

# Nordural Grundartangi ehf.

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Financial Statements

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## 2020

Nordural Grundartangi ehf.  
Grundartanga  
301 Akranes  
Id.no. 570297-2609

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# Nordural Grundartangi ehf.

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## Financial Statements

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# 2020

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# INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors and the Shareholders of Norðurál Grundartangi ehf.

## Opinion

We have audited the Financial Statements of Norðurál Grundartangi ehf. for the year ended December 31, 2020 which comprise, the Income Statement, the Balance Sheet, the Cash Flow Statement for the year then ended, and the Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of Norðurál Grundartangi ehf. as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance the Icelandic Financial Statement Act.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Norðurál Grundartangi ehf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other information

The Board of Directors and Managing Director are responsible for the other information. The other information comprises the Report by the Board of Directors and Managing Director, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding Report by the Board of Directors and Managing Director as stated below.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. We further confirm to the best of our knowledge that the accompanying Report by the Board of Directors and Managing Director includes all information required by paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and the Managing Director are responsible for assessing Norðurál Grundartangi ehf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the Managing Director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

# INDEPENDENT AUDITOR'S REPORT

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kópavogur, May 25, 2021.

**Deloitte ehf.**

Páll Daði Ásgeirsson

Páll Daði Ásgeirsson  
State Authorized Public Accountant

## Report by the Board of Directors and Managing Director

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Nordural Grundartangi ehf. (Nordural) operates an aluminum smelter at Grundartangi, Iceland and produces high quality aluminum in a responsible, safe and efficient manner. Quality control protocols are subject to regular review in a process of continuous improvement. All staff is encouraged to participate in maintaining and improving the quality of our operations at all levels.

Nordural is certified by the Aluminum Stewardship Initiative (ASI) for responsible production, sourcing and stewardship of aluminum. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminum value chain. Quality systems are ISO 9001 certified. Environmental and safety systems are certified according to ISO 14001 and ISO 45001 standards. Production processes, environmental and safety standards are under continuous review. Nordural has implemented the Equal Pay Standard ÍST85:2012 and received Certification with PwC Gold standard.

Production for the year 2020 was 312,629 metric tons, around 3,000 metric tons decrease in production from previous year. Average number of employee positions in year 2020 was 557 compared to 547 in previous year.

The operating revenue of Nordural amounted to USD 570.8 million (2019: USD 628.3 million) and decreased by 9% from the preceding year mainly due to lower market prices of LME. Operating profit before financial items and depreciation amounted to USD 56.1 million (2019: USD 1.0 million). Nordural's loss for the year ended December 31, 2020 amounted to USD 8.8 million (2019: Loss USD 32.1 million). According to the Balance Sheet the Company's assets amount to USD 579.5 million (2019: 575.2 million), the year's end book value of equity was USD 367.5 million (2019: 376.4 million) and the Company's equity ratio was 63% (2019: USD 65%).

Nordural is highly dependent on the price of primary aluminum, on price and availability of power and on key raw materials, including alumina and carbon anodes. Labor, taxes, and certain other costs are denominated in Icelandic Krona while majority of our income is in USD. These items are all related to the entity's normal course of business. Unfavorable changes in these factors could have material adverse effect on our business.

The COVID-19 pandemic has disrupted the global economy and created significant volatility in the primary aluminum industry. Such adverse impacts to the global market include the drop in the LME price for primary aluminum to \$1,457 in April 2020 from \$1,772 at the start of 2020. However, we have seen some measurable improvement in the global market for aluminum along with an increase in the price for our product and a return to more stability in recent months. The LME price for primary aluminum averaged \$1,702 per ton in 2020 as compared to an average of \$1,792 in 2019, due in part to the impacts that COVID-19 had on the LME price during 2020.

Our business depends on the health and safety of our employees. Without employees we cannot operate our facilities. Since the outbreak of COVID-19, we have implemented several new policies and procedures to protect our workforce. We have implemented continuous disinfecting of our workplaces, divided work areas to multiple quarantine sections and employees whose jobs allow them to work remotely do so. We have advised all of our employees in proper care and hygiene to prevent the spread of the virus. While these measures serve to reduce the possibility of transmission of the virus within our workplaces, they do not assure that our employees will not contract the virus or bring it into the workplace. Where such an event to be widespread enough, our operations could be disrupted to varying degrees which could have a material adverse effect on our business.

The COVID-19 pandemic could also interfere with general commercial activity related to our supply chain and customer base. Raw material suppliers may not be available or may be delayed in shipments to us, impacting our ability to deliver our products to our customers thereby negatively impacting our operational results and financial condition.

While we expect the COVID-19 pandemic to continue to impact our business, the current level of uncertainty about the economic and operational impacts of COVID-19 means that the related impact to our business cannot be reasonably estimated at this time.

## Report by the Board of Directors and Managing Director

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Nordural is owned by a foreign parent company, Century Aluminum. The foreign ownership shapes to a certain extent the corporate governance of the Company. The parent company has issued its own guidelines on corporate governance accessible on the Company's website. The Board of Directors of Nordural has not yet decided if it will follow the Corporate Governance Guidelines, issued by the Icelandic Chamber of Commerce, SA Business Iceland and Nasdaq Iceland, or the parent company's guidelines, but will make a decision during 2021. Further information on corporate governance and non-financial information is included in appendix to the Financial Statements.

The sole shareholder of Nordural Grundartangi ehf. is Nordural ehf. as it was at the beginning of the year.

### **Statement by the Board of Directors and the Managing Director**

The Financial Statements of Nordural Grundartangi ehf. are prepared in accordance with generally accepted accounting principles in Iceland.

The Board of Directors refers to the shareholders meeting to take decisions on payment of dividend to the shareholder for the operational year 2020. As regards to changes in the equity of the Entity, the board refers to the Notes attached to the Financial Statements.

It is the opinion of the Board of Directors and the Managing Director of Nordural Grundartangi ehf. that these Financial Statements present all the information necessary to show the financial position of the Company as of December 31, 2020 and the operating results and cash flows for the year then ended.

The Board of Directors and Managing Director of Nordural Grundartangi ehf. hereby confirm the Financial Statements for the year 2020 with their signatures.

Reykjavik, May 28, 2021

### **Board of Directors**

Jesse Gary

Gunnar Guðlaugsson

Michelle Harrison

Sigrún Helgadóttir

### **Managing Director**

Gunnar Guðlaugsson

# Income Statement 2020

		2020	2019
Operating revenue .....		570,830,650	628,258,562
Production expenses .....		(512,939,772)	(624,716,149)
Depreciation and amortization .....	7	<u>(37,383,599)</u>	<u>(37,840,295)</u>
<b>Gross profit (loss)</b>		<u>20,507,279</u>	<u>(34,297,883)</u>
Selling and administrative expenses .....		(1,814,010)	(2,582,386)
<b>Operating profit (loss)</b>		<u>18,693,269</u>	<u>(36,880,268)</u>
Share of loss of subsidiary .....	10	(147,442)	(96,938)
Interest income .....		307,936	419,458
Net loss on derivative contracts .....	15	(29,168,148)	(1,573,556)
Finance costs .....	5	(5,164,961)	(5,984,745)
Exchange rate gain .....		4,605,651	4,033,727
<b>Loss before taxes</b>		<u>(10,873,694)</u>	<u>(40,082,322)</u>
Income tax .....	6	2,118,392	8,020,670
<b>Loss for the year</b>		<u><u>(8,755,300)</u></u>	<u><u>(32,061,650)</u></u>

## Balance Sheet at 31. December 2020

<b>Assets</b>		<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Non-current assets</b>			
Property, plant and equipment .....	7	395,727,075	430,771,038
Derivative financial assets .....	15	3,919,835	0
Investment in subsidiary .....	10	146,420	293,861
		<u>399,793,330</u>	<u>431,064,898</u>
<b>Current assets</b>			
Inventories .....	8	92,315,311	99,320,923
Trade receivables .....	9	3,387,340	21,106,682
Derivative financial assets .....	15	3,401,952	2,675,495
Other receivables .....	9	8,501,797	5,618,146
Cash and cash equivalents .....	9	72,090,935	15,456,002
		<u>179,697,335</u>	<u>144,177,247</u>
<b>Assets</b>		<u><u>579,490,665</u></u>	<u><u>575,242,146</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
	11		
Share capital .....		146,988,000	146,988,000
Share premium .....		117,963,936	117,963,936
Other reserves .....		40,830,000	40,830,000
Retained earnings .....		60,055,767	68,811,070
Accumulated other comprehensive income .....		1,692,390	1,841,217
Total equity		<u>367,530,095</u>	<u>376,434,224</u>
<b>Long-term liabilities</b>			
Loans due to related party .....	12	19,336,766	40,738,362
Loan due to financial institution .....	19	45,000,000	0
Derivative financial liabilities .....	15	132,097	0
Lease liabilities .....	18	295,832	784,910
Deferred tax liabilities .....	13	66,660,468	71,776,873
		<u>131,425,164</u>	<u>113,300,145</u>
<b>Current liabilities</b>			
Trade and other payables .....	14	43,815,837	61,549,975
Next year payment of long term liabilities .....	12	11,459,298	12,353,874
Current tax liabilities .....	6.13	3,133,462	0
Current maturities of lease liabilities .....	18	613,762	652,576
Derivative financial liabilities .....	15	11,301,890	443,828
Other current liabilities .....	14	10,211,159	10,507,526
		<u>80,535,406</u>	<u>85,507,778</u>
Liabilities		<u>211,960,570</u>	<u>198,807,923</u>
<b>Total equity and liabilities</b>		<u><u>579,490,665</u></u>	<u><u>575,242,146</u></u>



# Statement of Cash Flows 2020

	Notes	2020	2019
<b>Operating activities</b>			
Loss for the year .....		(8,755,300)	(32,061,650)
Adjustments to reconcile profit for the year to net cash provided by operating activities			
Depreciation and amortization .....	7	37,383,600	37,840,296
Income tax .....	6	(2,118,392)	(8,020,670)
Share of loss of subsidiary .....	10	147,442	96,938
Net finance cost .....		251,374	1,531,560
Net loss on derivative contracts .....		29,168,148	1,573,556
		<u>56,076,871</u>	<u>960,030</u>
Changes in:			
Inventories, decrease .....		7,005,612	11,225,769
Receivables, (increase) .....		(4,535,838)	(2,733,442)
Short term liabilities, (decrease) increase .....		(17,579,980)	20,857,918
Payable net to related parties .....		18,887,799	(9,490,149)
		<u>18,887,799</u>	<u>(9,490,149)</u>
<b>Cash provided by operating activities</b>		59,854,464	20,820,126
Interest received .....			
		342,462	428,306
Interest paid .....			
		(5,000,458)	(5,409,976)
Derivative contracts (paid) received .....			
		(22,255,791)	402,011
Income tax paid .....			
		0	(276,258)
		<u>0</u>	<u>(276,258)</u>
<b>Net cash provided by operating activities</b>		<u>32,940,678</u>	<u>15,964,209</u>
<b>Investing activities</b>			
Investment net in fixed assets .....	7	(2,574,930)	(5,263,502)
Proceeds from sale of fixed assets .....	7	49,261	0
		<u>49,261</u>	<u>0</u>
<b>Cash used in investing activities</b>		<u>(2,525,669)</u>	<u>(5,263,502)</u>
<b>Financing activities</b>			
Related parties, payments .....		(18,333,686)	(19,592,602)
Loans from financial institutions .....		45,000,000	0
Lease payments .....		(446,389)	(502,682)
		<u>(446,389)</u>	<u>(502,682)</u>
<b>Cash from (used) in financing activities</b>		<u>26,219,925</u>	<u>(20,095,284)</u>
Net increase (decrease) in cash and cash equivalents .....			
		56,634,933	(9,394,577)
Cash and cash equivalents at the beginning of the year .....			
		15,456,002	24,850,579
		<u>15,456,002</u>	<u>24,850,579</u>
Cash and cash equivalents at the end of the year .....			
		<u>72,090,935</u>	<u>15,456,002</u>

# Notes

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## 1. General information

Nordural Grundartangi ehf. ("Company" or "Nordural Grundartangi") is owned by Nordural ehf. The Company operates an aluminum smelter at Grundartangi, Iceland. Nordural ehf. is ultimately owned by Century Aluminum Company, a U.S. based holding company. Financial information for Century Aluminum Company are published on its company website.

The Company has an Operating license for the production of up to 350,000 MTPY of aluminum. This license was issued by the National Planning Agency in December 2015. The license expires in December 2031.

The smelter's name plate production capacity is 260,000 metric tons per year ("MTPY"). Production in 2020 was 312,629 MT of hot metal (2019: 315,867 MT), 315,079 MT of casted metal (2019: 314,895 MT).

## 2. Accounting Policies

### Basis of preparation

The Financial Statements of Nordural Grundartangi for the year 2020 are prepared according to generally accepted accounting principles in Iceland. Cost method is used in the Financial Statements and it is prepared according to the same accounting principles as the previous year. The Financial Statements are prepared in United States dollars, which is the Company's functional currency.

The principal accounting policies adopted are set out below.

### Estimates and decisions

For the Annual Report, the Management, in accordance with laws on Financial Statements, needs to make decisions, estimates and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and Income Statement. All conclusions and estimates are based on knowledge and experience and other relevant factors. Those factors make up the basis that can not be ascertained by any other means.

### Risk management and derivatives

As a global producer of primary aluminum, our operating results and cash flows from operations are subject to risk of fluctuations in the market prices of primary aluminum, raw materials and power. We may from time to time enter into financial contracts to manage our exposure to such risk. We value our derivative and hedging instruments using quoted market prices and other significant unobservable inputs. We recognize changes in fair value and settlements of derivative instruments in net gain (loss) on forward and derivative contracts in the Income Statement of operations as they occur.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Profit or loss is moved from Equity to the Income Statement in the same period(s) as the probable transactions affect the Income Statement.

### Revenue recognition

Revenues from production are recognized when earned as required by generally accepted accounting principles. Revenues are recognized when title and ownership of the products passes to customers in accordance with contract terms. Interest income is accrued over time, by reference to the principal amount and at the interest rate applicable.

# Notes

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## 2. Accounting Policies (continued)

### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from currency fluctuations are included in net profit or loss for the period.

### Taxation

Income tax is calculated and recognised in the Financial Statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's tax rate in 2020 was 20%.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax basis used for calculation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

### Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses on cash generating units reduces first goodwill, and after that to reduce other assets. Impairment losses are recognised as an expense immediately.

# Notes

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## 2. Accounting Policies (continued)

### Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment loss on goodwill is not reversed.

### Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises of direct materials and, where applicable, direct labor costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Trade receivables

Accounts receivable are valued at nominal value. Accounts receivable in currencies other than USD have been recorded at the exchange rate prevailing at the balance sheet date.

### Loans due to related parties and borrowing costs

Loans due to related parties are initially recognised at fair value plus all related transaction costs. After initial recognition loans due to related parties are recognised at amortised cost using the effective interest method.

### Trade payables

Trade payables are valued at nominal value and accounts payable in other currencies have been recorded at the exchange rates prevailing at the balance sheet date.

### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

## 3. Salaries and other employee expenses

Salaries and salary-related expenses paid by the Company are specified as follows:

	2020	2019
Salaries .....	43,075,990	45,316,555
Pension fund .....	6,744,614	6,996,974
Salary-related expenses .....	4,656,419	4,663,096
Other employee expenses .....	591,804	530,524
	<u>55,068,827</u>	<u>57,507,148</u>
Average number of positions .....	557	547

Information about management salaries is included in the Notes to the Financial Statements of Nordural ehf.

## Notes

### 4. Fees to Auditors

	2020	2019
Deloitte - audit.....	331,505	372,266
PWC - other services.....	17,560	392,732
KPMG - other services.....	1,412	4,338
	<u>350,477</u>	<u>769,336</u>

### 5. Finance costs

	2020	2019
Interest to related parties .....	3,628,039	5,668,878
Lease interest expenses .....	81,503	65,260
Other finance costs.....	1,455,419	250,606
	<u>5,164,961</u>	<u>5,984,745</u>

### 6. Income tax

	2020	2019
Current tax liabilities .....	3,133,462	0
Deferred tax decrease .....	(5,251,854)	(8,020,670)
	<u>(2,118,392)</u>	<u>(8,020,670)</u>

### 7. Property, plant and equipment

	Leased assets	Real estate and related rights	Machinery & equipment	Construction in progress	Total
<b>Cost or valuation</b>					
At beginning of the year.....	1,941,477	274,251,077	740,177,671	7,970,991	1,024,341,216
Reclassified.....	0	78,027	2,038,395	(2,116,422)	0
Additions.....	37,512	0	0	2,537,418	2,574,930
Disposals.....	0	0	(1,118,549)	0	(1,118,549)
At end of the year.....	<u>1,978,989</u>	<u>274,329,104</u>	<u>741,097,517</u>	<u>8,391,988</u>	<u>1,025,797,597</u>
<b>Accumulated depreciation</b>					
At beginning of the year.....	526,842	112,236,315	480,807,024	0	593,570,181
Charge for the year.....	586,404	7,567,649	29,415,579	0	37,569,632
Disposals.....	0	0	(1,069,288)	0	(1,069,288)
At end of the year.....	<u>1,113,246</u>	<u>119,803,964</u>	<u>509,153,315</u>	<u>0</u>	<u>630,070,525</u>
<b>Carrying Amount</b>					
At beginning of the year.....	<u>1,414,635</u>	<u>162,014,762</u>	<u>259,370,648</u>	<u>7,970,991</u>	<u>430,771,038</u>
At end of the year.....	<u>865,743</u>	<u>154,525,139</u>	<u>231,944,203</u>	<u>8,391,988</u>	<u>395,727,075</u>

#### Depreciation and amortization:

	31.12.2020	31.12.2019
Depreciation of property, plant and equipment .....	37,569,632	38,026,328
Amortization of gain on forward contracts .....	(186,032)	(186,032)
	<u>37,383,599</u>	<u>37,840,295</u>

## Notes

### 8. Inventories

	31.12.2020	31.12.2019
Aluminum finished goods .....	6,858,908	9,098,339
Aluminum in pots .....	10,668,307	8,555,581
Anodes .....	10,370,924	10,226,006
Alumina .....	27,202,598	32,893,257
Cathode blocks .....	6,118,794	6,550,994
Other materials .....	11,352,859	13,624,565
Operational supplies .....	19,742,921	18,372,180
	<u>92,315,311</u>	<u>99,320,923</u>

### 9. Other financial assets

<b>Trade receivables</b>	31.12.2020	31.12.2019
Trade receivables .....	2,007,607	954,159
Trade receivables from related party .....	1,379,733	20,152,523
	<u>3,387,340</u>	<u>21,106,682</u>

<b>Other receivables</b>	31.12.2020	31.12.2019
Value added tax .....	2,750,964	4,108,092
Prepaid expenses .....	411,222	328,871
Capital income tax .....	33,810	20,565
Due from related party .....	0	910,495
Other receivables .....	5,305,801	250,123
	<u>8,501,797</u>	<u>5,618,146</u>

#### Cash and cash equivalents

The Company's cash and cash equivalent consist of bank balances.

	31.12.2020	31.12.2019
Bank balances in USD .....	71,236,482	14,661,989
Bank balances in other currencies .....	854,453	794,013
	<u>72,090,935</u>	<u>15,456,002</u>

### 10. Investments in subsidiaries

	Proportion of ownership	Book value 31.12.2020	Loss	
			2020	2019
<b>Shares in subsidiaries</b>				
Klafi ehf, Grundartanga, Transport Company .....	50.00%	146,420	(147,442)	(96,938)
Balance at January 1 .....			293,861	390,799
Loss for the year .....			(147,442)	(96,938)
At December 31 .....			<u>146,420</u>	<u>293,861</u>

## Notes

### 11. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end .....	163,320,000	100.0%	163,320,000
Treasury stock at year-end .....	(16,332,000)	(10.0%)	(16,332,000)
	<u>146,988,000</u>	<u>90.0%</u>	<u>146,988,000</u>

Each share carries one vote.

	Share capital	Share premium	Other reserves	Retained earnings	Accumulated OCI
Equity 1.1.2019 .....	146,988,000	117,963,936	40,898,999	100,803,721	1,990,042
Currency options, net of tax .....					(148,827)
Legal reserve for the share of earnings of affiliates .....			(68,999)	68,999	
Profit for the year .....				(32,061,650)	
Equity 31.12.2019 .....	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,830,000</u>	<u>68,811,070</u>	<u>1,841,217</u>
Currency options, net of tax .....					(148,827)
Loss for the year .....				(8,755,300)	
Equity 31.12.2020 .....	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,830,000</u>	<u>60,055,770</u>	<u>1,692,390</u>

Other reserves consist of Statutory reserves 40,830,000 (2019: 40,830,000) and Legal reserves for the share of earnings of affiliates 0 (2019: 0) which cannot be paid out as dividend to shareholders. According to the Icelandic Companies Act, 25% of nominal value share capital must be held in as Statutory reserves.

Legal reserves for the share of earnings of affiliates is required by Icelandic law since 2016. The amount of the legal reserve for the share of earnings of affiliates is reduced by dividends received from those companies.

Accumulated other comprehensive income comprise of a closed hedging activity that is being realized according to the lifetime of the underlying hedged asset.

## Notes

### 12. Loans due from related party

	31.12.2020	31.12.2019
Loan from parent company. Interest rate is 7.85%, in Icelandic kronas	0	9,580,049
Loan from parent company. Interest rate is 10,00%, in Icelandic kronas	11,639,911	18,348,409
Loan from parent company. Interest rate is 10,00%, in Icelandic kronas	19,156,154	25,163,777
	<u>30,796,065</u>	<u>53,092,235</u>
Next year payment of long term liabilities .....	(11,459,298)	(12,353,874)
Total non-current loans due from related party	<u>19,336,766</u>	<u>40,738,362</u>

Loan due to parent company in the amount of USD 11,639,911 is due in five even payments and the first payment was paid in year 2018 and the last payment is due in year 2022. Loan due to parent company in the amount of USD 19,156,154 is due in five even payments and the first payment was paid in year 2020 and the last payment is due in year 2024. Interest payment is due each year.

### 13. Deferred tax liabilities

The changes in Deferred tax liabilities are as follows:

	2020	2019
At January 1, .....	71,776,873	79,012,873
Calculated tax for the year .....	(2,118,392)	(8,020,670)
Deferred tax due to currency options .....	(37,207)	(37,207)
Exchange rate difference .....	165,107	(95,044)
Income tax payable for next year .....	(3,133,462)	0
Other changes .....	7,549	916,920
At December 31, .....	<u>66,660,468</u>	<u>71,776,873</u>

The following are the major deferred tax liabilities recognised:

	31.12.2020	31.12.2019
Property, plant and equipment .....	65,572,785	70,084,067
Other items .....	1,087,683	1,692,805
	<u>66,660,468</u>	<u>71,776,873</u>

### 14. Other financial liabilities

<b>Trade and other payables</b>	31.12.2020	31.12.2019
Functional currency .....	11,845,918	41,716,512
Other currencies .....	18,098,419	4,789,525
Accruals .....	13,871,500	15,043,938
	<u>43,815,837</u>	<u>61,549,975</u>
<b>Other current liabilities</b>	31.12.2020	31.12.2019
Liabilities to affiliated companies .....	1,988,434	2,783,921
Salaries and related expenses payable .....	8,222,725	7,723,606
	<u>10,211,159</u>	<u>10,507,526</u>



## Notes

### 15. Derivatives

Power is currently supplied to Nordural Grundartangi from hydroelectric and geothermal sources under long-term power purchase agreements with HS Orka, Landsvirkjun and OR. Historically, all of the power supplied to Grundartangi has been delivered at prices indexed to the price of primary aluminum. Since November 2019, the price of approximately 30% of Grundartangi's power requirements has been linked to the market price for power in the Nord Pool power market, the trading market for power in the Nordic countries and certain other areas of Europe. As of December 31, 2020, we had entered into financial contracts to fix the forward price of approximately 80% and 50% of Grundartangi's total Nord pool based power requirements for the period from January 1, 2021 through December 31, 2022, respectively. Furthermore, for 2021, we have entered into Aluminum LME forward financial sales contract to hedge majority of our power contract that is not indexed to the price of primary aluminum. We may enter into further similar financial contracts in the future.

As of December 31, 2020, we had an open position of 1,830,840 MWh related to the Nord Pool power price swaps and open position of 81.900 MT related to Aluminum LME forward financial sales contract. The Nord Pool power price swaps and Aluminum LME forward financial sales contracts are expected to be settled monthly through December 2021 and through December 2022, respectively. Because the Nord Pool power price swaps are settled in Euros, we have entered into financial contracts to hedge the risk of fluctuations associated with the Euro (the "FX swaps"). As of December 31, 2020, we had open positions related to the FX swaps for €40.3 million Euros that settle monthly through December 2022.

The following table sets forth the Company's derivative assets and liabilities that were accounted for at fair value and not designated as cash flow hedges as of December 31, 2020 and 2019:

Asset Fair Value:	31.12.2020	31.12.2019
Commodity Contracts .....	4,965,318	2,675,495
Foreign exchange contracts .....	2,356,470	0
	<u>7,321,788</u>	<u>2,675,495</u>
Liability Fair Value:	31.12.2020	31.12.2019
Commodity Contracts .....	11,433,986	0
Foreign exchange contracts .....	0	443,828
	<u>11,433,986</u>	<u>443,828</u>

The following table summarizes the net loss on forward and derivative contracts for the years ended December 31, 2020 and 2019

	2020	2019
Commodity Contracts .....	(32,040,346)	(1,451,933)
Foreign exchange contracts .....	2,872,198	(121,623)
	<u>(29,168,148)</u>	<u>(1,573,556)</u>

Commodity contracts reflect our outstanding LME forward financial sales contracts and Nord Pool power price swaps. Foreign exchange contracts reflect our outstanding FX swaps.

## Notes

### 16. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Related parties transactions in the year 2020:	Purchases of	Sales of	Assets	Liabilities
	goods/services	goods/services		
Norðurál ehf., parent company .....	4,601,891	0	865,732	31,378,649
Century Aluminum Anodes BV .....	89,032,229	6,924,266	615,974	7,231,103
Century Aluminum Company, ultimate parent .....	2,483,205	948,346	0	1,507,824
Glencore Int., affiliated company .....	113,875,939	494,364,138	0	11,437,428
Klafi ehf., subsidiary .....	1,358,372	0	0	0
	<u>211,351,636</u>	<u>502,236,750</u>	<u>1,481,706</u>	<u>51,555,003</u>

  

Related parties transactions in the year 2019:	Purchases of	Sales of	Assets	Liabilities
	goods/services	goods/services		
Norðurál ehf., parent company .....	4,917,485	0	910,495	53,567,208
Century Aluminum Anodes BV .....	98,618,005	11,295,701	1,164,990	10,531,223
Century Aluminum Company, ultimate parent .....	3,175,317	122,462	0	2,315,770
Glencore Int., affiliated company .....	201,564,442	625,066,269	18,980,710	26,373,663
Klafi ehf., subsidiary .....	1,372,887	0	0	0
	<u>309,648,136</u>	<u>636,484,432</u>	<u>21,056,196</u>	<u>92,787,865</u>

### 17. Insurance

Nordural Grundartangi has purchased commercial property and business interruption insurance intended to compensate for temporary breakdown of operations. The property insurance amount is USD 500 million.

### 18. Leases

The company elected to apply IFRS 16 Leases from January 1, 2019. Under IFRS 16, distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and replaced by a model where the right-of-use asset and a corresponding liability have to be recognized for all leases by the lessees. The nature of recognised expenses related to operating leases will change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease.

Leased assets are factory site, warehouses and car leases. Leases are generally 24-36 months except for the factory site which is long term.

Right-of-use assets are specified as follows:

Right-of-use assets 1.1.2020 .....	1,414,635
Depreciation .....	(586,404)
Additions to right-of-use assets .....	37,512
Right-of-use assets 31.12.2020 .....	<u>865,743</u>

## Notes

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### 18. Leases (continued)

Effects of leases in Income statement is divided as follows:

Interest payment of lease liabilities .....	81,503
Depreciation .....	586,404

Lease liabilities are specified as follows:

Payments 2021 and later .....	613,762
Payments 2022 and later .....	295,832
Net investment in leases 31.12.2020 .....	<u>909,594</u>

### 19. Commitments and Contingencies

#### Power contracts

Nordural Grundartangi has power purchase agreements for approximately 525 MW with HS Orka hf, Landsvirkjun and Orkuveita Reykjavíkur to provide power to its Grundartangi smelter. These power purchase agreements expire on various dates from 2023 through 2036 (subject to extension). The power purchase agreements with HS and OR both provide power at LME-based variable rates for the duration of these agreements. The power purchase agreement with Landsvirkjun for 161 MW provides power at rates linked to the Nord Pool power market.

Each power purchase agreement contains take-or-pay obligations with respect to a significant percentage of the total committed and available power under such agreement.

#### Sale and Raw Material Contracts

Nordural Grundartangi has a selling contracts to be delivered through the years 2020 to 2021 with Glencore International and Concord Resources Limited for all aluminum produced each year. Under these contracts Nordural Grundartangi receives price based on the LME primary aluminum plus an applicable premium.

Nordural Grundartangi has a contract with Glencore International for alumina purchases required for its aluminum production for the years 2018 to 2021.

Nordural Grundartangi has a contract for the supply of anodes with Century Aluminum Vlissingen B.V. The contract is effective through 2025 and can be extended. During the term of the agreement, Century Aluminum Vlissingen B.V. shall supply to Nordural the annual quantity of anodes in accordance with the written production schedule agreed to by the parties.

#### Other

Nordural Grundartangi ehf., entered into Guaranty, dated as of March 21, 2014 in favor of Pension Benefit Corporation, a United states government coporation, as part of settlement agreement regarding an alleged "cessation of operations" at parent company, Ravenswood facility. The remaining contributions under this agreement in end of 2020 are approximately USD 9.6 million.

Nordural Grundartangi ehf., as borrower, and Landsbankinn hf., as lender, entered into a three-year USD 50 million committed revolving credit facility agreement which expires November 2022. The company's inventory and accounts receivable are pledged as a collateral to the financial institution. As of December 31, 2020, USD 45 million were outstanding borrowings under this credit facility.

The Company, in the regular course of business, is involved in investigations and claims by various regulatory agencies none of which the Company believes will have material effect on financial results.

# Corporate Governance Statement

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Norðurál Grundartangi ehf. (Nordural) is owned by a foreign parent company, Century Aluminum. The foreign ownership shapes to a certain extent the corporate governance of Nordural. The parent company has issued its own guidelines on corporate governance accessible on the Nordural's website, [www.nordural.is](http://www.nordural.is). The Board of Directors of Nordural has not yet decided if it will follow the Corporate Governance Guidelines, issued by the Icelandic Chamber of Commerce, SA Business Iceland and Nasdaq Iceland, or the parent company's guidelines but will make a in 2021.

## **Laws, rules and regulations**

The following are some of the most important laws applicable to Nordural's operations:

Act on Annual Accounts

Act on Private Limited Companies

Act on Pollution Prevention

The Competition Law

Act on Data Protection and the Processing of Personal Data

Act on Measures against Money Laundering and Terrorist Financing

The above mentioned laws are accessible on [www.althingi.is](http://www.althingi.is).

The Company furthermore operates in accordance with an operating licence accessible on [www.ust.is](http://www.ust.is).

## **Internal controls and risk management**

The Board of Directors holds the ultimate responsibility for an effective internal control system. The management of Nordural is responsible for implementing and maintaining adequate internal controls.

The internal control system is designed with the purpose of providing reasonable assurance that financial reporting is in accordance with accepted accounting standards. The management of Nordural assess the effectiveness of the internal control system which is based on "Internal Control – Integrated Framework" issued by COSO and on Sarbanes Oxley Act from 2002 for listed US companies as part of consolidated Financial Statements of Century Aluminum. The design and effectiveness of the internal control system has been audited by Deloitte.

An effective risk management framework has been implemented and Nordural has defined its major risks as: Business risk, financial risk, operational risk and environmental risk. The Board of Directors and Nordural's management regularly receive risk reports addressing the major risks Nordural is exposed to.

The Board's major objective with regard to an effective internal control and risk management system is to contribute to Nordural reaching its goals concerning its purpose, obligations, earnings, reliability of financial information and compliance with laws, rules and regulations.

Nordural has not appointed a compliance officer but there is a compliance department in the parent company. Internal audit is supervised by Century Internal Audit Department additionally to be outsourced to EY and conducted yearly on a consolidated basis.

## **Sustainability and ethical standards**

Nordural emphasizes that its operations are in cohesion with the environment. Nordural constantly strives towards minimizing its effects on the environment and the responsible usage of energy and raw materials. Nordural contributes to increased environmental awareness and the involvement of its employees in reformations. Nordural is in compliance with all requirements stipulated in its operating licence, laws and rules regarding environmental issues.

A Code of Ethics is accessible on the website of Nordural.

## Corporate Governance Statement (continued)

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### Composition and activities of the Board of Directors

The Board of Directors holds supreme authority in Nordural's matters between shareholders' meetings.

The Board of Directors shall ensure that Nordural's organization and operations are in a good state. The Board shall also promote the development and long-term performance of Nordural and monitor its daily operations.

The Board is composed of four individuals, two males and two females. None of the board members is considered independent of Nordural or the shareholder since they are all employees of the group.

Formal rules of procedures have not been established for the Board of Directors but will be will be prepare and approve by the Board in 2021.

The Board of Directors is composed of the following individuals;

**Jesse Edward Gary**, Chairman of the Board, is born in 1980 and lives in the United States. He has a B.A. degree from the University of California at Berkley and a J.D. degree from Cornell Law School. He joined Century in 2010. He was promoted to Executive Vice President and General Counsel in February 2013, to Chief Operating Officer in April 2019 and to President and Chief Executive Officer from July 1, 2021. Prior to joining Century, he practiced law at Wachtell, Lipton, Rosen & Katz in New York.

**Gunnar Guðlaugsson**, Director, is born in 1960. He has a Master's degree in electrical engineering, Diploma in business and operations and a journeyman's examination in electrical trades. He is the Executive Vice President of Global Operations and Managing Director of Norðurál since 2021. He was the managing director of Norðurál Grundartangi from 2009, the managing director of Norðurál Helgúvík from 2008, the managing director for various departments of ISAL from 2000 and an engineer at ISAL from 2008. He has done various engineering work since 1994. He has been a board member of Klafi since 2018 and Samál from 2019. He has also been a board member of boards in NA companies.

**Michell Harrison**, Director, is born in 1975. She is a graduate of the University of California at Santa Barbara and a Certified Public Accountant. She joined Century in 2000. She was promoted to Vice President and Treasurer in 2007 and to Senior Vice President, Finance and Treasurer in March 2014. Prior to joining Century she worked as an auditor for Deloitte & Touche.

**Sigrún Helgadóttir**, Director, is born in 1968. She has a Cand.oecon. degree in business from the University of Iceland and an MBA degree from the Norwegian School of Management (BI). She has been the managing director of Norðurál plant at Grundartangi from 2021, but previously as a managing director of HR and Procurement. Previously, she was an employee of Kaupping, the Stock Exchange in Osló and the Icelandic Stock Exchange (now Nasdaq Iceland).

The Board of Directors held a total of 4 board meetings in 2020. The meetings were attended by all board members, the Manager of Finance, and a representative of Century Legal Department and Company's Legal Counsel. Foreign board members and the representative of Century Legal Department attended the meetings through phone. The Board of Directors has not performed a performance assessment of its work and procedures.

### Sub-committees of the Board of Directors

The Board of Directors has not established sub-committees but plans to appoint an audit committee in 2021.

## Corporate Governance Statement (continued)

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### **Executives**

The Managing Director carries out the daily operations of Nordural in accordance with the policies and instructions of the Board of Directors. The Managing Director shall, among other things, regularly provide the Board of Directors with accurate information on the Nordural's finances, structure, development and operations. The Managing Director shall at all times conduct his/her work with integrity and Nordural's interests at the forefront.

Gunnar Guðlaugsson is the Managing Director of Norðurál Grundartangi.

### **Communication with the shareholder**

The Board of Directors is responsible for communication with and providing information to the shareholder.

Communication with the shareholder takes place at the Annual General Meeting, other shareholders' meetings and specific information meetings as needed.

The Board of Directors shall receive information regarding all questions and propositions from the shareholder and supervise Nordural's reactions to them.

### **Information on infringements of laws and regulations that the appropriate supervisory or ruling body has determined**

Nordural was not subject to sentences by the courts of fines from relevant public authorities in 2020.

# Non-Financial Information

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## About Nordural Grundartangi

Nordural Grundartangi ehf. (Nordural) operates an aluminum smelter at Grundartangi, Iceland and produces premium quality aluminum and aluminum alloys. The Company's operating license is for an annual output of 350,000 metric tons of pure aluminum, in accordance with the strictest standards for environmental and social responsibility, and employee safety.

Nordural production for the year 2020 was 312,629 metric tons, around 3,000 metric tons decrease in production from previous year. The company is expanding its production capacity and intends to continue those efforts in the coming years.

Nordural is a member of the European Union's greenhouse gas emission trading system, commonly known as ETS. Its aim is to reduce emissions from the production processes of major industrial concerns in Europe. The trading system functions as an economic incentive for industrial concerns to reduce emissions. In that the concerns members must pay for all excess emissions beyond allocated allowances. In relation to CO<sub>2</sub> and waste from sources outside the ETS, Nordural has set targets for 40% reduction by 2030, compared to 2015.

Nordural is certified by the Aluminum Stewardship Initiative (ASI) for responsible production, sourcing and stewardship of aluminum. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminum value chain. Quality systems are ISO 9001 certified. Environmental and safety systems are certified according to ISO 14001 and ISO 45001 standards. Production processes, environmental and safety standards are under continuous review. Nordural has implemented the Equal Pay Standard ÍST85:2012 and received Certification with PwC Gold standard.

Nordural produces aluminum according to customer needs in a responsible, safe and competitive manner. Emphasis is placed on employees' quality awareness and participation in continuous improvement. Nordural is a responsible member of the community and complies with the laws and regulations of the company. The quality management system is regularly reviewed and improved. Nordural quality objectives are: Satisfied customers, efficient production and outstanding products

Further information on Nordural is accessible at the Company's website. [www.nordural.is](http://www.nordural.is)

## Environment

Aluminum production inevitably leads to considerable emissions of CO<sub>2</sub>. At Nordural, we work hard to achieve the lowest emissions in the world.

CO<sub>2</sub> emissions directly linked to the production processes fall under the scope of ETS and Nordural has achieved considerable success in limiting emissions that fall under the system. Thus, localized emissions generated by Nordural's aluminum production amounted to 2.1 tons of CO<sub>2</sub> equivalents per produced ton in 2006 compared to 1.6 tons per produced tons in 2020. In comparison, the estimated global average emissions per produced tons amount to around 12 tons.

## Climate Action Plan

Nordural's Climate Action Plan consists of 10 specific actions which will guide the way to reach the goal of a 40% reduction in greenhouse gas emissions and general wastes by 2030. The plan identifies the main types of emissions generated by the company's activities that are outside the scope of the ETS system. The plan is in accordance with the Paris Agreement commitments which Nordural has signed.

## Non-Financial Information (continued)

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At the same time the burial of general waste must have been reduced by at least 40% by 2030 compared to the 2015 level. Nordural's Action Plan for reducing emissions was done with The Greenhouse Gas Protocol methods for detecting emissions, an international system designed to standardize carbon accounting. The main focus is on assessing direct emissions from Nordural's operations, i.e. by mobile equipment and refrigerants while emissions from the employees' work-related plane trips and their carpooling in Nordural's cars as well as emissions from the disposal of general waste were also assessed. While the Action Plan thus calculates emissions from five elements of Nordural's operation, the actions put forward also cover other elements.

### **Environmental monitoring**

Environmental monitoring entails research and monitoring of more than 100 environmental factors in and surrounding the area of Grundartangi. The purpose is to ensure that the operations of Nordural Grundartangi are not harmful to the environment. The environmental monitoring is conducted by independent parties. The fluoride emission measurements at Krúvarða, one of the air quality measuring station in the surrounding area of the plant was slightly above the operation license limit. Nordural met or exceeded all other requirements in the operational license and regulations, including total fluoride emission.

### **Green accounting**

Nordural keeps and publishes its audited Green Accounting on an annual basis and delivers this report to the Environment Agency of Iceland in accordance with applicable law and regulation No. 851/2002. The aim of Green Accounting is to improve our Nordural plant's ability to identify opportunities to increase efficiency, improve processes, reduce waste, and increase general awareness of environmental issues throughout the manufacturing process.

### **ASI**

Nordural Grundartangi ehf is certified by the ASI Performance Certification. The ASI standard sets out 59 criteria under the three sustainability pillars of Governance, Environment and Social, which address issues such as biodiversity, Indigenous Peoples rights, and greenhouse gas emissions. An independent, third-party audit of the Nordural's facility is carried out by DNV GL on an annual basis.

### **Innovation**

Nordural is participating in an international project, "CarbFix", examining if it can become a viable option, both technically and financially to capture CO<sub>2</sub> from the smelter's exhaust, dissolve it in water under pressure then pump it down to a depth of 500 or 800 meters, where CO<sub>2</sub> binds permanently to the bedrock in the form of rocks.

Nordural's experienced employees have valuable knowledge. Nordural considers sharing such resources with the academic community as well as the tech and innovation industry to be a part of its social responsibility. By contributing to a dynamic cooperation in this field Nordural can support the adaption of new technologies or methods in aluminum production that result in a more efficient operation and possibly in reducing greenhouse gas emissions.

### **Natur-Al™**

In 2019 Nordural Grundartangi ehf. announced its line of low-carbon aluminum products, Natur-Al™ aluminum, with one of the lowest CO<sub>2</sub> footprints in the world. The entire production process was analyzed and the environmental impact of all links in the production chain was assessed and documented. There we see in black and white where and how procurement can be altered, and the production process designed to minimize the environmental impact. The result is Natur-Al™, which is a registered trademark on both sides of the Atlantic.



## Non-Financial Information (continued)

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Aluminum under the Natur-Al™ brand has a carbon footprint of less than 4 tons of carbon dioxide equivalent per ton of aluminum, and everything is taken into account - the acquisition of bauxite and the processing of aluminum oxide for aluminum production and transport all the way to the buyer. Total carbon dioxide emissions from Natur-Al™ production are less than a quarter of the world's average aluminum production, which is about 18 tons per ton of aluminum. The life cycle analysis was performed by an independent party and we can offer our customers data needed to analyze the carbon footprint of consumer products made from Natur-Al™ aluminum.

### Environmental policy

Nordural emphasizes that its operations are conducted in harmony with the environment. We strive to minimize the environmental impact as well as promoting responsible use of energy and raw materials. Nordural promotes increased environmental awareness and staff participation in reforms. Nordural meets the requirements in operating licenses, laws and regulations on environmental issues. Environmental goals are: Minimizing emission, employee know the environmental impact of the operation and responsible recycling and disposal.

### Social impact

As the largest workplace in the western region, and one of the largest workplaces in Iceland. Nordural plays a pivotal social role – not only as the principal source of income for thousands of people, but also more generally for the economic, environmental and social well-being of the region as a whole. We take our responsibilities seriously, as well as our commitment to operate well within the framework set by law and regulations. Nordural is of key importance to the local economy, in particular, the town of Akranes and its surroundings. The residence of our employees has varied somewhat over the years and seems to be influenced by a variety of external factors, from housing costs to the general state of the economy. Local residency at the end of 2020 of about 70% of the workforce is historically fairly high.

### Community Projects

Nordural supports various kinds of community projects. We are proud sponsors of the ÍA soccer team in Akranes and Valur Sport Club in Reykjavik, focusing on the younger players. Each summer Nordural soccer tournament for 5-8-year old kids, is held in Akranes.

### Employees

Average number of employee positions in year 2020 were 557 compared to 547 in year 2019. At year's end 2020 the total number of permanent employees and part-time staff was 651. We have managed to keep employee turnover at modest levels with ambitious programs of compensation and benefits, workplace safety and comfort and opportunities for career development and growth. The average length of employment at Nordural's is 7.6 years.

Approximately 85% of Nordural Grundartangi ehf. employees are represented by five labor unions, governed by a labor agreement that establishes wages and work rules for covered employees. The current agreement is effective through December 31, 2024. To attract talent in Iceland, we work with colleges and universities to invite students to attend plant tours at Nordural that showcase our production processes. We offer internships to give hands-on experience to students interested in craftsmanship. At Nordural, we also operate our own Heavy Industry School with a curriculum that awards points towards the Icelandic school system. The school provides between 15 to 17 students at a time with the opportunity to further their education.

We emphasize equal rights of employees to careers, wages and rights, regardless of gender, sexual orientation, religion or origin. Nordural is responsible for its activities and business with respect for human rights. Nordural is committed to continuous reform and complies with human rights and equality laws and regulations. Human rights and equality goals are: Prevention of bullying, harassment and other violence, promote gender equality and equal pay for comparable jobs.

## Non-Financial Information (continued)

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### Health and safety

In recent years, Nordural has engaged in a safety culture transformation, with an emphasis on front line management's responsibility. We have implemented intensive training in hazard identification, leadership skills, and incident investigation, all of which have helped to increase personal knowledge and commitment and standards as well as improving work practices and habits. We strive for zero injuries and accidents, to foster systems and processes aimed to continuously improve our health and safety performance, and to integrate risk management into all aspects of our operations.

Safety and health policy: Safety and health are a priority at Nordural. Employees are familiar with risks and safe working methods and that no task should be undertaken in unsafe conditions. Emphasis is placed on active involvement of staff when it comes to prevention and improvement. Nordural complies with health and safety laws and regulations. Safety and health goals are: Safe workplace, employee health protection, employee participation in prevention

### Equality

We aim to improve our male/female ratio, but our employees are still dominantly male. In 2017 13,3% of Nordural's employees were female, but in 2020 the number is 22,5%. We will continue on this path. As one would expect, the proportion of males is highest in the manufacturing section of the company, where four out of every five employees are male. One-third of our managers and specialists are female and at top level management the two genders are represented 50/50. Nordural has an Equal Pay Certification and a Workplace Equality Program.

### Transparency

Nordural is one of the largest energy user in Iceland, buying approximately quarter of all energy produced. In November 2020 Nordural requested permission from energy suppliers to lift confidentiality of energy contracts. Three of Nordural's four long-term energy contracts are now available on our website. This is an important step in increasing transparency in the Icelandic electricity market, which we believe is beneficial for both buyers and sellers of electricity, but not least for the Icelandic public.

### Business Ethics

Nordural parent company, Century Aluminum Company, and its subsidiaries are committed to ethical behavior and comply with the laws around the world. US and international laws and regulations prohibit corrupt business practices, e.g. abnormal facilities and misrepresentations in accounting and other data. The purpose of the policy is to establish standards and procedures that employees are required to adhere to in order to ensure compliance with the law and ensure the good reputation of a company that conducts honorable business.

### Code of conduct

Century Aluminum Company and all related companies are committed to complying with the strictest standards of honesty, ethics and integrity in business. The management signs of code of ethics which sets out clear guidelines for combating dishonesty and immorality in conduct and promoting that all of the company's operations meet these requirements.

Employees may not allow, offer, promise or provide payments in cash or other valuables, directly or through a third party, to a public official or employee of a private sector company, nor to a spouse, cohabitant, child or other relative of any such party for the purpose of having influence or reward for the actions or decision making of such parties or to obtain improper benefits. In the same way, employees and their immediate family may not demand, accept or receive payments or other valuable directly or through third parties in excess of normal business practice.