

SMM Low-Carbon Aluminum Spot Premiums Index Methodology

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1 General Rules for SMM Price Assessment Methodology

Shanghai Metals Market (hereinafter referred to as SMM) is a fully independent third-party service provider that does not participate in any substantive transactions. Instead, it maintains close communication with buyers or sellers in transactions as a market observer or organizer, and provides relevant services to the market. Through communication with industry insiders, SMM continuously formulates, reviews, and revises its methodologies, adopting the most common product specifications, trade terms, and conditions in the industry, and treating normal transactions that meet specification standards with equal importance. SMM reserves the right to exclude any price data information deemed to be of low reliability or non-representative from its price assessments.

SMM publishes daily spot metal prices (or indices, etc.), including those for the Chinese market and markets outside China, commonly referred to as SMM prices. SMM has formulated corresponding methodologies for all published SMM prices (which will be published on SMM's official website,

www.smm.cn, for inquiry). These methodologies stipulate the methods and procedures for the formation and publication of SMM prices, and SMM strictly adheres to these methodologies in forming and publishing its prices. To align with the actual conditions of the spot market, SMM will make necessary revisions to its SMM price assessment methodology and announce them on SMM's official website, www.smm.cn, 28 days prior to their official implementation, unless special circumstances, particularly force majeure (natural disasters, wars, exchange bankruptcies, etc.), necessitate a shorter notice period. For any questions or suggestions regarding SMM prices or their methodologies, please contact SMM's customer service personnel (contact information can be found on SMM's official website, www.smm.cn). This paragraph should be read in conjunction with SMM's Methodology Review and Change Policy, as well as SMM's Complaints Policy.

This document outlines the criteria for formulating and the management methods for the SMM Low-Carbon Aluminum Spot Premium Index. The purpose of SMM in formulating these criteria is to establish a transparent and verifiable SMM price-setting mechanism, providing market participants with an important pricing indicator.

2 Formation of the SMM Low-Carbon Aluminum Spot Premium Index

2.1 Definition, Background, and Significance

Background for the release of the SMM Low-Carbon Aluminum Spot

Premium Index:

ESG (Environmental, Social, and Governance) holds profound and multifaceted significance for China's aluminum industry. It serves as a crucial driving force for industrial transformation and upgrading, as well as a key pathway to achieving sustainable development and international competitiveness. China's "14th Five-Year Plan" explicitly calls for strict control over aluminum smelting capacity, with ESG becoming an important tool for policy implementation. Chinese enterprises have successively embarked on ESG certification, gradually expanding the market for low-carbon aluminum. From the three dimensions of ESG: Firstly, the aluminum industry, as a typical high-energy-consuming and high-emission sector, sees electricity consumption in its aluminum smelting process accounting for over 60% of global aluminum industry carbon emissions. The environmental dimension of ESG compels the industry to accelerate green transformation. Secondly, the aluminum industry chain spans from mining to smelting, processing, and end-use applications. The social dimension of ESG requires enterprises to balance development with social responsibility, particularly in areas such as safety production, employee rights, community coexistence, and sustainable supply chains. Furthermore, the governance dimension of ESG necessitates enterprises to improve their management systems to address complex risks, with transparent operations, compliance, risk management, and green

finance empowerment as primary means. Currently, global investors use ESG ratings as a basis for investment decisions, with leading enterprises such as Chalco Group and Weiqiao Pioneering Group having reduced financing costs and expanded overseas markets through ESG practices.

ESG is not a new term. As global awareness of carbon emissions deepens, ESG is propelling the development of various industries, and the low-carbon aluminum market has emerged globally. This includes overseas aluminum companies such as Rusal, Alcoa, and Hydro, which have successively announced their own low-carbon aluminum brands. During the same period, downstream and end-use aluminum application sectors, including companies like BMW, Mercedes-Benz, Tesla, and Apple, have successively proposed low-carbon certification requirements for aluminum raw materials. Although the Chinese market started relatively late, China's aluminum smelting market is applied in multiple end-use sectors such as construction, transportation, and packaging, with annual exports of intermediate aluminum semis exceeding 6 million mt. This makes the trend of Chinese enterprises aligning with international rules inevitable. Encouragingly, China's low-carbon aluminum market has quietly taken shape. With the adjustment of the domestic aluminum smelting power structure, the integration of green energy sources such as PV, wind, and biomass, and the increasing emphasis and application of ESG across various links of the aluminum industry chain, the scale of China's low-

carbon aluminum is set to continue expanding. Here, we find that the market urgently needs to compile and publish an index that can fully reflect the domestic low-carbon aluminum market prices in China, objectively, truly, and timely reflecting the supply and demand of low-carbon aluminum in China. Thus, the SMM Low-Carbon Aluminum Spot Premium Index was born. Through the analysis of this index, we can identify the patterns and reasons behind changes in its benchmark prices, thereby providing a reference basis for scientific decision-making by relevant aluminum suppliers, end-use consumption enterprises, research institutions, and government departments.

Definition:

The SMM Low-Carbon Aluminum Spot Premium Index is an indicative price formed and published by SMM based on this methodology, which can be used by both trading parties as a reference for the settlement of low-carbon aluminum spot trades. This index reflects:

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