

RioTinto

Annual Report 2021

Rio Tinto Iceland Ltd.



Rio Tinto á Íslandi hf.
(Rio Tinto Iceland Ltd.)

Financial Statements for the year ended
31. December 2021
USD

Rio Tinto á Íslandi hf.
Straumsvík
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Contents

	Page
Endorsement and Statement by the Board of Directors and the General Manager	5
Independent Auditor's report	11
Income Statement	15
Balance Sheet	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Annex A, Non-Financial Information	30
Annex B, Corporate Governance	41

Endorsement and Statement by the Board of Directors and the General Manager

Main activities

The ISAL aluminum smelter is operated by Rio Tinto Iceland Ltd and is part of Rio Tinto Aluminum which is the aluminum part of the British/ Australian mining company Rio Tinto. The company is registered in Iceland. The company puts great emphasis on health and safety of its employees, sustainable development and honesty. Rio Tinto's headquarters are in London but the largest part of the operation is in Australia and North America. The Headquarters of Rio Tinto Aluminum are in Montreal in Canada.

The main production of ISAL are aluminum billets. The billets from ISAL are ready for extrusion by customers. The billets are produced in various alloys, different sizes and diameters according to customer specifications. The products from ISAL are used for various specialized products in the construction industry, auto industry, profiles and frames around solar cells to name a few examples. ISAL's customers are around 60, mostly in Europe but the number of customers varies between years.

ISAL has an integrated management system for quality, health, safety and environment that is certified by international standards ISO 90001, ISO 14001 and ISO 45001 in addition to a certified equal pay system in line with ÍST 85 standard. The company is also ASI certified.

Continuous improvements and lean management are one of the main pillars of the operation. All incidents are recorded and analyzed. Risk assessment is performed in accordance with the business, environment, health, safety and community.

On October 28th 2021 the Icelandic Environmental agency issued a new operating license for ISAL valid until November 1st 2037 for up to 460.000ton production. Various new requirements are part of the new license and the dilution zone around the smelters is no longer part of the license. The license has implemented requirements for best available technology (BAT). The operating license is accessible on the website of the Environmental agency. The agency is also the surveillance authority for the company. The company is registered under the company code „2.1 aluminum production” according to the regulation on the Green Account.

The board of the company is represented by seven individuals. On behalf of the owner: Jean-Francois Faure, Chairman, Etienne Jacques, Maria Tournas, Brynjólfur Bjarnason and Katrín Pétursdóttir. On behalf of the Government of Iceland are Margrét Sanders and Ingvi Már Pálsson but they are appointed on the basis of the Master agreement with the Government from 1966. Further information on the board can be found in Appendix B – Corporate Governance.

Endorsement and Statement by the Board of Directors and the General Manager

Health, Safety & Environment

Two lost-time incidents (LTI) occurred in 2021. All incidents at ISAL, such as accidents, near accidents and dangerous incidents are reported. They are investigated and the results are used to make appropriate reforms. We strive to learn from incidents at ISAL, the parent company as well as outside of the company to prevent similar incidents.

Fluoride emission was 0,42 kg/t Al and dust 0,49 kt/t AL which is a good result and well within the operating limits in the operating license. This is the best result ever recorded since production started.

Emission of greenhouse gases from the production in 2021 was 1,53t/Al or 311.070 tons. ISAL aims for carbon neutrality in 2040 and work has already started towards the goal.

Market conditions and production

The business environment for the company improved in 2021. The power agreement with Landsvirkjun was amended in February and in October the Environmental agency issued a new operating license valid until 2037. Overall, the operation ran well in 2021. Prices remained high although some fluctuation was within the year. The demand for ISAL products was strong and the quality of the production high.

Special emphasise was put on quality issues and relationship with customers. As a result, ISAL is rated as an A-supplier among customers who issue such evaluation.

Like the previous year, Covid-19 pandemic put its mark on the operation. The operation was adapted according to infection prevention measures issued by the authorities. Employees were very focused and flexible and had clear focus on their own health, safety and personal hygiene. No disruption was in the operation due to Covid-19 cases among employees or absence because of quarantine.

In the beginning of the year the operating was not running at full capacity because no agreement had been made with Landsvirkjun. After an amended agreement was signed production was increased in February. Potrooms produced 203.051 tons of hot metal compared to 184.459 tons the previous year.

Casthouse produced 232.867 tons. Casthouse production surpasses hot metal production with additional cold metal which the company buys externally, but this was a priority in 2021 to meet strong demand for ISAL products. All production in 2021 was in value added products.

Endorsement and Statement by the Board of Directors and the General Manager

Risks and uncertainty factors

The main risk and uncertainty factors related to the operation of the Company are fluctuation in aluminium market prices and demand and resources prices and availability used in the production. Rio Tinto plc the ultimate parent company publishes further information on this matter which are available on the website www.riotinto.com.

Description on main aspects of internal control and risk management can be found in special chapter for Corporate Governance in appendix B to these financial statements.

The Company's market risk is insignificant and the same applies for liquidity and credit risk as majority of transactions are with other companies within Rio Tinto plc Group.

Human resources

The number of ISAL employees at year-end 2021 was 362 in 357 full time positions. Men were 79% of employees and 21% female but nobody was listed a non-sex according to the national central register. Wages and related expenses were \$47,2M.

Employee turnover rate was 3,99% in 2021 compared to 7,2% in 2020. 38% of new employees in 2021 were women and 62% men if summer workers are excluded.

ISAL used the service of 22 contractor companies in 2021. Their employees at the site were on average 134 and they worked a total of 225.482 working hours.

Finances

In 2021 revenues were \$706,8M compared to \$378,7M the previous year. The increase is 75,5% because of higher aluminum price, more production and higher proportion in value added products.

For the first time in years ISAL returns a profit of \$136M compared to \$87M loss the previous year.

According to the balance sheet total assets at year-end 2021 amounted to \$626,7M compared to \$480,3M the previous year. Total equity at year-end 2021 amounted \$417,9M compared to \$281,9M the previous year.

Endorsement and Statement by the Board of Directors and the General Manager

Corporate governance

The financial statements of the Company include an appendix B on the Corporate Governance of the Company.

The Board of directors consists of 57% men and 43% women.

Non-financial information

In appendix A are various non-financial information that are necessary to evaluate various aspects of the operation relating to environment, health, safety, human resources, communities, policy and code of conduct.

Miscellaneous

During the annual meeting of 2021 changes were made on the board of ISAL. Sonia Lacombe and Francois Pierre de Feydeau left the board. They were replaced by Etienne Jacques and Maria Tournas.

The operating license issued by the National environmental agency on October 28th of 2021 has been challenged by the Environmental and Natural Resources Board of Appeal. The company has sent in its comments to the board in December 2021 but ruling of the board has not been published.

In October 2021 Rio Tinto and Carbfix signed a Memorandum of Understanding for a Strategic Partnership to capture and permanently store carbon from ISAL close to Straumsvík. The partnership also involves Rio Tinto's support for the Coda Terminal project but Carbfix intends to import CO₂ via ships from Europe to mineralize it via Carbfix-technology in Straumsvík..

In June 2021 a new labor agreement was signed with ISAL unions that is valid from June 1st to December 31st 2026.

Endorsement and Statement by the Board of Directors and the General Manager

Events after the completion of the Financial Statements

In January 2022 Landsvirkjun announced curtailment of power to ISAL based on articles in the Power contract because low level of water in Landsvirkjuns' water reservoirs. The curtailment started in the beginning of February and lasted until mid April. The curtailment was 10% of the power contract but the production loss was met with increased re-melt. ISAL's customers were not affected by the curtailment.

ISAL has been issued a special operating licence for experimental drilling on behalf of Carbfix for three holes on ISAL's land. The experiments are expected later this year and are expected to evaluate the capability of the sub-surface to permanently store CO₂ to stone using Carbfix technology.

The Icelandic Road Administration plans to double the main road in front of ISAL and to finalize the doubling of Reykjanesbraut and the agency expects to start the procurement process this year. All the appropriate master planning has been made. The doubling goes over land owned by ISAL and the Road Administration has offered compensation for the land but negotiations are ongoing.

The conflict between Russia and Ukraine is not expected to have direct effect on ISAL although it may cause some disruption in supply chains and increase market uncertainty.

Future prospects

The outlook for ISAL is good. Aluminum prices remained high throughout 2021 in historical context and future prospects suggest prices will remain high. The demand for ISAL's products is strong. The amended agreement with Landsvirkjun, that was signed in 2021, and a new operating licence valid until 2037 further secure the foundation of the operation.

Disposition of Profits

The Board refers to the Statement of Changes in Equity as regards the offsetting of the year's profit. The Board proposes that no dividends be paid.

Ownership

At year end as in the beginning of the year, Alcan Holdings Switzerland owned all shares in Rio Tinto á Íslandi hf.

Endorsement and Statement by the Board of Directors and the General Manager

Statement by the Board of Directors and General Manager

To the best of our knowledge the Financial Statements give a true and fair view of the financial performance of the Company for the year 2021, its assets, liabilities and financial position as at 31 December 2021 and its cash flows for the year 2021 in accordance with Icelandic Financial Statements Act no 3/2006.

Further, in our opinion the Financial Statements and the endorsement by the Board of Directors and the Managing Director give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and General Manager of Rio Tinto á Íslandi hf. hereby confirm the annual financial statements of Rio Tinto á Íslandi hf.

Straumsvík, 18 May 2022

Board of Directors

General Manager

Jean-Francois Faure, Chairman

Rannveig Rist

Etienne Jacques

Maria Tournas

Brynjólfur Bjarnason

Katrín Pétursdóttir

Margrét Sanders

Ingvi Már Pálsson

Independent Auditor's Report

To the Board of Directors and Shareholders of Rio Tinto á Íslandi hf.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rio Tinto á Íslandi hf. ("the Company"), which comprise the balance sheet as at 31 December, 2021, the income statement, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

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 the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on March 2020. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition	
Reference is made to note 3b "Revenue recognition" and note 4 "Sales".	We assessed if the design of relevant controls were likely to ensure right timing of the revenue recognition.
Revenue is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale.	We confirmed intercompany revenue by obtaining direct confirmation. We evaluated whether sales transactions on either side of the balance sheet date as well as credit notes issued after year end were recognized in the correct period.
Almost all sale of the Company is to the related company Rio Tinto Aluminium Pechiney in France. The control is transferred when goods leaves the harbour in Straumsvík and revenue is recognised at that time.	We performed a walkthrough of transfer pricing sales transactions to obtain an understanding of the process.
The description continues on next page.	

Independent Auditor's Report, cont.:

Key Audit Matters, cont.:

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition, cont.:	
Local and Group management is in a position to influence the timing of the revenue recognition either by premature or late revenue recognition which gives rise to a fraud risk related to the timing of revenue recognition. The timing of revenue recognition is therefore one of the key audit matters of our audit of the financial statements.	See how the matter was addressed in the audit on prior page.

Valuation and accounting treatment of embedded derivatives

Reference is made to note 3d and 17 "Embedded derivatives".	We involved an accounting specialists to review the accounting treatment of the embedded derivatives and to evaluate the appropriateness of the accounting policies based on IFRS 9's requirements and our understanding of the contract.
In 2021 the Company entered into a contract that contains an embedded derivative which needs to be separated from the host contract and subsequently measured at fair value through profit or loss.	We involved valuation specialists to challenge key assumptions/judgements relating to the valuation and calculation of embedded derivatives and to evaluated the reasonableness of management's key judgements for the valuation of the embedded derivatives, including selection and application of methods, models, assumptions and data sources.
Due to the sensitivity of the estimate of the fair value of the embedded derivatives and that any change in management assumptions can have significant effect on the income statement and balance sheet of the Company, valuation of embedded derivatives is a key audit matter in our audit of the financial statements of the Company. The initial accounting treatment of embedded derivatives, including identification of the embedded derivatives in the contract, is complex and require significant judgement and is therefore a key audit matter.	

Responsibilities of the Board of Directors and General Manager for the Financial Statements

The Board of Directors and General Manager 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 they determine 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 General Manager are responsible for assessing the Company'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 they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

Independent Auditor's Report, cont.:

Auditor's Responsibilities for the Audit of the Financial Statements, cont.:

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 and audit committee 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.

We also provide The Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and General Manager accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements

The engagement partner on the audit resulting in this independent auditor's report is Kristrún Helga Ingólfssdóttir.

Hafnarfjörður, 18 May 2022

KPMG ehf.

Kristrún Helga Ingólfssdóttir

Income Statement for the year ended 31. December 2021

	Note	2021 USD '000	2020 USD '000
Sales			
Sales	4	706.209	378.244
Other income		593	469
		<u>706.803</u>	<u>378.714</u>
Operating costs			
Raw materials and energy		415.099	310.750
Embedded derivatives, mark to market	17	7.229	0
Other manufacturing cost	4	52.573	47.402
Salaries and related expenses	5	47.166	40.361
Administrative cost		9.706	8.554
Depreciation and amortization	6	55.752	52.260
		<u>587.525</u>	<u>459.327</u>
Operating profit (loss)		<u>119.278</u>	<u>(80.614)</u>
Finance income (expense)			
Interest income and other finance income		19	19
Interest expense		(490)	(955)
Net currency exchange gain (loss)		6.247	(5.462)
		<u>5.776</u>	<u>(6.398)</u>
Profit (loss) before tax		125.054	(87.012)
Income tax	14, 15	10.968	0
Profit (loss) for the year		<u><u>136.021</u></u>	<u><u>(87.012)</u></u>

Balance Sheet as of 31. December 2021

	Note	31.12.2021 USD '000	31.12.2020 USD '000
Assets			
Operating assets	7	341.544	373.396
Intangible assets	8	290	1.049
Embedded derivatives	17	34.262	0
Deferred tax asset	14	10.968	0
Shares in other companies	9	20	21
Non-current assets		387.084	374.466
Inventories	10	100.047	45.870
Receivables from related parties	16	92.086	41.863
Embedded derivatives	17	17.271	0
Accounts receivables and other receivables		28.972	16.229
Cash and cash equivalents		1.217	1.885
Current assets		239.593	105.847
Total assets		626.677	480.313
Equity			
Share capital	11	4.906	4.906
Share premium		234.024	234.024
Statutory reserve		1.195	1.195
Retained earnings		177.804	41.782
Total equity		417.928	281.907
Liabilities			
Pension liabilities	12	3.111	2.684
Leases liabilities	13	4.985	5.385
Embedded derivatives, long-term	17	44.488	0
Non-current liabilities		52.585	8.069
Accounts payables to related parties	16	25.946	25.604
Other liabilities to related parties	16	50.449	122.109
Current portion of pension liabilities	12	1.446	1.368
Current portion of leases liabilities	13	1.149	1.242
Embedded derivatives, short-term	17	2.087	0
Other current liabilities		75.086	40.014
Current liabilities		156.165	190.337
Total liabilities		208.749	198.406
Total equity and liabilities		626.677	480.313

Statement of Changes in Equity for the year ended 31. December 2021

	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Changes in 2021					
USD '000					
Balance 1/1	4.906	234.024	1.195	41.782	281.907
Profit for the year				136.021	136.021
Balance 31/12	4.906	234.024	1.195	177.804	417.928
Changes in 2020					
USD '000					
Balance 1/1	4.906	234.024	1.195	128.794	368.919
Loss for the year				(87.012) (	( 87.012)
Balance 31/12	4.906	234.024	1.195	41.782	281.907

For further information see note 11.

Statement of Cash Flows for the year ended 31. December 2021

	Note	2021 USD '000	2020 USD '000
Operating activities			
Profit (loss) for the year		136.021	(87.012)
Adjustments for:			
Depreciation and amortization	6	55.752	52.260
Loss on sale, disposal of PPE		1.473	4.132
Change in deferred tax asset	14	(10.968)	0
Embedded derivatives, mark to market	17	(7.229)	0
Other changes		758	(835)
Working capital from (to) operating activities		175.807	(31.454)
Change in operating assets and liabilities:			
Inventory, increase (decrease) .....	(	54.177)	9.445
Accounts receivables and other receivables, (increase) .....	(	12.743)	(2.693)
Accounts payables and other current liabilities, increase		35.072	1.047
Accounts receivables from related parties, (increase) .....	(	50.223)	(13.526)
Accounts payable to related parties, increase		342	15.583
(Decrease) increase in operating assets and liabilities	(	81.728)	9.856
Net cash from (to) operating activities		94.079	(21.598)
Investing activities			
Acquisition of property, plant and equipment	7	(21.791)	(15.561)
Sale of property, plant and equipment		0	2.738
Net cash used in investing activities	(	21.791)	(12.824)
Financing activities			
Short term loan from related party, (decrease) increase .....	(	71.660)	37.072
Payment of lease liability, net of new contracts .....	(	1.295)	(1.197)
Net cash provided by financing activities	(	72.955)	35.875
Change in cash and cash equivalents .....	(	668)	1.453
Cash and cash equivalents at the beginning of the year		1.885	432
Cash and cash equivalents at year end		1.217	1.885
Non-cash investing and financing activities			
Lease asset recognised		(617)	0
Lease liabilities recognised		617	0

Notes to the Financial Statements

1. Reporting entity

Rio Tinto á Íslandi hf. ("the Company") is a private limited company incorporated and domiciled in Iceland and is a producer of aluminium that operates a production plant in Straumsvík Hafnarfjörður, Iceland.

The Company is a subsidiary of Alcan Holdings Switzerland and an indirect subsidiary of Rio Tinto plc. with headquarters in London, United Kingdom. The Company's Financial statements are part of the consolidated Financial Statement of the ultimate parent company that can be found on the website: <https://www.riotinto.com/invest/financial-news-performance/results>.

2. Basis of preparation and measurement

a. Basis of measurement

The financial statements have been prepared in accordance with the Icelandic Financial Statements Act nr. 3/2006 and the regulation no. 696/2019 on the content and presentation of financial statements ("IS-GAAP"). The accounting policies adopted are consistent with those of the previous financial year. In 2021 the company identified embedded derivatives within contracts with suppliers. The embedded derivatives are disclosed separately from other assets, liabilities and in the income statement. For further information refer to note 17.

The financial statements have been prepared on the historical cost, except for embedded derivatives which are measured at fair value and defined benefit pension liability which are measured at the present value of the pension obligation.

b. Functional currency

The Company has permission to keep books and prepare financial statements in US dollars, in accordance with the Financial Statement Act. The financial statements are therefore stated in US dollars (USD), which is the Company's functional currency.

c. Use of estimates and judgement

The preparation of the financial statements requires management to use judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

3. Significant accounting policies

a. Exchange rate difference

Assets and liabilities held in currency other than USD are converted at the rate of exchange applicable on the balance sheet date. Any gains or losses arising from conversion are reported in the income statement.

Transactions in currencies other than USD are converted at the rate of exchange which applied at the date of the transaction. Foreign exchange difference is recorded as operating income and financial income and expense in the income statement.

b. Revenue recognition

Revenue is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale.

Almost all sale of the of the Company is to the related company Rio Tinto Aluminium Pechiney in France. The control is transferred when goods leaves the harbour in Straumsvík and revenue is recognised at that time.

Notes, cont.:

3. Significant accounting policies, cont.:

c. Finance income and finance cost

The Company's finance income and finance costs include interest income, interest expense and foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised on an accrual basis using the effective interest method.

d. Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivatives are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Company has a long term agreement which contains embedded derivative. Income from this agreement is directly correlated to changes in the future price of aluminium. Changes in the fair value of derivatives is not designated as a hedge and separable embedded derivatives are recognized immediately in profit or loss.

Non-option like derivatives are bifurcated so as to have an initial fair value of zero but a option-like derivative embedded in the contract give rise to a liability and correspondingly to the recognition of an asset that is amortised over the life of the contract.

e. Property, plant, equipment and depreciation

Property, plant and equipment (PPE) is recognised at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Assets in constructions are assets not ready for intended use and are recognised at cost. When ready to use and it is probable that the future economic benefits associated with the item will flow to the company and that the cost can be measured reliably, assets in constructions are reclassified to appropriate class of assets and depreciated. All other repair and maintenance costs are recognised in the income statement as incurred.

Depreciations are calculated based on estimated useful life and expected residual value for each item of PPE and are recognised in the statement of income using the straight-line method. The estimated useful lives, residual values (if any) and depreciation method are reviewed, and if necessary adjusted. Depreciation commences when the assets are ready for their intended use. Land is not depreciated. The depreciation charge for each year is recognized as an expense, on the following basis:

	Useful life
Buildings	5-40 years
Machinery and plant	4-30 years

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of PPE, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised under other operating income or other operating expenses in the statement of income.

Notes, cont.:

3. Significant accounting policies, cont.:

e. Property, plant, equipment and depreciation, cont.:

Periodically, the carrying amounts of tangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the individual asset is estimated in order to determine the extent of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the lowest possible cash generating unit, to which the asset belongs, is estimated. The recoverable amount is the higher of fair value less costs to sell, or its value in use. Value in use is the present value of the future cash flows expected to be derived from use of the cash generating unit, after taking into account all other relevant information. If an impairment loss for tangible assets is recognised in a previous period, the entity assesses whether there are indications that the impairment may have decreased or no longer exists. If so, the impairment loss is reversed, based on an updated estimate of the recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset. Impairment expenses are presented as impairment losses in the income statement.

f. Intangible assets

CO₂ allowances allocated from the government are measured at nominal value (zero). If actual emissions exceed the amount of allocated emission allowances, additional allowances are purchased. Purchased CO₂ allowances are recognised at cost.

Computer software are recognised at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is calculated to write off the cost of the computer software less their estimated residual values using the straight-line method over estimated useful lives and is recognised in profit or loss. Estimated useful lives of computers software are not expected to be longer than 5 years.

g. Investments in other companies

Investments in other companies are recognised at cost less impairment.

h. Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory consists of raw materials, semi-finished goods and finished goods, in addition to operating materials and spare parts that do not meet the definition of property, plant and equipment. Raw materials, and operating materials and spare parts, are recognised at cost of purchase including transport and handling to their present location. The cost of finished and semi-finished goods is measured at the cost of raw materials, energy for production, direct labour, other direct costs and production overhead cost based on the higher of actual and normal capacity. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement. Cost of goods sold is recognised in different lines in the statement of income based on nature; raw materials and energy for production, employee benefits, other operating cost and amortisation and depreciation.

i. Accounts receivables

Accounts receivables are recognised at the transaction price. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Notes, cont.:

3. Significant accounting policies, cont.:

j. Cash and cash equivalents

Cash on hand and deposits are recognised as cash and cash equivalents.

k. Share capital

Ordinary shares are classified as share capital.

l. Pension liabilities

Employee benefits are all forms of considerations given by an entity in exchange for service rendered by employees or for termination of employment. Employee benefits include both current and non-current benefits and are expensed as incurred when the company enters into binding agreement with employees that is not part of monthly contribution to pension funds. The obligation is recognised at present value of future obligation discounted at 2% - 3% interest at the end of the reporting period.

m. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The right-of-use asset is initially measured at cost and subsequently depreciated using the straight-line method to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease or the Company incremental borrowing rate.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

n. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Notes, cont.:

3. Significant accounting policies, cont.:

o. Accounts payables

Accounts payables are recognised at the transaction price.

4. Sales

Sales are specified as follows:

	2021	2020
Sales	706.209	378.244

In previous years the sales commission was deducted from sales, but is now reported in other manufacturing cost (MUSD 10,5). The sales for 2020 has been updated accordingly (MUSD 5,6).

5. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2021	2020
Salaries	37.616	32.437
Pension contribution	5.171	4.422
Other salary related expenses	3.620	2.837
Other related expenses	759	665
	<u>47.166</u>	<u>40.361</u>
Average number of full time employees (FTE)	380	384
Salaries paid to the Board of Directors and the General Manager	1.104	896

Reference is made to note 12 for pension liabilities that is not part of monthly contributions to pension funds.

6. Depreciation and amortization

Depreciation and amortization are specified as follows:

	2021	2020
Depreciation, property, plant and equipment (see note 7)	53.509	50.968
Amortization, intangible assets (see note 8)	38	1.292
Amortization, embedded derivatives (see note 17)	2.204	0
Total depreciation and amortization	<u>55.752</u>	<u>52.260</u>

Notes, cont.:

7. Property, plant and equipment

Property, plant and equipment consists of the following:

31 December 2020	Buildings and Land	Machinery and Plant	Assets under construction	Total
Cost 1/1	257.290	665.997	23.528	946.815
Accumulated depreciation	(154.703)	(376.337)	0	(531.040)
Book value at 1/1	102.587	289.660	23.528	415.775
Disposals cost price		(374)	(6.496)	(6.870)
Additions			15.561	15.561
Additions from assets under construction		19.036	(19.138)	(102)
Depreciation charge	(7.352)	(43.616)		(50.968)
Book value 31/12	95.235	264.706	13.455	373.396

Closing net book value is specified as follows:

Cost 31/12	257.290	684.659	13.455	955.404
Accumulated depreciation	(162.055)	(419.953)	0	(582.008)
Book value 31/12	95.235	264.706	13.455	373.396

Depreciation ratios	0-13%	3-20%	0%	
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31 December 2021	Buildings and Land	Machinery and Plant	Assets under construction	Total
Cost 1/1	257.290	684.659	13.455	955.404
Accumulated depreciation	(162.055)	(419.953)		(582.008)
Book value at 1/1	95.235	264.706	13.455	373.396
Adjustment of opening balance - Cost		(2.813)		(2.813)
Adjustment of opening balance - Depr.		2.813		2.813
Disposals cost price		(7.067)	(9)	(7.077)
Disposals depreciation		6.325		6.325
Additions			21.791	21.791
Additions lease assets	403	214		617
Additions from assets under construction	610	16.294	(16.904)	(0)
Depreciation charge	(7.473)	(46.036)		(53.509)
Book value 31/12	88.775	234.436	18.333	341.544

Closing net book value is specified as follows:

Cost 31/12	258.304	691.287	18.333	967.923
Accumulated depreciation	(169.529)	(456.851)		(626.379)
Book value 31/12	88.775	234.436	18.333	341.544

Depreciation ratios	0-20%	3-25%	0%	
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Notes, cont.:

7. Property, plant and equipment, cont.

Official real estate and insurance value

Insurance value, official real estate value and carrying amount is specified as follows:

	Real estate valuation	Land valuation	Insurance valuation	Book value
Buildings and land 31.12.2020	97.231	45.807	217.456	95.235
Buildings and land 31.12.2021	97.847	47.022	227.498	88.775

Indicators of impairment

On 15 February 2021, agreement was reached on an amended power contract with the energy supplier, Landsvirkjun, that will allow the Company's aluminium smelter to continue operating with an improved competitive position. Market conditions have been very good during the last months and there is an positive outlook on aluminum market price.

According to Article 30 of the Icelandic Financial Statements Act no. 3/2006 (IS-GAAP), if the book value of non-current assets and intangible assets is lower than fair value and the reasons are not expected to be for short term, impairment shall be recognised. The signed agreement with Landsvirkjun in February 2021 along with the facts that aluminium price has increased significantly in recent months and latest market forecasts are positive for the future, the local management of the Company has reached the conclusion that there is no indication of long lasting impairment.

8. Intangible assets

Intangible assets are specified as follows:

	Computer software	CO2	Total
31 December 2020			
Book value 1/1	1.307	97	1.404
Amortization charge	(1.292)	(	( 1.292)
Additions	102	933	1.035
Used emission allowances .....	(	( 97)	(97)
Book value 31/12	117	933	1.049
	Computer software	CO2	Total
31 December 2021			
Book value 1/1	117	933	1.049
Amortization charge	(38)	(	( 38)
Disposals .....	(	( 2)	(2)
Used emission allowances .....	(	( 720)	(720)
Book value 31/12	78	211	290

9. Shares in other companies

Shares in other companies are specified as follows:

	Share	Nominal value ISK	Net carrying value USD '000 31.12.2021
Endurvinnslan hf.	7,4%	2.625	20

Notes, cont.:

10. Inventories

Inventories are specified as follows, amounts are in thousands:

	2021	2020
Raw material and other inventory	72.965	26.481
Work in progress	12.016	7.480
Finished goods	4.619	2.401
Operating materials and spare parts	10.448	9.507
	<u>100.047</u>	<u>45.870</u>

11. Equity

Share capital

Total share capital amounts to ISK 161.456.521 at nominal value. One vote corresponds to each krona of nominal share value.

Statutory reserve

Statutory reserve may be used to settle losses, which can not be settled by using other reserves. When the statutory reserve amounts to one fourth of share capital the amount which is in excess may be used to increase share capital or for other needs.

12. Pension liability

Pension liability are specified as follows:

	Retirement benefit obligations	Early retirement benefits	Total
Changes in 2020			
Balance in the beginning of the year	2.171	1.816	3.987
Exchange rate difference	90 (	94) (	4)
Payments during the year	(274) (	846) (	1.120)
Charged to profit and loss	166	1.023	1.189
Balance at end of the year	<u>2.153</u>	<u>1.899</u>	<u>4.052</u>
Current portion classified with current liabilities	362	1.006	1.368
Pension liabilities classified as non-current liabilities	1.791	893	2.684
	<u>2.153</u>	<u>1.899</u>	<u>4.052</u>
Changes in 2021			
Balance in the beginning of the year	2.153	1.899	4.052
Exchange rate difference	(64) (	62) (	126)
Payments during the year	(274) (	947) (	1.221)
Charged to profit and loss	240	1.613	1.853
Balance at end of the year	<u>2.055</u>	<u>2.502</u>	<u>4.558</u>
Current portion classified with current liabilities	285	1.161	1.446
Pension liabilities classified as non-current liabilities	1.770	1.341	3.111
	<u>2.055</u>	<u>2.502</u>	<u>4.558</u>

The Retirement benefit obligation of the company at 31. December 2021 amounts to ISK 90.783.000 and CHF 1.241.000 which is in total equivalent to USD 2.055.351. The calculation is according to an actuarial statement at year end 2021.

Notes, cont.:

12. Pension liability, cont.:

Employees who meet certain requirements can apply for an early retirement. The agreement stipulates that the employee can retire from work up to three years before reaching the age of 64 – 67 (depending on which contract they are under). They continue to receive certain payments and benefits from the company for maximum of 3 years or when they reach formal retirement age (67 – 70 depending on the contract) which ever comes first.

13. Leases

Leases are specified as follows:

	2021	2020
Leases assets		
Book value 1/1	6.635	7.603
Additions	617	0
Depreciation charge	(995)	(968)
Book value 31/12	6.257	6.635
Leases assets are classified as PPE.		
Leases liability		
Book value 1/1	6.627	7.496
Additions	617	0
Currency changes and other changes	(206)	(51)
Interest expenses	391	379
Leases payments	(1.295)	(1.197)
	6.134	6.627
Current portion of leases liability	1.149	1.242
Non-current portion of leases liability	4.985	5.385
	6.134	6.627

Leases liabilities are due to leases of land and equipment.

14. Deferred tax asset

Changes in deferred tax asset during the year:	2021	2020
Deferred asset 1 /1	0	0
Income statement charge	10.968	0
Deferred asset 31/12	10.968	0
Deferred tax asset (-liability) is specified as follows:		
Property, plant and equipment	(2.541)	(9.868)
Inventories	526	424
Pension liabilities	912	810
Lease liabilities	1.227	0
Exchange difference	(435)	751
Embedded derivatives	(992)	0
Tax losses carried forward	12.271	7.883
	10.968	0

Deferred income tax liability generally reflects the income tax under the current tax which would be payable if the assets were sold or redeemed at book value.

Notes, cont.:

14. Deferred tax asset, cont.:

No income taxes are payable in the year 2022. Carry-forward tax losses not utilised against profits within ten years from their formation expire. Carry-forward tax loss can be used as follows:

Loss of the year 2019, can be carried forward to 2029	32.647
Loss of the year 2020, can be carried forward to 2030	64.998
	<u>97.645</u>
Forward taxable loss tax asset used against tax liability	61.354
Total forward taxable loss not recognized as tax asset	<u>36.290</u>
	<u>97.645</u>

Total forward taxable loss of USD 36,3 million is not recognized as tax assets due to the uncertainty of the possible amount and timing that the Company can use the forward taxable loss against taxable profit in the future.

15. Income tax

Effective income tax is specified as follows:

	2021		2020	
	Amount	%	Amount	%
Profit before taxes	125.054	(	87.012)	
Calculated tax based on current tax ratio	25.011	20,00%	(17.402)	20,00%
Non-deductible expenses	0	0,00%	390	(0,45%)
Exchange rate difference	236	0,19%	1.462	(1,68%)
Change in estimate of tax assets	(43.209)	(34,55%)	17.781	(20,44%)
Non-taxable income	0	0,00%	1	(0,00%)
Other changes	6.995	5,59%	(2.232)	2,56%
Effective income tax	(10.968)	(8,77%)	(0)	0,00%

16. Related party disclosures

The Company has a related party relationship with its shareholder, subsidiaries of its shareholder, board members and managing director. Terms and conditions of transactions with related parties were equivalent with transactions with unrelated parties. Transactions with board members and managing director are solely related to salaries, see note 5.

The following gives an overview of the transactions with related parties during the last two years as well as a statement of receivables and payables:

	2021	2020
Sales to companies within the group	706.209	378.244
Other income from companies within the group	2.242	5.218
Purchases from related parties	(243.535)	(189.354)
Receivables from related parties	92.086	41.863
Accounts payables to related parties	(25.946)	(25.604)
Short term loans from related parties	50.449	122.109

The short term loan is in USD. The loan in EUR was paid up in the year 2021. Interest expense related to the intercompany loan amounted to USD 97 thousand and currency exchange gain amounted to USD 5.696 thousand.

Notes, cont.:

17. Embedded derivatives

Embedded in the company's contracts is a derivative which is based on the global market price of aluminium. The embedded derivative has been extracted from the contract and is shown separately in the balance sheet. Change in the fair value of the derivative is recorded in the income statement as follows:

	2021
Raw materials and energy	(14.392)
Embedded derivatives, mark to market	7.229
Depreciation and amortization	2.204
	(4.959)

The embedded derivative is stated as follows in the balance sheet:

	2021
Non-current assets	34.262
Current assets	17.271
	51.534
Non-current liabilities	44.488
Current liabilities	2.087
	46.575

An increase in aluminium prices will result in higher costs. A 10% increase in asset prices underlying the derivative will result in a pre-tax loss of 27 million USD. A 10 % decrease in asset prices underlying the derivative will result in a pre-tax gain of 29 million USD.

18. Auditor's fee

Audit fee for audit of financial statements and related service provided in year 2021 amounted to USD 80 thousand (2020: USD 71 thousand). Other service rendered by the audit firm in year 2021 amounted to USD 5 thousand (2020: USD 20 thousand).

19. Contract obligation

In February 2021, the Company signed a power contract with the energy supplier Landsvirkjun of buying 390 MW per year until 2036. The Company is obligated in terms of the contract.

20. Provision

In the terms of leasing contract for leased land under the operation, the Company is obligated to dismantling and removing all buildings and equipment from its premises and to restore the land to initial condition. Due to the uncertainty in timing and future expenditure required and to what extend, no provision has been recorded in the balance sheet.

21. Other matter

The Smelter is insured against operational stop due to failure of supplied energy caused by events outside the operation, subject to policy terms and conditions of contract with the power supplier. The Company also has an indemnity insurance towards 3rd party.

Non-Financial Information

Non-financial information is separated into three main categories: Environment, social factors and governance. The material regarding environmental factors come from the ISAL Green account that is audited by KPMG and submitted to the environmental agency. Material on socio-economic factors come from internal management review process held annually by the ISAL senior management team. Annex A deals with the environment and social aspects, which includes health, safety, human resources issues, equality and social issues, as well as policy regarding various issues, while Annex B contains the Company's Governance Statement.

Annex A

Environmental issues

ISAL emphasises continually improving its performance in environmental issues. We resolve to act in harmony with the environment and society at all times and aim to be carbon neutral by 2040. Important environmental factors are closely monitored, in addition to which environmental monitoring takes place in the vicinity of Straumsvík. Here is an account of the environmental factors that we define as important. A more detailed overview can be found in ISAL's Green Accounting, which is accessible on the Company's website.

Emissions into atmosphere

Pot rooms are the main source of pollutants in emissions and include fluoride, dust and sulphur dioxide as well as greenhouse gases.

The emission of fluoride was 0.42 kg/t Al and dust was 0.49 kg/t Al, which is a very good result and well below the operating limit. This is the best result achieved since the measurements began. This good result can be attributed to the targeted work of operations and support departments in minimising emissions.

The emission of sulphur dioxide increased between years and was 13,9 kg/t Al, which is well below the operating limit. The main reason for the increase is the higher sulphur content in anodes. The sulphur content of anodes was 1.71%, compared to 1.54% in 2021. Sulphur dioxide emissions also depend on the sulphur content of alumina and marine gas oil (DMA), with 0.024% in alumina and 0.09% in MGO.

Other emissions into the atmosphere are mainly from dust filters, and automatic metres are used to monitor their activity. Dust was also measured manually from three dust filters, and the results were all well below the operating limit of 50 mg/Nm³.

Greenhouse gas emissions

Greenhouse gas emissions are one of ISAL's most important environmental factors. Emissions are divided into two sections: on the one hand, the section that falls under the European Emissions Trading Scheme (ETS) and on the other hand, the section that is outside it and falls under the commitments of the Icelandic government (see table on Green Accounting). Greenhouse gas emissions from production processes are covered by the European Emissions Trading Scheme, while other emissions, e.g. emissions from vehicles, refrigerants and waste, are outside the Trading Scheme and fall under the commitments of the Icelandic government.

Non-Financial Information, cont.:

The greenhouse gases from production processes are carbon dioxide (CO₂) and fluorocarbon (PFC). Carbon dioxide weighs the most and comes mainly from the anodes in the potroom process but also due to the combustion of fossil fuels, which is mostly used to heat casthouse kilns.

The production of aluminium requires a lot of energy, and it is therefore important that ISAL uses electricity that is produced with hydropower, but that energy production causes negligible greenhouse gas emissions compared to coal or oil.

Greenhouse gas emissions from production processes in 2021 were 1.53 t/t aluminium, or 311,070 tonnes. ISAL aims for carbon neutrality by 2040, and work is underway to achieve that goal. Rio Tinto and CarbFix have signed a memorandum of understanding (MOU) to collaborate to capture carbon from ISAL and bind it permanently in minerals in rocks near the smelter, and ISAL has launched experiments on capturing emissions.

Greenhouse gas emissions from electricity production for ISAL were 27,877 tonnes according to the average emissions from electricity production in Iceland. Standards for energy production are obtained from the National Inventory Report published by the Environment Agency.

Emissions that do not fall under the Trading Scheme but are generated within the site are diesel oil used for vehicles, refrigerants, SF₆ used in switches and from landfill of waste. These emissions are covered by the Icelandic government's commitments, and ISAL has set goals for how the Company can support the government's action plan on climate issues. The largest part of emissions are from vehicles, but the primary measures at ISAL are to always have electric vehicles as the first option for renewing vehicles. The goal until 2030 is to reduce emissions from vehicles by 600 tonnes and refrigerants by 100 tonnes per year compared to 2015.

Despite increased production, emissions in 2021 were similar to 2020, or 1698 tonnes. The measures have been successful, as emissions have decreased by 500 tonnes compared to the reference year 2015.

Waste issues and hazardous substances

The majority of waste generated by the Company is recycled or reused, but the aim is always to reduce the generation of waste as much as possible. Extensive recycling takes place within the site, and for example, all cuttings of bolts are re-melted in the casthouse. The main waste materials generated during production are pole residue, pot shards and aluminium slag.

In 2017, a goal was set to reduce the generation of production waste for the next 10 years, and this is part of the government's policy on waste prevention. The goal is for the generation to go from 144 kg/t of aluminium, which is the average for the years 2010 to 2017, down to 139 kg/t of aluminium in 2027. Good results were achieved last year, or 121 kg/t of aluminium, but the results can fluctuate greatly between years.

Water consumption and wastewater

ISAL uses a considerable amount of water for cooling. Electrical equipment is, e.g., cooled with water, and water is also used for cooling when the aluminium is cast into billets. The water comes from one of the largest groundwater streams in the country, which flows into the sea in Straumsvík. The water intake has a negligible effect on the groundwater stream. Waste water from the smelter is treated in two ways before being discharged into the sea: on the one hand in septic tanks and on the other in oil and grease traps. They are regularly monitored and emptied as needed. Samples are taken annually from all outlets and sent for chemical analysis. The results can be found in Green Accounting. All measurements were well within the limits of the operating license.

Noise

Noise levels from the smelter are measured annually at 16 measuring points on the Company's site boundaries. The main sources of noise are alumina unloading and Gas

Non-Financial Information, cont.:

Treatment Center, and measurements are conducted while alumina landing is in progress. Noise levels at the boundaries measured well within the limits of the operating license.

Environmental incidents

In 2021, seven environmental incidents were recorded, in addition to 26 near-misses. None of the incidents were deviations from the operating license, and their consequences were insignificant. Three of the incidents were due to short stoppages of Gas treatment Centers, with the longest lasting for almost half an hour. The incidents were analysed and remedial measures taken to prevent the recurrence of the incidents. One incident was due to an oil leak from a contractor's excavator, and absorbents were used to soak up the oil and soil removed. The incidents were reported to the Environment Agency. In January, the Environment Agency sent a notification due to visible smoke, which was due to a failure in the oil controls in the casthouse.

Monitoring

Air quality is monitored at Hvaleyrarholt, where the concentration of fluoride, sulphur dioxide (SO₂) and hydrogen sulphide (H₂S) is measured. The air quality station is operated by ISAL and the Environment Agency. In addition to air quality measurements, samples of vegetation (pine needles, leaves and grass) are taken and the fluoride content is measured, but fluoride can have a detrimental effect on vegetation and herbivores. Every five years, the impact of the operation on the marine ecosystem is monitored. The next study will take place in 2023.

Air quality

The effect of the eruption at Fagradalsfjall on the air quality at Hvaleyrarholt could be seen clearly. The annual average of sulphur dioxide (SO₂) was 2.5 µg SO₂/m³ and is the highest that has been measured since 2014 when the eruption in Holuhraun occurred. The highest values were measured during the eruption, and the highest daily average was 117 µg SO₂/m³ and just below the health protection limit of 125 µg SO₂/m³. The highest hourly average was 522 µg SO₂/m³, which was measured on the same day and is well above the health protection limit (350 µg SO₂/m³).

The volcanic eruption is not noticeable in fluoride measurements. The averages were similar to those of recent years. The average for gaseous fluorine was calculated as HF is 0.025 µg HF/m³ and is well below the vegetation protection limit of 0.3 µg HF/m³. The highest values were 0.08 µg F/m³.

Further results can be found in the MRI report: **Hvaleyrarholt Environmental Monitoring, Air Measurements, Measurement Data 2021**, which is accessible on the ISAL website.

Vegetation

The fluorine content in vegetation is high compared to the period from 1992, and the distribution of the increase indicates an effect from the eruption at Fagradalsfjall. However, all values outside the area of limited liability are below the reference values for the tolerance limits of herbivores and the tolerance limits of deciduous and coniferous trees.

Further results can be found in the MRI report: **Fluoride Measurements in Vegetation in the Environment – Rio Tinto in Iceland, Measurement Data 2021**, which can be found on the ISAL website.

ISAL Policy 2022

Our mission is to produce high quality aluminum with maximum profitability in conformance to customers' requirements by keeping environmental, safety and health affairs in the forefront. The company has resolved to be a leader in all its operations, to be guided by continual improvements and to act at all times in reconciliation with the environment and society. Our future depends on outstanding employees where equality is a guiding light. We abide entirely by laws and regulations and abide by Rio Tinto code of conduct. Our vision is to ensure growth and competitiveness of the company in a sustainable manner and achieve carbon neutrality by 2040.

Zero Harm

It is our conviction that emphasis on health-, safety- and environment is a precondition of outstanding results.

People

One of our most important resource is qualified, engaged, and positive employees who create a safe and coveted place of work.

Value Creation

We maximize the firms profitability by using continuous improvement and clearly defined goals to ensure efficiency of all processes

Partnership

We emphasize on operating in reconciliation with the environment and community. Our objective is to have satisfied customers, who pick ISAL as their first choice.

Growth

We ensure growth and competitiveness with better utilization of our assets and responsible investment strategy.

ISAL values are

- Care
- Courage
- Curiosity

Health issues

ISAL is concerned about the health of its employees and emphasises “promoting a healthy lifestyle that provides fulfilment throughout life”. The aim is to build a good and healthy work environment that does not cause occupational diseases and at the same time to encourage employees to take responsibility for their own health, both mental and physical.

Annual monitoring of the working environment with regard to strains due to substances, noise, vibration and strains on the musculoskeletal system is an important step in ensuring a healthy working environment. On average, 350 measurements of various aspects of the work environment are carried out annually. The same applies to regular health check-ups where emphasis is placed on monitoring the impact of the work environment on health, e.g. respiratory diseases and hearing loss as well as general health. Every year, on average, 300 employees undergo regular health check-ups performed by a nurse and the Company physician at the ISAL office.

Improvements in the work environment are important, and it is important to keep in mind how improvements can be made so that workload can be reduced.

Five-year plan – health projects

In 2020, a five-year project plan was drawn up, which is a list of improvement projects that aim to reduce the workload on staff. Fifteen projects were completed in 2021 that aimed to reduce strain on the musculoskeletal system and reduce noise and dust pollution.

The COVID-19 pandemic

This is the second year in a row that was characterised by COVID-19 restrictions. Actions and restrictions were either tightened or relaxed for a longer or shorter period of time throughout the year, which ended in hard measures. Operations in the time of COVID-19 call for adjustments and changes to keep operations running, making it possible to monitor the work environment and maintain regular health check-ups, which were largely halted in 2020.

Safety issues

The Company's view is that nothing is more important than that employees return home from work healthy and that no work is so important that safety can be sacrificed in its implementation.

Dangers in the work environment are systematically identified and ways found to minimise the risk. There are various types of risk analysis, depending on the severity of the consequences. A risk analysis is performed for all work areas, and jobs and it is also part of the preparation of all projects. Employee representatives take an active part in the preparation of risk analysis and job descriptions, and at daily meetings the main risks of the day are reviewed and managed.

ISAL has an active Safety Committee composed of representatives of the Company and its employees, and it is a forum for communication between these parties in matters relating to health and safety. Its goal is to meet four times a year and review health and safety issues at the Company, key priorities and other incidental matters. ISAL's Emergency Management Board is composed of the Executive Board along with other managers who have extensive knowledge of the operations.

The Company's main operational risks have been assessed and contingency and recovery plans prepared for them. The Emergency Management Board is convened in the event of an incident and then works according to appropriate plans. In addition, there are at least two Emergency Management Board drills a year, where a certain risk is highlighted each time. During the year, responses to volcanic eruptions were practiced specifically and this was done in collaboration with numerous response parties in the country.

Non-Financial Information, cont.:

All new employees receive basic health, safety and environmental training before starting work. Meetings are held monthly which all staff attend, where the main issues concerning health, safety and the environment are discussed. There is also an opportunity to discuss specific issues that apply to each work area. The HSE theme is published weekly and is a good way to sharpen the focus and convey a message to staff in a systematic way.

Safety procedures

ISAL's safety guide is a safety maturity model released by Rio Tinto in 2019. The intention is to work according to this model until the year 2025 to improve the Company's safety culture. The model contains four main elements: the activity of managers in relation to safety issues, risk management, work organisation in relation to safety issues, lessons learned and improvements. The model also specifically addresses the risk of fatal accidents, for which a special system called Critical Risk Management (CRM) is used.

There are special procedures for major accident prevention called Process Safety. It examines work processes and equipment for the purpose of identifying improvements to prevent explosions, chemical spills, fires and more that could cause fatalities or cause a cessation of operations with major damage to critical equipment.

Accidents and other safety incidents

All incidents that occur at ISAL, such as accidents, near-accidents and emergencies, are reported, subsequently investigated further and the results used to make appropriate improvements. We learn from the incidents that occur at ISAL, the parent company and outside the Company so that similar incidents can be prevented. Accidents are reported to the relevant bodies, and statistics on accidents and other incidents are kept in accordance with accepted methods.

A total of 621 notifications were received concerning health, safety or the environment. Of these, ten were first aid accidents and two serious accidents. The rate of accidents is calculated for every 200,000 working hours and was 0.52 for serious accidents and 2.6 for all accidents, i.e. first aid accidents and serious accidents.

The people in Straumsvík

Our most important resource is qualified, enthusiastic and positive staff who create a safe and desirable workplace where diversity and equality are a guiding principle. We therefore place a lot of importance on having excellent staff and place great emphasis on career development and on-the-job training.

The number of employees at ISAL was 362 at the end of 2021 in 357 job values. Of these, 79% were men and 21% were women, but none with a registered neutral gender in Register Iceland. The ISAL Executive Board consists of seven members, three women and four men.

The majority of employees follow the collective wage agreement between ISAL and the relevant trade unions, i.e. Verkalýðsfélagið Hlífar, VM, FIT, Rafiðnaðarsambands Íslands and VR. Specialists and managers have individual agreements that take into account Rio Tinto's salary and performance appraisal system and agreements in the Icelandic labour market.

Employee turnover in 2021 was 3.99%, compared to 7.2% in 2020. Employee turnover has not been lower since 2011. Of the new recruits in 2021, 38% were women and 62% men, if the recruitment of summer employees is excluded. If summer recruitment is included, the proportion of women is 40% of new recruits in the year. In 2021, 107 people were hired as summer replacements and the proportion of return staff was 55%. Of newly recruited summer employees, 42% were women and 58% were men.

20 individuals went on maternity leave in 2021. By the end of the year, 16 of them had returned to work, but four were still on maternity leave. We want to focus on creating a work environment where employees find it desirable to return after maternity leave.

Equal rights issues

Rio Tinto Iceland's (ISAL) policy is to create a desirable workplace where diversity and equality are the guiding principles. The policy promotes gender equality, including comparable pay for the same jobs or jobs of equal value. The goal of ISAL's equality and equal pay policy is to establish and maintain equality and equal opportunities for employees so that their experience, knowledge and talents are utilised in the best possible way. We fully comply with laws, rules and collective wage agreements on equality and employment terms for employees. This policy includes and is presented to all employees and can be accessed on the Company's website. The equal rights plan sets out measures that promote continuous reform, monitoring and response. In order to advance the progress of this field of operation, the Company has an active anti-bullying team and expert panel.

ISAL is certified according to the equal pay standard ÍST 85: 2012 since 2019. According to the standard, companies must carry out an annual wage analysis as well as provide improvements if the wage analysis results in an unexplained wage difference.

The result of the wage analysis in January 2022 was a 1.13% unexplained wage difference in favour of men, with a 95.1% explanatory ratio, which means that only 4.9% of the wage distribution of total wages is unexplained.

ISAL's aim is for the proportion of the lesser represented gender in each job category to be at least 20%. This goal has been achieved in part, but it is a challenge especially among tradesmen, as few women have chosen to study e.g. motor technology and mechanical engineering.

Educational issues

The number of training hours in 2021 was 4,047, which is equivalent to all staff receiving an average of 11 hours of training during the year. Educational courses, refresher courses and regular training are part and parcel of everyday working life. Organised training and learning takes place all year round.

Non-Financial Information, cont.:

For the second year in a row, all formal course activities were disrupted by COVID-19. Among the courses in 2021 that were held, however, were courses for new recruits and courses in closed spaces and fall protection.

At ISAL, the Academy of Large-scale Industry has been in operation since 1998. The goal of the Academy of Large-scale Industry is to increase value creation and competitive capability, facilitate the implementation of changes and make the workplace more desirable. The studies are intended to increase knowledge, safety and job satisfaction and increase opportunities for vocational training and professional development. The Academy of Large-scale Industry was not operated in 2021, but a new group began their studies at the beginning of 2022.

The number of those who have graduated from undergraduate studies is 251, and 52% of them are employed by the Company today. A total of 50 have graduated from secondary studies, and 74% of them are employed today.

Employees can apply for formal grants for studies, on the one hand for university studies alongside work, and on the other hand for vocational studies alongside work. A maximum of 2 grants are awarded per year for university studies and 4 per year for vocational studies.

Community

Working in harmony with the environment and society is one of ISAL's priorities. This includes, e.g. showing responsibility in the operations, explaining it in detail and giving those who have an interest in our operations the opportunity to get to know it and make comments.

One of the priorities of the year was to renew our agreement with ÍBH and Hafnarfjarðarbær on sports activities for children and teenagers. A new three-year agreement was signed in December 2021, and special emphasis is placed on equality and education issues. The total amount provided by ISAL during the agreement period is at least ISK 30 million, or the equivalent of ISK 10 million each year. Several smaller grants were also awarded. The Optimism Award is a cultural award that has been awarded annually since 1981. ISAL has been a sponsor of the award since 2000. The President of Iceland has been the patron of the awards from the beginning. Fríða Ísberg received the award in 2021, which is ISK one million and an inscribed trophy made of aluminium produced in Straumsvík.

Visits to Straumsvík

We emphasise welcoming guests and introducing them to the activities. The number of registered visits to ISAL 2021 was only 60, which is similar to the previous year, but the COVID-19 pandemic has meant that there have been few visits.

Suggestions, compliments and complaints

The Company emphasises that all our stakeholders can freely provide suggestions, complaints and compliments to the Company. Suggestions can be made on the Company's website, www.isal.is and on the Company's Facebook page. You can also call, and our staff is trained to receive such suggestions. All suggestions, compliments and complaints are recorded as soon as they are received, and we are committed to answering them and responding appropriately and ensuring the rights of those who wish to comment. In the year 2021, we received one complaint regarding visible smoke from the Company's casthouse. The matter was investigated and improvements made.

The UN Goals and ISAL

The Company is committed to working in line with the United Nations Sustainable Development Goals. The UN Goals are a guiding principle in our emphases, and we take them into account in the Company's operations, policy formulation and decision-making. Our operations are related to all the UN Goals, to varying degrees. Our analysis of the goals indicated that we have the most impact on Global Goals 4, 5, 7, 8, 9, 12 and 13. This policy was set in 2018, and work has since been done in various projects and emphases in these areas.

Reporting what matters

Every year, we carefully review which aspects of our operations matter most to our main stakeholders. These issues vary from time to time and are constantly under review. In this work, we look inwards and assess the emphases and expectations of employees and management, but at the same time, we reflect on how the same factors affect our external stakeholders. We also constantly evaluate our key stakeholders and their expectations of us and make our communication with them consistent with that.

Stakeholders

Stakeholder	Expectations	Communications
Employees	Safe and healthy work environment Collective wage agreements Career development and training Equality and diversity Personal data protection	Continuous
Local community	Environmental impact Employment and tax revenue Indirect economic impact	Publication of a sustainability report Suggestions from the community The Company's Facebook page
Suppliers and contractors	Project status and production Investments and improvements	As often as needed
Customers	High-quality products in accordance with the customers' wishes Timely delivery Green metal	As often as needed Supplier assessment Visits
The authorities	Tax revenue and employment Exports and economic contribution Progress in environmental issues Progress in climate issues	As often as needed
Owner	Financial performance Progress in safety issues Progress in environmental issues Progress in health issues Production	Constant communication with the parent company and regular Board meetings
Landsvirkjun	Electricity use Energy prices Water budget and electricity delivery	Regular communication
Regulatory authorities	Progress in environmental and safety issues	Regular and formal consultation meetings Inspection reports
Employers' Association	Collective wage agreements Competitiveness and economic development	As often as needed
Other business associations	Corporate social responsibility Dissemination of information and experience	As often as needed
Media	Transparent information and frank communication	As often as needed

Membership of associations

Rio Tinto in Iceland is a member of various employers' interest groups. We are members of the Confederation of Icelandic Employers, but the union carries out collective wage bargaining on behalf of the Company. Rannveig Rist, Director of ISAL, sits on the Board. We are members of the Federation of Icelandic Industries and Samál, the association of aluminium producers. Rannveig Rist sits on the Board of Samál, and Bjarni Már Gylfason is an alternate. We are a member of the Iceland Chamber of Commerce and are additional members of Samorka, the association of utility companies. Finally, we are founding members of Festa, a knowledge centre for corporate social responsibility, and of Stjórnvísir.

In 2019, a collaborative forum was established between the business community and the government on climate issues and green solutions. The role of the forum is to strengthen collaboration between the business community and the government in reducing greenhouse gas emissions and supporting the goal of a carbon-neutral Iceland by 2040. The forum has been named Green by Iceland, and ISAL is one of the founding members of the forum but it is hosted by Business Iceland. The forum has been named Green by Iceland in English.

Policy on social responsibility, ethical standards and human rights

Rio Tinto Iceland's policy sets out that the Company resolves to be a leader in all areas of its operations, to strive for continual improvement and to act in harmony with the environment and society at all times. The Company has set a goal of carbon-neutrality by 2040.

Rio Tinto's Communities and Social Performance standard is available on our parent company's website, riotinto.com, and frames the requirements the Company sets and works towards as regards social responsibility. Rio Tinto's Business Integrity standard addresses in detail the ethical standards to which the Company adheres and is available on riotinto.com.

Our Code of Conduct is entitled *The Way We Work*. Available in Icelandic at riotinto.is and in English at riotinto.com. Our Code of Conduct sets out how we conduct ourselves in line with our values and standards. It applies to all Rio Tinto staff, as well as consultants, agents, contractors and suppliers working for the Company. We endeavour to ensure these fundamental rules are respected in the companies we work and deal with. The Code of Conduct is presented to all staff and contractors working on the site.

The Company has established a special human rights policy based on the parent company's policy on human rights issues. The policy is presented to staff and is part of recruit training. All contractors working on the site need to familiarise themselves with the policy before they can start working on the site.

Rio Tinto Iceland's Data Protection Policy

ISAL endeavours to ensure that the protection of personal data and its processing is in accordance with applicable laws and regulations. The Company's Data Protection Policy provides information on why ISAL collects personal information and how it is handled. This Data Protection Policy is based on Act No. 90/2018 on the Protection of Personal Privacy and Processing of Personal Data. The processing of personal information refers to the action or sequence of operations where personal information is processed, whether or not the processing is automatic. Personal information that ISAL processes can be divided into two categories: employees and job applicants on the one hand, and for external parties, e.g. contractors and customers, on the other hand. Information on the Company's Data Protection Policy is available on the Company's website.

Corporate Governance

Annex B

This statement is based on the corporate governance guidelines issued by Nasdaq, the SA. Confederation of Icelandic Enterprise and the Icelandic Chamber of Commerce. It is adapted to the special circumstances contained in the Master Agreement between Rio Tinto Iceland and the Icelandic government enacted by Act No. 76/1966.

1. Mission and Role

ISAL's mission is to produce high-quality aluminium with maximum profitability in line with our customers' requirements, while prioritising health, safety and the environment. The company resolves to be a leader in all areas of our operations, to strive for continual improvement and to act in harmony with the environment and society at all times. Our operations depend on outstanding employees and are guided by the principles of diversity and equality. The company complies fully with all laws and regulations and adheres to the Rio Tinto code of conduct. The company's vision is to ensure the company's growth and competitiveness in a sustainable way and to achieve carbon neutrality by 2040.

2. Legislation and Regulations Specifically Governing Rio Tinto Iceland's Governance and Operations

Rio Tinto Iceland's field of operations is extensive and therefore subject to various pieces of legislations. As well as the Master Agreement between Rio Tinto Iceland and the Icelandic government, legislation such as the Hygiene and Pollution Prevention Act and the Annual Accounts and Public Limited Companies Act plays a major role.

Our operations require an operating licence, and Rio Tinto Iceland was issued with an operating licence by the Environment Agency of Iceland on 28 October 2021, which is valid until 1 November 2037. The operating license is accessible on the company's website and on the Environment Agency's website. The Environment Agency also acts as a regulator.

Rio Tinto Iceland's quality system includes a specific register of the laws and regulations relevant to our operations, which is reviewed and updated regularly.

3. Other Rules, Criteria and Standards Relevant to Rio Tinto Iceland's Operations

The company has been certified to the following standards certified by external auditors: ISO 9001, ISO 14001, ISO 45001 and ASI.

4. Main Aspects of Internal Control and Risk Management

The company's Board of Directors is responsible for putting in place an active system of internal control and risk management and ensuring that it is formalised, documented and verified on a regular basis. The main aims of internal control and risk management in our operations are to give reasonable assurance of satisfactory results and efficiency in our operations, to provide external and internal parties with reliable and legitimate financial information and to comply with the laws and regulations applicable to our operations.

Rio Tinto Iceland adheres to ISO standards 9001, 14001 and 45001 and the equal pay standard ÍST 85. Our Quality Manager is responsible for conducting and processing internal audits. The company has also been certified according to the ASI standard. There is regular assessment of the risks posed by our operations to health, the environment, safety, society and operations. These assessments are the responsibility of the company heads for each of these areas and are approved by the Executive Board.

Internal control of financial reporting is designed in such a way as to give reasonable assurance that financial reports comply with recognised financial reporting standards and present no significant shortcomings, e.g. procedural problems, errors. One of the Managing Director's obligations is to maintain an organisational chart clearly specifying the areas of responsibility, the powers of employees and the channels of communication within the company. The Managing Director must also analyse, measure and monitor the risks facing the company in its operations. As part of the annual management review, the Executive Board and the Managing Director receive a presentation of key figures from the company's operations from the relevant department heads. The Quality Manager takes the minutes at such meetings. The external auditor conducts surveys on the effectiveness of internal control in connection with the audit of the company's annual accounts. Certain aspects of internal control have been regularly inspected in recent years by the internal audit department of Rio Tinto's parent company.

5. Appointment of the Board of Directors and Board Members

The Board of Directors of Rio Tinto Iceland is appointed on the basis of the Master Agreement between the government of Iceland and Alcan Holding Switzerland, which was signed on 28 March 1966 and ratified by the Icelandic Parliament by means of Act No. 76/1966. This Act states that ISAL's Board of Directors is composed of seven members, two of whom are appointed by the government. A majority of Board Members must be Icelandic citizens. The Board (except for the two appointed government representatives) is elected annually at the ISAL Annual General Meeting.

Corporate Governance, cont.:

The current members of the Rio Tinto Iceland Board of Directors are:

Jean-Francois Claude A. Faure, Chairman of the Board

Etienne Jacques

Maria Tournas

Brynjólfur Bjarnason

Katrín Pétursdóttir

Margrét Sanders*

Ingvi Már Pálsson*

*Icelandic government representatives

The gender ratio on the company's Board is such that 57% are male and 43% female.

More Information on the Rio Tinto Iceland Board

Jean-Francois Claude A. Faure (b. 1960), Chairman of the Board. Has been a Rio Tinto Iceland Board member since 2016. Graduate in Engineering from the École des Mines de Paris (France). Current occupation: consultant. Diverse experience in managerial positions in the aluminium industry spanning over 37 years, i.a. with Pechiney, Alcan, Rio Tinto. No connection with major clients or competitors and not a shareholder of the company.

Etienne Jacques (b. 1961). Joined the company's Board in 2021. A chemical engineer from Laval University but also has a postgraduate degree in finance from CIREM HEC and IMPM from Lancaster University. Has more than 35 years of experience in various management positions within Alcan and Rio Tinto and also sits on the boards of various organisations. No connection with major clients or competitors and not a shareholder of the company.

Maria Tournas (b. 1974). Joined the company's Board in 2021. Is an accountant from McGill University. Has held various management positions at Alcan and Rio Tinto since 2002, but was previously an accountant at Arthur Andersen & Co. No connection with major clients or competitors and not a shareholder of the company.

Brynjólfur Bjarnason (b. 1948). Has been on the company's Board since 2016. Has an MBA from the University of Minnesota (USA) and Cand.oecon from the University of Iceland. Has had an extensive career as manager and board member in various companies. Was, i.a. the Executive Director of Enterprise Investment Fund and CEO of Skipti, Síminn and Grandi. Is the Chairman of the Board at Arion Banki, a Board Member at Marininvest and alternate Board member at Ferguson. No connection with major clients or competitors and not a shareholder of the company.

Katrín Pétursdóttir (b. 1962). Rio Tinto Iceland Board member since 2011. Graduate in Industrial Operations from the Technical College (Iceland). CEO of Lýsi and Executive Director of a company owned by Lýsi. Board member at Rammi and Akragborg and other smaller companies. No connection with major clients or competitors and not a shareholder of the company.

Corporate Governance, cont.:

Margrét Sanders (b. 1960). Has been on the company's Board since 2016. Has an MBA from Western Carolina University (USA). Partner and consultant at Strategía. Extensive experience of management and finance, e.g. consultant at Deloitte for 17 years. Board member at HS Veita. No connection with major clients or competitors and not a shareholder of the company.

Ingvi Már Pálsson (b. 1972). Rio Tinto Iceland Board member since 2019. Director-General for Energy Industry at the Ministry for Industries and Innovation. Lawyer with an LL.M degree. Board member at ISOR. No connection with major clients or competitors and not a shareholder of the company.

6. Board Activities

The ISAL Board usually meets formally twice a year. One Board meeting and the AGM usually take place in May and the second Board meeting in November. Between these formal meetings, the Board meets as and when required.

Two meetings were held this year. In May, a general board meeting and the AGM were held through Microsoft Teams. Attendees: Jean Francois Faure, Francois-Pierre de Feydeau, Sonia Lacombe, Katrín Pétursdóttir, Brynjólfur Bjarnason, Ingvi Már Pálsson, Margrét Sanders and Rannveig Rist. Francois-Pierre de Feydeau and Sonia Lacombe resigned from the Board at the AGM. They were replaced by Etienne Jacques and Maria Tournas.

The second board meeting of the year took place in Paris in November. Attendees: Jean Francois Faure, Etienne Jacques, Maria Tournas, Brynjólfur Bjarnason, Ingvi Már Pálsson, Margrét Sanders and Rannveig Rist. Katrín Pétursdóttir was absent.

7. Performance Appraisal of the Board and Audit Committee

Rio Tinto Iceland has not conducted a specific performance appraisal of its activities. The Board's Audit Committee is active. The role of the Audit Committee is to review the Annual Financial Statements and ensure that they are in accordance with the law and review the audit plan and internal controls and internal audit. The Audit Committee addresses issues that may arise in connection with the Annual Financial Statements. The Audit Committee members are Herbert Baldursson, Chairman; Jean Francois Faure; and Margrét Sanders. The committee was first established this year and held one meeting in 2021, and all committee members attended the meeting. The committee is expected to meet three times a year or more often if necessary.

8. General Manager and Executive Board

Rannveig Rist (b. 1961) is ISAL's General Manager. She has been the General Manager since 1997. She holds an MBA degree from the University of San Francisco, an AMP diploma from Reykjavík University, a degree in Mechanical Engineering from the University of Iceland, a master's degree in Mechanical Engineering and Level 4 Mechanical Engineering diploma. She has no connection with major clients or competitors and is not a shareholder of the company.

Reporting to the Managing Director are six managers:

Árni Stefánsson	Casthouse
Birna Pála Kristinsdóttir	HSEQ and Technology
Einar Aron Einarsson	Electrolysis
Gaukur Garðarsson	Maintenance
Jakobína Jónsdóttir	Human Resources
Sigurður Þór Ásgeirsson	Finance



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