aluminum value chain. The amount allocated to these projects as of year-end 2021 was R\$ 265 million.





raised though green loans

This report describes CBA's use of the proceeds in 2021 and the total amount allocated, as part of our commitment to accountability and transparently reporting information about the selected projects. To consult the previous year's report on our use of proceeds, see the 2020 Use of Proceeds Report.

Project	Estimated investment (R\$ mm)	2019	2020	2021	Total (R\$ mm)	% already disbursed
Biomass Boiler ¹	986	0	62	132	195	20%
Dry Disposal (Filter Press)	306	9	22	20	51	17%
Pot Room Upgrade (Green Soderberg)	523	5	1	10	16	3%
Semi Dry Paste	76	-	1	2	3	5%
Total	1,891	14	86	165	265	14%

¹ Includes OPEX projection until Dec 28

² The amounts stated exclude our own personnel expenses

Funding Sources	Date	Maturity	Total Amount (R\$ mm)	Amount Allocated (R\$ mm)	% total allocation	Biomass Boiler	Dry Disposal	Pot Room Upgrade	Semi Dry Paste
Export Credit Notes 210333620	aug 2020	aug 2024	250	235	94%	78%	0%	7%	1%
Export Credit Notes 202000026	feb 2020	feb 2029	250	30	12%	0%	12%	0%	0%
Debentures 1st issuance	dec 2021	jun 2029	230	-	0%	0%	0%	0%	0%
Total			730	265	36%	78%	12%	7%	1%

¹ The debt is denominated in US dollars totaling USD 46,467,537.78. The exchange rate at the time the funds were disbursed was 5.3801, amounting to R\$ 250,000,000.

On the following pages we describe the projects selected for the green funding proceeds. We hope our creditors and investors will find this report useful for their decision-making, understanding the economic and environmental value generated by the initiatives developed.



Biomass Boiler



Category: • Pollution prevention and control: **Climate change mitigation**

CBA's 2030 ESG Strategy aims to reduce greenhouse gas emissions from our operations over the coming years. In this context, our Alumina Refinery has implemented a retrofit project in partnership with Combio Energia to replace the natural gas or oil used to fuel the boilers with woodchip biomass from eucalyptus plantations.



The Refinery is one of the first in the world with capabilities to produce steam using woodchip biofuel. In addition to minimizing emissions, regarding the cost, biomass is cheaper than fossil fuels. The boiler started operation in 2020, but only operated at full capacity in 2021.

The Brazilian Ministry of the Environment selected CBA's boiler retrofit project for an energy-transition case study presented during COP-26, the United Nations climate conference hosted in Scotland in November 2021, as an example of efforts in the aluminum industry to tackle climate change.



Total: R\$195mm

Performance Indicators:

• 63.1% reduction in greenhouse gas emissions at this production stage since project inception



from 0.55 tCO2e/t of aluminum oxide in 2019 to 0.31 tCO2e/t in 2020 and to 0.20 tCO2e/t in 2021 (compared to a global industry average of 1.21 tCO2e/t)





Dry Disposal (Filter Press)

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Categories:

- Pollution prevention and control: Waste management
- Sustainable management of water and wastewater

CBA uses dams to store residue from our mining and metals operations. Keeping these facilities safe is critical due to the risks they involve. To minimize the risk from dams, we actively seek valuable uses for tailings as raw materials in industrial processes and are expanding the use of dry disposal methods. New applications for residue not only contribute to safety, but also support a circular economy in the value chain. Dams are addressed by one of the goals in our ESG Strategy, eliminate waste disposal in dams by 2030, and CBA is working to develop solutions in this direction.

The Dry Disposal Project aims to switch the disposal method of bauxite residue in the Palmital Dam, located in Alumínio (SP).

With the refinery currently producing 1,600 metric tons of residue per day with a solid concentration of 45%, we estimate that, at this rate, the dam will reach the end of its active life in 2023. This would require a new disposal facility to be developed, with major impacts on the environment.

Nowadays, the disposal method is wet, with 45% of solid concentration. However, we plan to convert the disposal method to dry, with 75% solid concentration.

Migrating to dry disposal will require the installation of a filter press to remove the liquid fraction before the bauxite residue arrives at the storage facility. In 2021, CBA ordered the filter press from overseas, which are scheduled to arrive in Brazil in 2022 and to start operation in 2024.









Pot Room Upgrade (Green Soderberg)



Categories:

• Pollution prevention and control: **Climate change mitigation and** Waste management

 Sustainable management of water and wastewater

The smelter pot upgrade project will make CBA's production process even more sustainable by minimizing impacts on the environment and improving operational safety and employee well-being, while also enhancing the quality of our products.



The upgrade will switch the smelter pot feeding process to an intermittent feed system that will reduce greenhouse gas emissions by an estimated 20%, as well as minimizing consumption of aluminum oxide and improving energy efficiency.

The upgrade is scheduled to be completed by 2025. Once completed, the project will not only minimize greenhouse gas emissions but also allow the gas scrubbing systems to be shut down. These systems consume large volumes of water and generate residue from the captured particulates. We estimate the project has the potential to avoid per year 27 million cubic meters of water withdrawals and reduce electricity consumption by 17 MW, enough to supply power to 30,000 homes.



Performance indicators:

• 17,994 tCO2e avoided since the start of the project

• When all pots have been converted to the new system, the scrubber systems will be switched off, eliminating the need for water in the process, and thus reducing our overall water consumption.



Semi-Dry Paste



Category: • Pollution prevention and control: Climate change mitigation

The pot-room upgrade will involve the use of an anode paste containing a lower content of coal-tar pitch to improve the operation of the automated feed system and potentially reduce greenhouse gas (GHG) emissions. The current anode paste has a pitch content of 32%, whereas the maximum desirable pitch content for the Green Soderberg project is 29%.



This project will implement the modifications needed in the paste preparation process to meet quality specifications while producing sufficient quantities for the estimated production volumes outlined in CBA's strategic plan. Lower pitch content in the anode paste has the potential to reduce GHG emissions as a result of the reduced consumption of paste in the process.





Green Revolving Credit Facility

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Similar to the green loans, which are linked to projects delivering environmental benefits aligned with CBA's ESG Strategy, in September 2021 we entered into a revolving credit facility (RCF) of USD 100 million that is tied to ESG performance indicators. The new facility, with a maturity of five years, was obtained from a club deal of eight International financial institutions and can be drawn on at any time during the contract, providing an additional source of liquidity.

This transaction reinforces CBA's commitment to reduce greenhouse gas (GHG) emissions from our operations—the key performance indicator (KPI) tied to the facility calls for annual reductions of average emissions in the production of cast products, cradle to gate, working toward an aggregate reduction of 6.4% by 2025 from a 2020 baseline.

In the baseline year, our emissions intensity was 3.50 t CO2e (metric tons of carbon dioxide equivalent) per metric ton of cast aluminum products. The KPI used to measure the reduction covers emissions across the entire value chain (mining, alumina refinery, smelters and casthouse). The Alumínio plant is a vertically integrated operation and therefore has full operational control of both Scope 1 and Scope 2 emissions. The Metalex facility, however, does not control all stages of production and purchases ingots from the market. In this case, Scope 3 carbon emission factors are derived from the most recent version of the Ecoinvent database (using the lifecycle assessment approach). Customer-supplied ingots have been excluded from the data for lack of traceability.

CBA has fully renewable generation capacity for 100% of our electricity requirement. This advantage contributes to obtain lower emissions from smelting process, the biggest energy consumer in aluminum production, placing CBA as one of the lowest-carbon aluminum producers globally.

> The RCF builds on CBA's ESG strategy, provides an additional source of liquidity and can be drawn on at any time over a term of five years.



As reference, the International Aluminium Institute (IAI) estimates global average emission intensity at 12.4 metric tons of CO2 per metric ton of primary aluminum produced. The Aluminium Stewardship Initiative (ASI) Performance Standard establishes an upper limit of 8 metric tons of CO2 per metric ton of primary aluminum produced. CBA also performs well when compared to statistics published by the CRU. According to CRU data, our smelter's GHG emissions are in the first quartile on a global basis.

Despite already being a top performer for GHG emissions, we have established further commitments under our 2030 ESG Strategy to help tackle climate change. This has led us to develop emissions reduction projects to promote an even higher reduction on this indicator, such as the pot room upgrade, biomass boiler retrofit and expanded use of aluminum scrap.

In 2021, CBA reduced its emissions intensity for cast products by 5.1% considering the methodology described in this report, exceeding expectations, as a result of:

- Renewable Energy Certificates (RECs) purchased, reducing our Scope 2 emissions to nearly zero;
- Higher-than-expected emissions reductions from our use of biomass boilers when operating at full capacity in 2021;
- Emissions reductions from process improvements within our Competitiveness Management program.



Our flagship projects to achieve emissions reductions include boiler retrofits to biomass and pot-room upgrades, both funded by the green finance transactions described in the first section of this Report, as well as recycling-related projects supporting a circular economy. Recycled aluminum also has a smaller carbon footprint, as it eliminates the most carbon-intensive production steps.



Appendix 1

Basis of preparation

1. Introduction

Green loans are transactions meant to finance sustainable projects that helps to mitigate climate change. ESG-linked loans are loans tied to specified ESG indicators, in which the terms of the loan can either improve or worsen the cost of funds depending on the borrower's performance against those indicators. Both types of green finance are part of a growing trend that has seen investors increasingly use ESG criteria for their decision making. Green finance provides greater transparency around the use of proceeds, uses stringent criteria for project eligibility, and ensures social and environmental benefits are achieved.

CBA has completed three green finance transactions, including bilateral loans and a debenture issuance, for a total of R\$ 730 million in proceeds earmarked for sustainable projects. CBA has also obtained a revolving credit facility (RCF) of USD 100 million that is tied to ESG performance indicators.

This document describes the criteria used in the development and assurance of the Use of Proceeds and ESG Performance Report.

2. Information on currencies and translation

In 2020 CBA issued two Export Credit Notes (NCE) classified as Green Loans, the first for a total of R\$ 250,000,000 and the second for a total of US\$ 46,467,537.78. The exchange rate at the time the funds were disbursed was 5.3801 totaling R\$ 250,000,000.



In 2021 CBA completed its first issuance of Green Debentures for a total of R\$ 230 million and entered into a Green Revolving Credit Facility of US\$ 100 million.

3. Reporting Systems

The green loans proceeds will be managed by CBA's Treasury department using an internal system, from receipt to full allocation to their target projects.

Expenditure will be virtually tracked using CBA's SAP system under a unique project code (PEP), as follows:

PI/2020.19/002 - Biomass Boiler PI/2020.15/020 - Dry Disposal (Filter Press) PI/2020.18/041 - Pot Room Upgrade (Green Soderberg) PI/2020.20/015 - Semi-Dry Paste

4. Detailed reporting criteria

To be eligible for green-loan proceeds, funded projects must fall under one or more eligible categories, which include, but are not limited to: pollution prevention and control, reduction of gas emissions, greenhouse gas control, waste prevention, waste reduction, waste recycling and energy/emissionefficient waste to energy, sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation), and climate change adaptation.

The proceeds from CBA's green loans should be used to finance or refinance, in whole or in part, expenses and operational costs of projects within the following eligible categories. The performance indicators that will be tracked are separated by category. It is important to note that no performance target has been set to be achieved.



Category	Description	Performance Indicators
Pollution prevention and control: climate change mitigation	 Investments and projects to reduce greenhouse gas emissions: The Green Soderberg project will automate the smelting pot feed process, helping to reduce greenhouse gas emissions. The project will involve the use of an anode paste containing a lower content of coal-tar pitch to improve the operation of the system. The Semi Dry Paste project will implement modifications to the paste preparation process to meet the required paste specifications; The Biomass Boiler project will retrofit the alumina production process to produce steam using biomass as fuel. Biomass, a renewable energy source, will replace the (nonrenewable) fossil fuels used currently in the Alumina Refinery boilers. The new technology will minimize emissions from burning fossil fuels. The project was implemented in 2020 and includes both the capital expenditure to build the steam production unit, as well as operational expenditure, especially the supply of saturated steam generated at Combio. 	Direct greenhouse gas emissions avoided per unit of produced (tCO2e / metric ton produced)



Pollution prevention and control: Waste management	 The Filter Press project will allow us to separate liquid out of the mud residue from the Refinery, reducing the amount of residue stored in the impoundment. The project will lengthen the life of the impoundment by at least two decades. The process will also recover the caustic soda contained in the separated liquid fraction, for reuse in the production process; The Green Soderberg project at our Smelter pot rooms, when fully completed, will allow us to shut down the facilities' wet gas scrubbers, eliminating the black mud residue they produce. 	Lower volumes of residue generated per metric ton of product (t of waste/ t of product) Lower volumes of inputs consumed per metric ton of product
Sustainable management of water and wastewater	 Implementing technologies to improve water efficiency: Green Soderberg technology will allow us to shut down the wet gas scrubbers at the Smelters. This process accounts for around 70% of total plant water consumed in the process, which means the project can deliver substantial water savings; Installation of a Filter Press will allow our facilities to reutilize separated water in the Refinery production process. 	Lower water consumption per metric ton of product (m ³ / t of product)

The KPI required to be tracked and reported in respect of the Green Revolving Credit Facility is scope 1, 2 and 3 greenhouse gas emissions intensity in the production of cast aluminum products (tCO2e per metric ton of cast aluminum products). As stated in the second-party opinion issued by Sustainalytics, the KPI is considered very strong and highly ambitious, whilst following a clear, consistent and externally verifiable methodology defined on the Framework and it is a direct measure of CBA's performance.



Appendix 2

Independent auditor's limited assurance report on CBA's allocation of proceeds raised via green loans and linked socio-environmental performance indicators contained in the 2021 Use of Proceeds and **ESG Performance Report**

To the Management Companhia Brasileira de Alumínio (CBA) Alumínio - SP

Scope

We have been engaged to present our limited assurance report on the allocation of proceeds raised by Companhia Brasileira de Alumínio ("CBA" or "Company") via green loans and the linked socioenvironmental performance indicators of the Company contained in the 2021 Use of Proceeds and ESG Performance Report of CBA between January 1st and December 31, 2021. The total amount raised through the Green Loans must be applied exclusively to finance or refinance green projects, as set out in the document "Companhia Brasileira de Alumínio (CBA) Green Financing Framework 2020" available on <u>link</u> and the reporting of the performance indicator linked to the revolving credit line, as set out in the document "Sustainability Linked Financing Framework" available on <u>link</u> (referenced together as "Frameworks"), and supplemented by the Basis of Preparation described in Appendix 1 of the 2021 Use of Proceeds and ESG Performance Report of CBA.

Management's responsibility

The management of CBA is responsible for maintaining the operational structure and controls necessary to ensure that the information included in the 2021 Use of Proceeds and ESG Performance Report is free from any material misstatement due to fraud or error. The management of CBA is also responsible for defining, implementing, adapting and maintaining the management systems from which the necessary information is obtained for the preparation of the mentioned 2021 Use of Proceeds and ESG Performance Report.



Our independence and quality control

We comply with the independence and other ethical requirements of the Brazilian Accounting Standards ("NBC"), NBCs PG 100 and 200 and NBC PA 291, which are based on the principles of integrity, objectivity and professional competence and which also consider the confidentiality and behavior of professionals.

We apply the international quality control standards established in NBC PA 01 and, therefore, we maintain an appropriate quality control system that includes policies and procedures related to the fulfillment of ethics requirements, professional standards, legal requirements and regulatory requirements.

Responsibilities of the independent auditor

Our responsibility is to express a conclusion as to whether nothing has come to our attention that causes us to believe that 2021 Use of Proceeds and ESG Performance Report of CBA for the period from January 1st to December 31, 2021 is not adequate in accordance with the criteria set out in the Frameworks and Basis of Preparation of the referred report.

We conducted our limited assurance engagement in accordance with the Brazilian Accounting Standard NBC TO 3000 - "Assurance Engagements Other than Audits or Reviews" issued by the Federal Accounting Council (CFC), which is equivalent to the international standard ISAE 3000 -"Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform our procedures to obtain limited assurance that 2021 Use of Proceeds and ESG Performance Report of CBA is adequate to allow compliance with the criteria of the Frameworks and Basis of Preparation.

The procedure applied in a limited assurance engagement is less detailed than those applied in a reasonable assurance engagement. Therefore, a lower level of assurance is obtained than it would be obtained in a reasonable assurance engagement.

The procedures selected, summarized in the Limited Assurance procedures, depend on the independent auditor's judgment, including the assessment of the risks that the operating structure, including policies, procedures and/or controls established by CBA to allow the allocation of the proceeds from the Green Loans and the monitoring of the performance indicator 'CO2e emission'



per ton of primary aluminum' linked to the revolving credit line, is not adequate, in accordance with the criteria presented in the Frameworks and Basis of Preparation to this report. Our procedures did not include tests of the operating effectiveness of the controls and, consequently, we do not express a conclusion on this aspect.

Limited Assurance procedures:

Performance of assurance procedures applicable to services of this nature, including inquiries of management and those responsible for the support areas, and inspection of documents on a sample basis in items (i), (ii), (iii) and (iv) below:

(I) Inquiry of management on the use of the existing internal tracking systems to manage, by CBA's treasury team, the net proceeds from the Financing used to allocate the amounts raised from the Green Loans;

(II) Inquiry of management on the process for allocation of the amounts raised and allocated to projects in the period between January 1st and December 31, 2021, as well as inspection of the loan contracts, demonstrating that the total allocation of the proceeds from the Green Loans were made in accordance with the criteria established in the Framework and the Basis of Preparation;

(III) Inquiry of management on the amount allocated between January 1st and December 31, 2021 from the Green Loans, as well as inspection of supporting documentation demonstrating compliance with allocation criteria; and

(IV) Inquiry to management on the processes for calculating the performance indicator 'CO2e emission per ton of primary aluminum' linked to the revolving credit line, as well as inspection of supporting documentation demonstrating compliance with the calculation criteria for this indicator established in Framework and Basis of Preparation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



Inherent limitations

Our limited assurance engagement considered the operating structure of CBA for the allocation of the amount raised through Green Loans and allocated to projects between January 1st and December 31, 2021, and for calculating the performance indicator, according to the criteria established in the Frameworks and Basis of Preparation of the 2021 Use of Proceeds and ESG Performance Report of CBA which were selected to meet certain requirements and did not cover other technical and qualitative aspects of CBA's operational structure related to the allocation of the total amount raised through the Green Loans issued and the monitoring of the performance indicator linked to the revolving credit line.

Conclusion

Based on our limited assurance engagement, we are not aware of any deviations that causes us to believe that the CBA 2021 Use of Proceeds and ESG Performance Report of CBA, for the period between January 1st and December 31, 2021, regarding the allocation of the amount raised through the Green Loans in the eligible projects and the calculation of the performance indicator 'CO2e emission per ton of primary aluminum' are not adequate, in all its relevant aspects, according to the criteria established in the Frameworks and in the Preparation Base, which were prepared to allow the CBA to comply with certain requirements of the Green Bond Principles (GBP).

Other matters

Any party other than CBA that obtains access to our report, or to a copy of it, and relies on the information contained therein (or any part thereof) will do so at its own risk. We do not accept or assume any responsibility and deny any liability to any party other than CBA for our engagement, for the limited assurance report or for our conclusions.

São Paulo, April 7, 2022 PricewaterhouseCoopers Auditores Independentes Ltda. CRC 2SP000160/0-5

DocuSigned by: Maurício Colombar

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