

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 20-F

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-14862

BRASKEM S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A
(Translation of Registrant's Name into English)

The Federative Republic of Brazil
(Jurisdiction of Incorporation or Organization)

Rua Lemos Monteiro, 120 – 24º andar
Butantã – São Paulo, SP – CEP 05501-050 – Brazil
(Address of Principal Executive Offices)

Pedro van Langendonck Teixeira de Freitas
Braskem S.A.
Rua Lemos Monteiro, 120 – 24º andar
Butantã – São Paulo, SP – CEP 05501-050 – Brazil
Telephone: + 55 11 3576-9000
Fax: + 55 11 3576-9532

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Preferred Shares, Class A, without par value per share, each represented by American Depositary Shares	BAK	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

6.450% Notes due 2024, issued by Braskem Finance Limited

The total number of issued shares of each class of stock of Braskem S.A. as of December 31, 2020 was:

451,668,652 Common Shares, without par value
345,049,672 Preferred Shares, Class A, without par value
500,230 Preferred Shares, Class B, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒ Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of the Federative Republic of Brazil, or Brazil. All references to “U.S. dollars,” “dollars” or “US\$” are to U.S. dollars, the official currency of the United States. All references to “CHF” are to Swiss francs, the official currency of Switzerland.

All references herein to (1) “we,” “us,” “the Company” or “our Company” are references to Braskem S.A., its consolidated subsidiaries and jointly controlled entities, and (2) “Braskem” are references solely to Braskem S.A. All references herein to “Braskem Europe” are to Braskem Europe GmbH and its consolidated subsidiaries, including Braskem America, Inc., or Braskem America.

Financial Statements

We maintain our books and records in *reais*. Our consolidated financial statements as of December 31, 2020 and 2019 and for the three years ended December 31, 2020 have been audited, as stated in the report appearing therein, and are included in this annual report. These financial statements and related notes included elsewhere in this annual report are collectively referred to as our audited consolidated financial statements herein and throughout this annual report.

We have prepared our audited consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IFRS.

Change to Reportable Segments

Until December 31, 2019, our five reportable petrochemical segments were: Chemicals, Polyolefins, Vinyls, USA and Europe, and Mexico. As from January 1, 2020, we made changes to our macro structure to seek synergies in all of the regions in which we operate to achieve a more integrated operational performance. As a result of these changes, our management revised the structure of our internal reporting with a focus on our petrochemical operational expansion and internationalization with a view to simplifying and streamlining the work and decision-making processes, which led us to adopt a new structure for petrochemical reporting segments by region. As from January 1, 2020, our three reporting segments are as follows:

- Brazil Segment includes: (i) production and sale of chemicals at the chemical complex located in Camaçari, in the State of Bahia, or the Northeastern Complex, the chemical complex located in Triunfo, in the State of Rio Grande do Sul, or the Southern Complex, the chemical complex located in Capuava, in the State of São Paulo, or the São Paulo Complex and the chemical complex located in Duque de Caxias, in the State of Rio de Janeiro, or the Rio de Janeiro Complex; (ii) supply of electricity and other inputs produced in these complexes to second-generation producers located in the petrochemical complexes; (iii) production and sale of PE, including the production of “green PE” from renewable resources, and PP produced by us in Brazil; and (iv) our production and sale of PVC and caustic soda;
- United States and Europe Segment: includes production, operations and sale of PP in the United States and Germany; and
- Mexico Segment: includes production, operations and sale of ethylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) in Mexico.

Information by segment is generated from accounting records, and is reflected in the consolidated financial statements.

The eliminations stated in the operating segment information, when compared with the consolidated balances, are represented by transfers of inputs between segments that are measured as arm’s length sales.

Market Share and Other Information

We make statements in this annual report about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil, other countries in Latin America, the United States and the world. We have made these statements on the basis of information obtained from third-party sources that we believe are reliable. We have calculated our Brazilian market share with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products. We derive information regarding the production capacity of other companies in the Brazilian petrochemical industry and the estimated total Brazilian domestic consumption of petrochemical products principally from reports published by the Brazilian Chemical Industry Association (*Associação Brasileira da Indústria Química*), or ABIQUIM. We derive information regarding the production capacity of other companies in the global petrochemical industry, international market prices for petrochemical products and per capita consumption in certain geographic regions, principally from reports published by IHS, Inc., or IHS. We derive information relating to Brazilian imports and exports from the *ComexStat* (<http://comexstat.mdic.gov.br>), produced by the Brazilian Ministry of the Economy (*Ministério da Economia*). We also include information and statistics regarding economic growth in emerging economies obtained from the International Monetary Fund, or IMF, and statistics regarding gross domestic product, or GDP, growth in Brazil, the United States, Europe and Mexico obtained from independent public sources such as the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or the IBGE; the U.S. Department of Commerce; the statistical office of the European Union, or Eurostat; and the Mexican Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*).

We have no reason to believe that the information described above is inaccurate in any material respect. However, we have not independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

We provide information regarding domestic apparent consumption of some of our products based on information available from the Brazilian government, the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*) and ABIQUIM. Domestic apparent consumption is equal to domestic production plus imports minus exports. Domestic apparent consumption for any period may differ from actual consumption because this measure does not give effect to variations of inventory levels in the petrochemical supply chain.

Certain Industry Terms

Glossary of Selected Terms in the Petrochemical Industry and in the Context of Our Business

Term	Meaning	Main uses	In the context of our business
Aliphatics	Aliphatics are open-chain hydrocarbons that contain no stable rings connecting their atoms, in contrast to aromatics.	Used as fuels, solvents and as basic chemicals in the petrochemical industry.	We produce aliphatics, such as ethylene and propylene, in our chemicals operations that are part of our Brazil Segment.
Aromatics	Aromatics are cyclic hydrocarbons with stable bonds connecting their carbon atoms.	Used as fuel additives, solvents, and basic chemicals in the petrochemical industry.	We produce aromatics, such as benzene, toluene and xylenes, as co-products in our chemicals operations that are part of our Brazil Segment.
Benzene	An aromatic hydrocarbon. It is a natural constituent of crude oil.	Used primarily for the manufacture of chemicals with more complex structure, such as ethylbenzene and cumene.	We produce benzene as a by-product in our chemicals operations that are part of our Brazil Segment.
BTX products	A mixture of benzene, toluene and the three xylene isomers (ortho, meta and para), all of which are aromatic hydrocarbons.	Used as fuel additives, solvents, and basic chemicals in the petrochemical industry.	We produce benzene, toluene and xylenes as BTX by-products in our chemicals operations that are part of our Brazil Segment.

Butadiene	An organic compound and a colorless gas.	Used industrially as a monomer in the production of synthetic rubber.	We produce butadiene as a by-product in our chemicals operations that are part of our Brazil Segment.
Butene	A colorless gas present in crude oil.	Used as a monomer in the production of polymers, as well as a petrochemical intermediate.	We use butene for the production of HDPE and LLDPE in our polyolefins operations that are part of our Brazil Segment. Butene is supplied by our chemicals operations that are part of our Brazil Segment.
Caustic soda	Caustic soda, or sodium hydroxide, is an inorganic compound. A colorless crystalline solid, caustic soda is toxic, corrosive and highly soluble in water.	Used in the manufacture of pulp and paper, textiles, drinking water, soaps and detergents, and as a drain cleaner.	We produce caustic soda in our vinyls operations that are part of our Brazil Segment. Caustic soda is a by-product of chlorine production required to produce PVC.
Chlor-alkali	Electrolysis process used in the manufacture of chlorine, hydrogen and sodium hydroxide (caustic soda).	Main industrial process for the production of caustic soda.	We operate chlor-alkali plants in Brazil.
Chlorine	Chlorine is a chemical element (Cl), a toxic, greenish yellow gas at room temperature. It has a pungent suffocating odor.	Used in the production of paper products, antiseptics, plastics, dyes, textiles, medicines, insecticides, solvents and to treat swimming pools.	We use salt to produce chlorine in our vinyls operations that are part of our Brazil Segment.
Condensate	Condensate, or natural gas condensate, is a low-density mixture of hydrocarbon liquids that are present as gaseous components in the raw natural gas.	Condensate is used as an input for petrochemical plants, burned for heat and cooking, and blended into vehicle fuel.	We use condensate as a raw material in our chemicals operations that are part of our Brazil Segment.
Cumene	An organic compound based on an aromatic hydrocarbon with an aliphatic substitution, cumene is a colorless liquid constituent of crude oil and refined fuels.	Used for the production of phenol and acetone.	We produce cumene as a by-product in our chemicals operations that are part of our Brazil Segment.

Dicyclopentadiene	Dicyclopentadiene, or DCPD, is a yellow liquid with an acrid odor.	Used in polyester resins, inks, adhesives and paint.	We produce DCPD in our chemicals operations that are part of our Brazil Segment.
Ethane	A type of natural gas liquid (NGL), ethane is a colorless, odorless gas in standard temperature and pressure, extracted from natural gas in liquid form.	Used as a feedstock for ethylene production.	Ethane is one of the main raw materials that we use to produce ethylene in our chemicals operations that are part of our Brazil Segment.
Ethanol	A simple alcohol, produced by the fermentation of sugars by yeasts or via petrochemical processes.	Used as a fuel for vehicles, as a disinfectant and as a chemical intermediate.	We use ethanol as a raw material to produce green polyethylene in our chemical operations that are part of our Brazil Segment, which are located in Triunfo, Brazil.
Ethyl tertiary-butyl ether	Ethyl tertiary-butyl ether, or ETBE, is a colorless liquid manufactured by the acid etherification of isobutylene with ethanol.	Used commonly as an additive in the production of gasoline.	We produce ETBE in our chemicals operations that are part of our Brazil Segment.
Ethylene	A hydrocarbon, colorless gas and the most widely used organic compound in the chemical industry. Produced mainly via steam cracking of raw materials such as naphtha and NGLs.	Used mainly for the production of polyolefins, primarily polyethylene, the most used thermoplastic resin in the world.	We produce ethylene in our chemicals operations that are part of our Brazil Segment, as a main product of the steam cracking of raw materials.
EVA	Ethylene-vinyl acetate, or EVA, is a co-polymer of ethylene and vinyl acetate.	Used to produce rubber-like materials, with applications in adhesives, packaging, molding, and membranes for electronic devices.	We produce EVA in our polyolefins operations that are part of our Brazil Segment.
Gasoline	A flammable liquid obtained by refining crude oil.	Used primarily as a fuel in combustion engines.	We produce gasoline as a by-product in our chemicals operations that are part of our Brazil Segment.

HDPE	High-density polyethylene, or HDPE, is a thermoplastic resin produced by the polymerization of ethylene.	Used in a variety of industries, to produce plastic bottles, toys, chemical containers, pipe systems, and other plastic products.	We produce HDPE in our polyolefins operations that are part of our Brazil Segment.
Hexene	An aliphatic, hexane is a clear, colorless liquid with a petroleum-like odor.	Used as a solvent, paint thinner, and chemical reaction medium. Also used as a co-monomer for the production of HDPE.	We use hexene in our Mexico Segment as a raw material to produce HDPE.
Hydrocarbon resins	Also called petroleum resins, they are produced from the polymerization of aromatic hydrocarbons.	Generally used together with other kinds of resins, in the paint, ink, adhesive and rubber industry.	We produce hydrocarbon resins in our chemicals operations that are part of our Brazil Segment.
Hydrogen	A chemical element, hydrogen is a colorless, odorless gas.	Used to make ammonia in the production of fertilizers and as an intermediate chemical in the production of plastics and pharmaceuticals.	We produce hydrogen in our vinyls operations that are part of our Brazil Segment.
Hydrogenated solvents	Odorless, colorless solvents treated with hydrogen.	Used in the manufacture of paints.	We produce hydrogenated solvents in our chemicals operations that are part of our Brazil Segment.
Isoprene	A common organic compound that is a component of natural rubber. Also a by-product of oil refining.	Used to produce synthetic rubber.	We produce isoprene in our chemicals operations that are part of our Brazil Segment.
LDPE	Low-density polyethylene, or LDPE, is a thermoplastic resin made from the polymerization of ethylene.	Used for manufacturing containers, dispensing bottles, wash bottles, tubing, plastic bags and molded laboratory equipment.	We produce LDPE in our polyolefins operations that are part of our Brazil Segment.
Liquefied petroleum gas (LPG)	Liquefied petroleum gas, or LPG, is a mixture of propane and butane, which are two natural gas liquids.	Used in fuel heating appliances, cooking equipment, vehicle fuel, aerosol propellant, and as a refrigerant.	We produce LPG in our chemicals operations that are part of our Brazil Segment.

LLDPE	Linear low-density polyethylene, or LLDPE, is a linear polymer made by the copolymerization of ethylene with longer-chain olefins.	Used in plastic bags and sheets, plastic wrap, stretch wrap, pouches, toys, covers, lids, pipes, buckets and containers, covering of cables and flexible tubing, among others.	We produce LLDPE in our polyolefins operations that are part of our Brazil Segment.
Methanol	Methanol is the simplest alcohol, a liquid produced industrially by hydrogenation of carbon monoxide.	Used as a precursor to other commodity chemicals, including formaldehyde, acetic acid and MTBE.	We use methanol as a raw material to produce MTBE in our chemicals operations that are part of our Brazil Segment.
Methyl tertiary-butyl ether (MTBE)	An intermediate hydrocarbon liquid stream derived mainly from the refining of crude oil	Used almost exclusively as a fuel additive in gasoline to raise the oxygen content.	We produce MTBE in our chemicals operations that are part of our Brazil Segment.
Naphtha	An intermediate hydrocarbon liquid stream derived mainly from the refining of crude oil.	Used as a solvent, fuel additive and as a raw material in the petrochemical industry.	We use naphtha as a raw material for the production of petrochemical products in our chemicals operations that are part of our Brazil Segment.
Natural gas	A naturally occurring hydrocarbon gas mixture, consisting primarily of methane.	Used as a source of energy for heating, cooking and electricity generation, as a fuel for vehicles and as a chemical feedstock.	We use natural gas for electricity generation in our production processes.
Natural gas liquids (NGL)	A mixture of hydrocarbon components of natural gas, primarily ethane, propane and butane, which are separated from the raw natural gas in the form of liquids.	Used as raw materials in the petrochemical industry, as fuel and in applications for heating and cooking.	We use NGLs such as ethane and propane as raw materials at our plants in Rio de Janeiro and Mexico.
N-hexane	A hydrocarbon, obtained by refining crude oil.	Used mixed with other solvents, to extract vegetable oils from crops, and as a cleaning agent in the printing, textile, furniture, and shoemaking industries.	We use n-hexane in our polyolefins operations that are part of our Brazil Segment as a raw material in the production of HDPE and LLDPE.
Nonene	A hydrocarbon, nonene is a colorless liquid with an odor reminiscent of gasoline.	Used as a plasticizer to make rigid plastics flexible, and to produce chemical intermediates.	We produce nonene in our chemicals operations that are part of our Brazil Segment.

Olefins	Unsaturated hydrocarbons that contain at least one carbon-carbon double bond, such as ethylene, propylene and butene. Obtained from steam cracking of raw materials.	Used as chemical intermediates for the production of other chemicals and resins.	We produce olefins in our chemicals operations that are part of our Brazil Segment.
Para-xylene	An aromatic hydrocarbon, para-xylene is produced mainly in refineries and during the steam cracking of naphtha.	Used as a chemical feedstock in the production of polymers, especially PET.	We produce para-xylene as a by-product in our chemicals operations that are part of our Brazil Segment.
PDH	Propane dehydrogenation, or PDH, is an on-purpose technology used for conversion of propane into propylene.	Industrial process for the production of propylene.	We use propylene from PDH units as a raw material in our plants in the United States.
Piperylene	A volatile, flammable hydrocarbon in liquid form, obtained as a by-product of ethylene production.	Used as a monomer in the manufacture of plastics, adhesives and resins.	We produce piperylene in our chemicals operations that are part of our Brazil Segment.
Polyethylene (PE)	PE is the most common type of thermoplastic resin. It is lightweight and durable, and is obtained from the polymerization of ethylene.	PE has a large number of applications, such as: packaging, consumer goods, fibers, textiles, pipes, automotive, wiring, cables, construction, among others.	We produce PE in our polyolefins operations that are part of our Brazil Segment.
Polyisobutylene (PIB)	PIB is a gas-permeable synthetic rubber produced by the polymerization of isobutylene with isoprene.	Used as a fuel and lubricant additive, in explosives, as the base for chewing gum, and to improve the environmental stress-cracking resistance of polyethylene.	We produce PIB in our chemicals operations that are part of our Brazil Segment.
Polyolefins	Macromolecules formed by the polymerization of olefin monomer units. The most common are polypropylene (PP) and polyethylene (PE).	Used in a broad range of consumer and industrial applications.	We produce polyolefins in our polyolefins operations that are part of our Brazil Segment.

Polypropylene (PP)	PP is a thermoplastic resin and the second most widely produced commodity plastic, after PE. Obtained by the polymerization of propylene, PP is generally harder and more heat resistant than PE.	Widely used in the automotive and furniture industry, in consumer goods, for packaging and labeling, and in other industrial applications.	We produce PP in our polyolefins operations that are part of our Brazil Segment.
Polyvinyl chloride (PVC)	PVC is the world's third-most widely produced synthetic plastic polymer, after PE and PP, obtained by the polymerization of vinyl chloride monomer (VCM), a monomer generally made of ethylene and chlorine.	Used mainly in infrastructure and construction for pipes and profile applications, such as doors and windows, and also in plumbing, electrical cables, flooring, and as a replacement for rubber.	We produce PVC in our vinyls operations that are part of our Brazil Segment.
Propane	A type of natural gas liquid (NGL), propane is a gas in standard temperature and pressure, and is extracted from natural gas in liquid form.	Commonly used together with butane in heating and cooking applications, and also as a raw material in the petrochemical industry.	We use propane together with ethane as a raw materials to produce petrochemical products in our chemicals operations that are part of our Brazil Segment.
Propylene	A hydrocarbon, propylene is a colorless gas, and the second most widely used olefin in the chemical industry, after ethylene. It can be obtained as a co-product of steam cracking or refining, and from on-purpose production.	Used mainly to produce polypropylene resins and a wide variety of other chemicals, such as propylene oxide and acrylonitrile.	We produce propylene in our chemicals operations that are part of our Brazil Segment as a by-product of steam cracking. Propylene is also the main raw material that we use to produce polypropylene in our polyolefins operations that are part of our Brazil Segment, and United States and Europe Segment.
Refinery off gas	Gas that is produced as a by-product of the refining of crude oil. It is a mixture of methane, ethane, hydrogen and other gases.	Used as a feedstock in the petrochemical industry.	We use refinery off gas as a raw material in our chemicals operations that are part of our Brazil Segment to produce ethylene.

Salt	Salt is a mineral composed primarily of sodium chloride.	Used in a wide variety of industries, mainly in the chlor-alkali process to produce caustic soda and chlorine, and as a food additive.	We use salt to produce chlorine and caustic soda in our vinyls operations that are part of our Brazil Segment.
Sodium hypochlorite	Sodium hypochlorite is a chlorine compound.	Used as a disinfectant or a bleaching agent and to produce other chemicals.	We produce sodium hypochlorite in our vinyls operations that are part of our Brazil Segment.
Tetramer	Tetramer, or propylene tetramer, is an olefin.	Used as a plasticizer, surfactant, lubricating oil additive and polymerization agent.	We produce propylene tetramer in our chemicals operations that are part of our Brazil Segment.
Thermoplastic resins	Raw, unshaped polymers, such as PE, PP and PVC.	Used in the plastic industry and other industries.	We produce thermoplastic resins in our chemicals operations that are part of our Brazil Segment.
Toluene	An aromatic hydrocarbon.	Used predominantly as an industrial feedstock and a solvent.	We produce toluene in our chemicals operations that are part of our Brazil Segment.
UHMWPE	Ultra-high molecular weight polyethylene, or UHMWPE, is a special type of thermoplastic polyethylene.	Used in industrial applications that require durability, low friction, and chemical resistance, including wear strips, chain guides, and marine dock fender pads, among others.	We produce UHMWPE in our United States and Europe Segment.
Vinyls	Vinyls, or vinyl polymers, are a group of polymers derived from vinyl monomers. The most common type of vinyl is PVC.	Used in the plastic industry and other industries.	We produce vinyls in our vinyls operations that are part of our Brazil Segment.

Certain Other Selected Terms Used in This Annual Report

As used in this annual report:

- “first generation products” means basic petrochemical products such as ethylene and propylene produced from naphtha, natural gas, and ethane. The basic petrochemical products are used as feedstocks for the production of second generation products. We also sell certain first generation products to our customers;
- “second generation products” means thermoplastics resins, such as PE, PP and PVC;
- “third generation” means plastics converters;
- “third generation products” means finished plastic products produced by molding thermoplastic resins into end-use applications;

- “annual production capacity” means the annual nominal capacity for a particular facility, calculated based on operations during the 24 hours of the day for an entire year;
- “kton” means a kiloton, which is equal to 1,000 tons, or 2,204,622.62 pounds;
- “ton” means a metric ton, which is equal to 1,000 kilograms or 2,204.62 pounds.

Rounding

We have made rounding adjustments to some of the amounts included in this annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the amounts that precede them.

Currency Conversion

Solely for the convenience of the reader, we have translated certain amounts included in “Item 3. Key Information— Selected Financial and Other Information” and elsewhere in this annual report from *reais* into U.S. dollars using the selling rate as reported by the Brazilian Central Bank as of December 31, 2020 of R\$5.1967 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, or the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “aim,” “anticipate,” “believe,” “can,” “continue,” “estimate,” “expect,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “project,” “seek,” “should,” “target,” “would,” or the opposite of these terms or other similar expressions are forward-looking statements. We caution you that these statements are not guarantees of future performance. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us. Our actual outcomes and results of operations may differ materially from what we have expressed or forecast in the forward-looking statements.

Our forward-looking statements may be influenced by numerous factors, including the following:

- the adverse effect of global health crises, such as the novel coronavirus pandemic, or the COVID-19 pandemic, and others, on our Brazilian and international sales and operations, demand for our petrochemical products, our manufacturing facilities, price of raw materials, logistics for our products and raw materials, and supply chains;
- general economic, political and business conditions in the markets or jurisdictions in which we operate, including demand and prices for petrochemical products;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar and other currencies;
- the cyclical nature of the global petrochemical industry;
- competition in the global petrochemical industry;
- prices of naphtha, ethane, propane, propylene and other raw materials and the terms and conditions of the supply agreements related thereto;
- international prices of petrochemical products;
- actions taken by our major shareholders;
- inherent risks related to any change of our corporate control;
- our ability to implement our financing strategy and to obtain financing on satisfactory terms;
- our progress in integrating the operations of companies or assets that we may acquire in the future, so as to achieve the anticipated benefits of these acquisitions;
- changes in laws and regulations, including, among others, laws and regulations affecting tax and environmental matters and import tariffs in other markets or jurisdictions in which we operate or to which we export our products;
- future changes in Brazilian, Mexican, American and European policies and related actions undertaken by those governments;
- a deterioration in the world economy that could negatively impact demand for petrochemicals;
- decisions rendered in major pending or future tax, labor, environmental and other legal proceedings; and
- other factors identified or discussed under “Item 3. Key Information—Risk Factors.”

Our forward-looking statements are not a guarantee of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Exchange Rates

The current laws and regulations governing the Brazilian foreign exchange system allow the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See “—Risk Factors—Risks Relating to Brazil—Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity” and “—Risk Factors—Risks Relating to Our Equity and Debt Securities—If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.”

Risk Factors

Risks Relating to Us and the Petrochemical Industry

Global or regional health pandemics or epidemics, including that related to the novel coronavirus (COVID-19), may adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by the COVID-19 pandemic, which was reported to have surfaced in China in December 2019 and spread to the rest of the world, or by other pandemics or epidemics of similar nature. In 2020, the COVID-19 pandemic significantly impacted economic activity and markets around the world, and its severity, magnitude and duration are highly uncertain, rapidly changing and difficult to predict. At this time, our management cannot fully predict with certainty the final effects that the COVID-19 pandemic will have on our business, financial condition and results of operations and whether these effects will be material to us. The spread of COVID-19 has caused us to modify certain of our business practices, and we may take further actions as required by government authorities or that we determine are in the best interests of our employees, customers, partners and suppliers. Based on operating data for the year 2020 and the publicly reported expected impact on certain industries that are customers to our products (such as automotive and construction), we believe that COVID-19 has affected our business in numerous ways, including, but not limited to, reduction of our production, sales volume and net revenue, increase of some of our costs, and decrease of our gross margin.

We have closely monitored the effects of the COVID-19 pandemic on our business and the communities located in the regions in which we operate. On March 20, 2020, we formed a crisis committee to establish procedures focusing on the health and safety of our employees and the continuity of our operations. To that end, we have adopted the following measures: (i) ordered all of our employees and contractors who were most vulnerable to COVID-19 to work remotely until criteria for a safe return to their worksite were met; (ii) ordered all of our employees and contractors who were not directly related to the safe continuity of our operations to work remotely until criteria for a safe return to their worksite were met; (iii) reduced the number of employees and contractors working at our industrial plants and prioritized operations with fewer people, while ensuring that all rules relating to ensuring personal safety and operational reliability were followed; (iv) restricted visits by non-routine third parties and suppliers to our facilities; (v) created agendas jointly with our customers and local communities to assess whether products on our portfolio could be used to help fight the COVID-19 pandemic; and (vi) created, implemented and monitored the indicators of the Plan for Safe Return to Braskem plants and offices.

During the second quarter of 2020, the capacity utilization rates of our plants in Brazil and the United States were temporarily reduced to 70% and 90%, respectively, to adjust to the weaker demand for our products and to the destocking trend in the petrochemical and plastics production chains. The capacity utilization rates followed market demand and export opportunities that arose in other regions, especially with the restart of economies in Asia, which occurred before other regions of the world.

During the third quarter of 2020, there was strong recovery in demand for resins in Brazil and in the United States that led the capacity utilization rates of the petrochemical plants to return to normal levels. In the fourth quarter of 2020, the demand for resins remained strong and the capacity utilization rates in Brazil and the United States remained at levels similar to those of the previous quarter.

In Europe and Mexico, the capacity utilization rates returned to their normal levels in the second quarter of 2020, following the gradual recovery in demand, resulting in capacity utilization rates of 83% and 80%, respectively. With regard to the fourth quarter of 2020, despite the recovery in demand that began in the previous quarter, the capacity utilization rate in Europe was 64% due to the scheduled shutdown of our European plant.

During 2020, we adopted cash-preservation measures to ensure the financial stability and resilience of our business, which included: (i) drawing down a revolving credit facility in the amount of US\$1.0 billion in April 2020, which comes due in 2023; at the end of July 2020, we Company prepaid the facility in full, in an amount corresponding to R\$5.5 billion; (ii) issuing bonds in the international market by our subsidiary Braskem Netherlands Finance B.V., in July 2020, in the amount of US\$600.0 million (R\$3.2 billion); (iii) reducing fixed costs by 9% compared to the same period of 2019; (iv) reducing investments planned for 2020, from US\$721.0 million (R\$3.9 billion) to US\$555.0 million (R\$2.8 billion); and (v) optimizing our working capital.

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it may impact our customers, team members, suppliers, business partners and distribution channels. We are at this time unable to fully predict the impact that the COVID-19 pandemic will have on our financial position and results of operations due to numerous uncertainties that we are unable to predict or control, such as the severity of the virus, the duration of the outbreak, governmental, business or other actions, which could include additional limitations on our operations or mandates to provide products or services, impacts on our supply chains, the effect on customer demand, plant closures or changes to our operations. We cannot predict the impact that the COVID-19 pandemic will have on our customers, suppliers and other business partners, and any material effect on these parties could also adversely impact us. The effects on the health of our workforce, and our ability to meet staffing needs in our plants, distribution facilities, sale operations and other critical functions cannot be predicted. Further, the impacts of the expected worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer and corporate spending as well as other unanticipated consequences remain unknown. The pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which may reduce our ability to access capital or our customers' ability to pay us for past or future purchases, which could negatively affect our liquidity.

While we are actively managing our response to potential impacts that are identified, we may not be able to respond to all impacts on a timely basis to prevent adverse effects on our business, financial condition and results of operations.

The cyclical nature of the petrochemical industry may reduce our net revenue and gross margin.

The petrochemical industry, including the global markets in which we compete, is cyclical and sensitive to changes in global supply and demand. This cyclical nature may reduce our net revenue, increase our costs and decrease our gross margin, including as follows:

- downturns in general business and economic activity may cause demand for our products to decline;
- when global demand falls, we may face competitive pressures to lower our prices;
- increases in prices of the main raw materials we use, principally naphtha, ethane and propylene; and
- if we decide to expand our plants or construct new plants, we may do so based on an estimate of future demand that may never materialize or materializes at levels lower than we predicted.

Historically, the international petrochemical markets have experienced alternating periods of limited supply, which have caused prices and profit margins to increase, followed by expansion of production capacity, which has resulted in oversupply and reduced prices and profit margins. Prices in the petrochemical industry follow the global petrochemical industry, and we establish the prices for the products we sell in Brazil, other countries in Latin America, the United States and the world with reference to international market prices. Therefore, our net revenue, feedstock costs and gross margin are increasingly linked to global industry conditions that we cannot control, and which may adversely affect our results of operations and financial position.

Adverse conditions in the petrochemical industry may adversely affect demand for our products.

Sales of our petrochemical and chemical products are tied to global production levels and demand, which can be affected by macro-economic factors such as interest rates, international oil prices, shifts to alternative products, consumer confidence, employment trends, regulatory and legislative oversight requirements, trade agreements, as well as regional disruptions, natural disasters, epidemics, pandemics, or other global events. Therefore, our net revenue, feedstock costs and gross margin are increasingly linked to global conditions that we cannot control, and which may adversely affect our results of operations and financial position. For example, the persistence of the COVID-19 pandemic could negatively impact supply chains worldwide and demand for our products. The extent to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including the severity of the COVID-19 pandemic, actions to contain it or treat its impact, among others.

Our revenue from certain of our customers is significant, and the credit risks associated with these customers could adversely affect our results of operations.

We engage in a number of transactions where counterparty credit risk is a relevant factor, including transactions with certain of our customers and those businesses we work with to provide services, among others. These risks are dependent upon market conditions and also the real and perceived viability of the counterparty. The failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss in certain situations. Our revenue from certain of our customers is significant, and the credit risks associated with these customers could adversely affect our results of operations. Certain contracts and arrangements that we enter into with counterparties may provide us with indemnification clauses to protect us from financial loss. To the extent the credit quality of these customers deteriorates or these customers seek bankruptcy protection, our ability to collect our receivables, and ultimately our results of operations, may be adversely affected. In addition, delays in payment cycles by significant customers may adversely affect our liquidity and working capital.

In addition, we are dependent on certain of our customers and their economic or competitive weaknesses. If the viability of the business of certain of our customers deteriorates, it could have a material adverse effect on our cash flows and results of operations.

Our results may be adversely affected by increases in expected credit losses.

We have a large balance of accounts receivable and have established a reserve for the portion of such accounts receivable that we estimate will not be collected because of our customers' non-payment.

If the viability of the business of certain of our customers deteriorates or our credit policies are ineffective in reducing our exposure to credit risk relating to such customers, additional increases in expected credit losses accounts may be necessary, which could have a material adverse effect on our cash flows and results of operations. We record expected credit losses in an amount we consider sufficient to cover estimated losses on the realization of our trade accounts receivable, taking into account our loss experience and the aging of our accounts receivable, but we cannot assure you that these amounts will be sufficient to cover eventual losses. In addition, delays in payment cycles by significant customers may adversely affect our liquidity and working capital.

As of December 31, 2020, our total trade accounts receivable, net of expected credit losses (R\$173.0 million) was R\$4,755.2 million.

Global macroeconomic factors have had, and may continue to have, adverse effects on the margins that we realize on our products.

Our results of operations may be materially affected by adverse conditions in the financial markets and depressed economic conditions generally. Economic downturns in geographic areas or jurisdictions in which we sell our products may substantially reduce demand for our products and result in decreased sales volumes. Recessionary environments adversely affect our business because demand for our products is reduced.

According to the IMF, the world's GDP contracted by 3.5% in 2020, a decrease of 6.8 percentage points as compared to the world's GDP growth during 2019. In 2020, Brazil's GDP contracted by 4.1%, compared to growth of 1.1% in 2019, 1.3% in 2018 and 1.0% in 2017.

According to the IMF, the U.S. GDP contracted by 3.4% in 2020 as compared to growth of 2.3%, 2.9% and 2.3% in 2019, 2018 and 2017, respectively. In addition, according to the IMF, European GDP contracted by 7.2% in 2020 and the Mexican GDP contracted by 8.5% in 2020.

Our ability to export to other countries depends on the level of economic growth in those countries and other economic conditions, including prevailing inflation and interest rates. In addition, disruptions in the global balance between supply and demand may impair our ability to export our products in response to a decline in domestic demand for these products. Prolonged volatility in economic activity in our key export markets, such as South America, Europe and Asia, could continue to reduce demand for some of our products and lead to increased margin pressure by importers into Brazil, which would adversely affect our results of operations.

We face competition from producers of polyethylene, polypropylene, PVC and other products.

We face strong competition across all of our products. Our U.S. operations face competition in the United States from other U.S. producers of polypropylene and the other foreign producers of polypropylene that serve the United States. Our German operations face competition in Europe and the other export markets that it serves from European and other foreign producers of polypropylene. Our Mexico operations face competition from Mexican and U.S. producers of polyethylene producers. Competitors from South America are able to export to Brazil with reduced or no import duties. In addition, producers of almost all continents have regular or spot sales to trading companies and direct customers in Brazil for our products, including resins.

We generally set the prices for our second generation products sold in Brazil with reference to the prices charged for these products by foreign producers in international markets. We generally set the prices for our second generation products exported from Brazil based on international spot market prices. We set the prices for polypropylene sold in the United States and Europe based on regional market pricing. The price for polyethylene in Mexico is based on prices for the polymer in the U.S. Gulf Coast region.

As a result of the recently commissioned gas-based ethylene capacity and of the expected new capacity for production of resins and petrochemicals, coupled with the competitive pricing of the ethane as feedstock for petrochemicals production, we anticipate that we may experience increased competition from producers of thermoplastic resins, especially from North American, Middle East and Chinese producers, in the markets in which we sell these products.

In addition, the appreciation of the *real* against the U.S. dollar may increase the competitiveness of prices of imported products in *reais*, which may increase the competition in Brazil from other producers of second generation products. Some of our foreign competitors are substantially larger and have greater financial, manufacturing, technological and/or marketing resources than us. Also, the appreciation of the Euro against the U.S dollar may increase the competitiveness of prices of imported products denominated in Euro and, as a consequence, increase competition from imports and the appreciation of Mexican peso against the U.S dollar may increase the competition in Mexico from other producers of second generation products.

We may face competition from producers of substitutes for our products as a result of evolving technology, consumer and industry trends and preferences, and regulatory changes.

We compete in a market that relies on technological innovation and the ability to adapt to evolving consumer and industry trends and preferences. Petrochemical products and other products produced with our petrochemical products, such as consumer plastic items, are subject to changing consumer and industry trends, demands and preferences, as well as stringent regulatory and environmental requirements. Therefore, products once favored may, over time, become disfavored by consumers or industries or no longer be perceived as the best option, which may, therefore, adversely affect our results of operations and financial position.

Plastic waste and climate change are global environmental concerns that receive growing attention from the population, national and local governments, private companies, trendsetters, and consumers worldwide. There has been a growing trend to attempt to move away from the use of plastic products, which has been backed by governmental and lawmaking initiatives.

In 2019, the European Union parliament approved regulations banning single-use plastic items such as plates, cutlery, straws and cotton buds sticks from 2021 and adopting a strategy for disposal of plastic products in a circular economy that aims to significantly increase recycling and targets the plastic products most often found on beaches and in seas. In addition, state and local governments in other countries, for example in China and Brazil, have proposed or implemented bans on single-use plastic products. The expansion of regulation or the prohibition of plastic products use could increase the costs incurred by our customers or otherwise limit the application of these products, and could lead to a decrease in demand for PE, PP and other products we make. Such a decrease in demand could adversely affect our business, results of operations and financial condition.

In response to these developments, we are supporting several initiatives to foster a “circular economy” (reusing and repurposing resources within the economy), including: (i) partnerships to develop new products and applications to improve efficiency and promote recycling and reuse (circular design); (ii) investing in the development of new renewable products to support the circular economy at the beginning of the value chain; (iii) supporting and developing new technologies, business models and systems for recycling and improving recycling chains and recovery of materials; (iv) engaging consumers in recycling and recovery programs, especially through educational programs in connection with responsible consumerism to further knowledge on the value of plastic waste to the economy; (v) supporting and using life cycle assessment tools to select the most sustainable option, considering the economic, social and environmental impacts of plastic; (vi) supporting the measurement and communication of recycling and recovery indicators for plastic packaging materials; (vii) engaging in partnerships to understand, prevent and solve issues associated with mismanagement of plastic residues, especially debris in oceans; and (viii) supporting public policies to improve solid waste management and recycling chains, especially of plastic waste and other initiatives carried out within our industry. There are still many goals to be accomplished to reduce plastic waste and marine litter, which may lead to decreased interest in our products by our customers and consumers, and impact our results of operations and financial condition. Our continued success depends on our ability to continue to differentiate ourselves and our products, and to react to changes in these trends.

Factors that may affect consumer perception of our products, or of consumer goods produced with our products, may include health trends and attention to substitute products perceived as more environmentally friendly. For example, in recent years, we have witnessed a shift in consumer preference moving away from plastic straws and in favor of straws made from other materials, such as paper or other compounds. A failure to react to similar trends in the future could enable our competitors to grow or secure their market share before we have a chance to respond.

In addition, regulations may be amended or enacted in the future that would make it more difficult to appeal to our customers, end consumers, or to leverage the products that we produce. For example, failure to comply with applicable policies, which could lead to lower demand for our products, banning of plastic products without allowing the search for alternatives employing efficient solutions, including resins produced by Braskem, could have a material adverse effect on our business, results of operations and financial condition. Also, even if we are able to continue to distinguish our products, there can be no assurance that our competitors (including producers of substitutes) will not be successful in persuading consumers of our products to switch to their products. Some of our competitors may have greater access to resources than we do, which may better position them to react and adapt to evolving trends, preferences, and regulatory changes. Any loss of interest in our products, or consumer products produced with our products, may have a material adverse effect on our business, results of operations and financial condition.

Higher raw materials costs would increase our cost of products sold and may reduce our gross margin and negatively affect our overall financial performance.

Naphtha, a crude oil derivative, is the principal raw material used by our Brazil Segment (formerly our Chemicals Unit). Naphtha accounted, directly and indirectly, for 35.1% of our consolidated cost of products sold in 2020 and 40.7% in 2019, respectively.

Ethane and propane are the principal raw materials that we use to produce our basic petrochemical products in our petrochemical complex located in Duque de Caxias, in the State of Rio de Janeiro, or the Rio de Janeiro Complex, and represent the principal production and operating cost of such Complex. Ethane and propane accounted, directly and indirectly, for 0.8% and 0.9%, respectively, of our consolidated cost of products sold in 2020 and for 0.5% and 1.0%, respectively, of our consolidated cost of products sold in 2019.

Propylene is the principal raw material that we use to produce polypropylene in the United States and Europe and represents the principal production and operating cost of our USA and Europe Segment. We also purchase propylene in the Brazilian market for certain of our Brazilian polypropylene plants. Propylene accounted, directly and indirectly, for 20.9% and 20.1% of our consolidated costs of products sold in 2020 and 2019, respectively.

Ethane is the principal raw material that we use to produce ethylene in the Mexico Complex and represents the principal production and operating cost of the Mexico Complex. Ethane accounted, directly and indirectly, for 1.7% and 1.3% of our consolidated costs of products sold in 2020 and 2019, respectively.

In Brazil, we purchase the naphtha used by our chemicals operations that are part of our Brazil Segment at prices based on the Amsterdam-Rotterdam-Antwerp naphtha price, or the ARA price, and the ethane and propane at Mont Belvieu market prices. We purchase ethane used by our Mexico Segment at prices based on international reference prices. We purchase the propylene used in Brazil and USA plants at prices based on U.S. Gulf reference price, or the USG price. We purchase the propylene used in our Europe plants as reported by ICIS-LOR based on monthly contract price for propylene for Europe. We purchase refinery off gas at a price related to imported natural gas price.

The ARA price of naphtha fluctuates primarily based on changes in the U.S. dollar-based price of Brent crude oil on the Intercontinental Exchange based in London. In 2020, the ARA price of naphtha decreased 29.7% from US\$505.3 per ton in 2019 to US\$355 per ton in 2020, which was the result of lower oil prices due to the lower oil demand that was impacted by the COVID-19 pandemic.

In 2020, the Mont Belvieu prices of ethane averaged US\$0.19 per gallon, or US\$140.7 per ton, decreasing 12.3% from 2019, driven by higher supply associated with the: (i) startup of new gas fractionators and pipelines for transportation; and (ii) delays in the startup of new petrochemical crackers.

In 2020, the USG price for propylene averaged US\$734 per ton, 10.5% lower than 2019, mainly due to lower oil price in the international market.

The European price reference for propylene averaged US\$827 per ton in 2020, or 19.3% lower than in 2019, mainly due to lower oil price in the international market. The price of naphtha, ethane, propane and propylene in U.S. dollars has been, and may continue to be, volatile. In addition, fluctuations of the U.S. dollar in the future may effectively increase our naphtha, ethane, propane and propylene costs in *reais*. Any increase in naphtha, ethane, propane or propylene costs would reduce our gross margin and negatively affect our overall financial performance to the extent we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

We do not hedge against price changes in our raw materials and, as a result, we are exposed to such fluctuations.

Currently, we do not hedge our exposure to feedstock price changes beyond transit periods when buying cargoes from foreign sources. We believe there is a natural hedge in the petrochemical industry operations, mainly due to the historical correlation observed between naphtha, the principal feedstock of a marginal producer, and its final products (PE, PP, PVC, and others). Historically, naphtha price fluctuations show a high correlation with changes in the first- and second-generation petrochemical products. Therefore, any hedge solely with respect to naphtha's price would break this natural protection, most likely making our results more volatile. However, in light of our ongoing feedstock diversification, with ethane and propane representing a more significant portion of our variable costs, the natural hedge described above has weakened. Compared to naphtha and propylene, ethane and propane prices show a lower correlation to our final products. As a result, final consumer prices may not reflect feedstock cost fluctuations.

We depend on Petrobras to supply us with a substantial portion of our naphtha, ethane, propane and propylene needs.

Petróleo Brasileiro S.A. – Petrobras, or Petrobras, is the only Brazilian supplier of naphtha and has historically supplied up to 70% of the naphtha consumed by our chemicals operations that are part of our Brazil Segment. In 2020, Petrobras supplied 54% of the naphtha consumed by our chemicals operations that are part of our Brazil Segment. Currently, Petrobras is also our primary supplier of ethane, propane and refinery off gas and has historically supplied the ethane, propane and refinery off gas consumed at our petrochemical complex located in the Rio de Janeiro Complex and our chemical complex located in Capuava, in the State of São Paulo, or the São Paulo Complex.

We are a party to several propylene contracts with Petrobras refineries, which have historically supplied 40% of our propylene need to produce polypropylene in Brazil. As a result of limited infrastructure in Brazil to allow the importation of propylene in large quantities and substantial costs associated with the storage and transportation of the product.

One of our propylene agreements with Petrobras will expire in 2021 and others will expire between 2026 and 2029. As of the date of this annual report, we cannot assure you that these agreements will be renewed and, if renewed, whether we will be able to keep the same terms and conditions currently in force, including with respect to pricing, volume, pipeline and other infrastructure access.

In June 2020, we entered into new agreements with Petrobras for the supply of petrochemical naphtha to our industrial units in Bahia and Rio Grande do Sul. The agreements, with a term of five years following the expiration of the prior agreement with Petrobras, establish the supply of a minimum annual volume of 650,000 tons and, at the option of Petrobras, an additional volume of up to 2.8 million tons per year, at the price of 100% of the international reference ARA. In addition, to guarantee access to the naphtha logistics system in Rio Grande do Sul, we also renewed the storage agreement with Petrobras and the transport and storage agreement with Petrobras Transporte S.A.

In December 2020, we concluded the renewal of our feedstock supply agreements in Brazil with Petrobras for the supply of petrochemical naphtha to our industrial unit in São Paulo and ethane and propane to our industrial unit in Rio de Janeiro. The agreements, with a term of five years following the expiration of the prior agreements, establish the supply of up to 2.0 million tons per year of petrochemical naphtha to our industrial unit in São Paulo and up to 580,000 tons of ethylene equivalent (volume of ethylene per ton of ethane and propane) per year to our industrial unit in Rio de Janeiro, with prices based on international reference prices

Petrobras controls a substantial portion of the pipeline infrastructure used to transport naphtha across Brazil and is our primary supplier of naphtha, ethane, propane and propylene. A failure to renew or extend our existing agreements for the supply of raw materials or pipeline infrastructure use, or a termination of such agreements with Petrobras could lead to difficulties in accessing Petrobras' pipeline infrastructure. The alternative would be to access pipeline infrastructure through the National Petroleum Agency, or the ANP, which would grant access to the pipeline infrastructure at a cost defined by the ANP.

Therefore, our production volumes and net revenue would likely decrease, while our costs would likely increase, and adversely affect our overall financial performance in the event of the occurrence of one or more of the following:

- significant damage to Petrobras' supply infrastructure through which Petrobras and Braskem import naphtha, or to any of the pipelines connecting our plants to Petrobras' facilities, whether as a result of an accident, natural disaster, fire or otherwise;

- termination by Petrobras of the naphtha, ethane, propane or propylene supply contracts with us, which provide that Petrobras may terminate the contracts for certain reasons described in “Item 4. Information on the Company”;
- considering that Petrobras (and/or its subsidiaries) controls a substantial portion of the logistics infrastructure of our raw material across Brazil and our existing agreements for using its assets and their operation over certain Braskem’s assets, we could also assume that we would face difficulties to import and ensure access of raw material to our crackers in a scenario that these agreements are terminated by Petrobras (and/or its subsidiaries) and therefore with a substantial impact on the infrastructure that we currently access; or
- failure to renew or extend our existing agreements for the supply of raw materials or pipeline infrastructure use considering that Petrobras is conducting a divestment plan of its assets that also includes certain refineries that supply naphtha and propylene to us and some logistic infrastructure assets.

In addition, although regulatory changes have ended Petrobras’ monopoly in the Brazilian naphtha market and have allowed us to import naphtha, any restrictions imposed on the importation of naphtha into Brazil could increase our production costs which would reduce our gross margin and negatively affect our overall financial performance. For a discussion of additional risks related to sole-source suppliers, see “—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof.”

We depend on propylene supplied by third parties in the United States and Europe.

Our reliance on third party suppliers poses significant risks to our results of operations, business and prospects. We rely upon third parties to supply our plants with propylene. We acquire propylene for our polypropylene plants in the United States under several long-term supply agreements and through the spot market. As of December 31, 2020, we had fourteen long-term supply agreements with multiple suppliers. The pricing formulas for propylene under these supply agreements are generally based on market prices. As of the date of this annual report, we cannot assure you that these agreements will be renewed and, if renewed, whether we will be able to keep the same terms and conditions currently in force, including with respect to pricing, volume, pipeline and other infrastructure access.

We acquire propylene for our polypropylene plants in Germany under long-term supply agreements that provide for the supply of 91% of the propylene requirements of these plants. We have two main supply agreements in Germany. One will expire in September 2021 and will be replaced by a new five-year agreement effective as of October 1, 2021 with a term until September 30, 2026, and thereafter will automatically be renewable for consecutive one-year terms, unless terminated by one of the parties. The other agreement expires in December 2024, and thereafter will also be automatically renewable for consecutive one-year terms, unless terminated by one of the parties. We have entered into a third contract that will expire at the end of 2022 increasing the supply of our plants to 94% of the propylene required. The pricing formula for propylene under these supply agreements is based on market prices. As of the date of this annual report, we cannot assure you that these agreements will be renewed and, if renewed, whether we will be able to keep the same terms and conditions currently in force, including with respect to pricing, volume, pipeline and other infrastructure access.

Delays in the availability of propylene of acceptable quality, or our inability to obtain such acceptable propylene in the quantities we need over what has been contracted, or at all, may adversely affect our revenue and results of operations.

We depend on ethane supplied by Pemex TRI in Mexico.

We currently source most of our supply of ethane, which is the primary feedstock used in our polyethylene production process, from Pemex Transformación Industrial, or Pemex TRI, a state-owned Mexican entity, which is a subsidiary of Petróleos Mexicanos, or Pemex, the state-owned Mexican oil and gas company, pursuant to an ethane supply agreement, or the ethane supply agreement, entered into by Braskem Idesa S.A.P.I., or Braskem Idesa, which is our joint venture with Grupo Idesa, S.A. de C.V., or Idesa, with Pemex TRI under competitive commercial conditions at prices that reference: (i) the Mont Belvieu purity ethane price; and (ii) the Henry Hub price, which are both U.S. dollar-based international reference prices. As a result, our production volumes, net revenue and profit margins would likely decrease and materially adversely affect our overall financial performance in case one or more of the following events occur:

- significant damage to Pemex TRI's gas processing centers or to any of the pipelines connecting our complex to Pemex TRI's facilities, whether as a consequence of an accident, natural disaster, fire or otherwise;
- any further decrease in the amount of ethane currently being delivered by Pemex TRI to our petrochemical complex;
- any dispute with Pemex TRI and Pemex Exploración y Producción or Pemex PEP, related to the ethane supply agreement, including the non-recognition or non-payment of shortfall penalties and the decrease or failure to supply the contracted volume of ethane;
- any material default by us or by Pemex TRI to supply ethane in the contractually agreed volumes or qualities under the ethane supply agreement;
- any repudiation or termination by Pemex TRI or by us of the ethane supply agreement, or any repudiation or termination by other Mexican state-owned companies of related supply (including those for the transportation of supplies) agreements, such as Cenagas (*Centro Nacional de Control del Gas Natural*); or
- delays in the availability of ethane of acceptable quality, or our inability to obtain acceptable ethane in the quantities and quality that we need, or at all, or at reasonable prices.

Under the ethane supply agreement with Pemex, any daily volume rejected by Braskem Idesa must be purchased in installments in subsequent deliveries until the deficit has been resolved and, if Pemex delivers to Braskem Idesa less than the volumes required under the ethane supply agreement, it needs to pay shortfall penalties to Braskem Idesa.

Regarding shortfall penalties due under the ethane supply agreement, the accumulated amount related to credit notes that Pemex should have delivered for the shortfall penalties for failing to supply ethane at the volume established in the ethane supply agreement was approximately US\$119.1 million as of December 31, 2020. As of the date of this annual report, Pemex has yet to provide such credit notes or otherwise pay the shortfall penalties owed for its failure to deliver ethane and has therefore not fulfilled its contractual obligation on a timely basis.

At Pemex's request, we are currently engaged in ongoing discussions with Pemex, Pemex TRI, and Pemex PEP to try and address the issues described above related to the ethane supply agreement. We can give no assurances as to the outcome of such discussions.

Furthermore, the ethane supply agreement could also be impacted by changes in laws and regulations, terminated or repudiated by Pemex TRI as a result of political pressure or be subject to expropriation or other adverse measures by the Mexican government or government entities. We may also renegotiate the terms of the ethane supply agreement, voluntarily or as a result of changes in laws and regulations, or otherwise.

The provisions for early termination by Pemex TRI under the Ethane Supply Agreement include: (i) our failure to pay that continues for more than six months after notice; or (ii) an emergency stoppage in operations or force majeure event due to which our insurers consider the complex to be a total loss, or after which we cannot or do not resume operations for 48 months.

If Pemex TRI (i) delivers less than an average of 70% of the 66,000 barrels of ethane per day over a six-month period, (ii) reaches the annual limit in respect of shortfall penalties owed by Pemex TRI to us and such limit is not waived by Pemex TRI, or (iii) materially breaches any of its obligations related to the supply of ethane thereunder; Braskem Idesa has the right to notify Pemex TRI through a notice of breach. If such breach continues for more than six months after notice, or an extended period if the parties agree, Braskem Idesa has the right to terminate the ethane supply agreement and require Pemex TRI and Pemex PEP to repay certain outstanding debt and compensate Braskem and Idesa according to an agreed valuation formula including the repayment of certain of our debt in the form of a put option right under the ethane supply agreement.

Braskem Idesa and its operations in Mexico, including agreements entered into with state-owned or state-controlled entities, are subject to political interference by the Mexican government, which may lead to the termination or repudiation of certain contractual relationships and interference on Braskem Idesa's operations that may materially and adversely affect us.

In addition, legal measures have been initiated by Braskem Idesa, pursuant to the ethane supply agreement entered into between Braskem Idesa and PEMEX based on applicable international rules, to enforce legal and contractual rights of Braskem Idesa. Such measures include a remediation period during which Braskem Idesa will seek a resolution between the parties. Any termination, cancellation or modification of the ethane supply agreement or reduction in the amount of shortfall penalties owed to us by Pemex TRI for any other reason, could have an adverse effect on our results of operations and financial condition. See “Item 4. Information on the Company—Mexico Segment—Supply Contracts of the Mexico Segment—Ethane” and “Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture—Mexico Complex.”

In the first quarter of 2021, Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa’s shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

Any termination, cancellation or modification of the ethane supply agreement or reduction in the amount of shortfall penalties owed to us by Pemex TRI for any other reason, could have an adverse effect on our results of operations and financial position. See “Item 4. Information on the Company—Mexico Segment—Supply Contracts of the Mexico Segment—Ethane” and “Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture—Mexico Complex.”

We depend on services and products supplied by a Mexican state-owned company

Braskem Idesa has entered into agreements with Mexican state-owned companies for the transportation of natural gas and water supply, among others. Any termination, cancellation or modification of such agreements could have an adverse effect on our results of operations and financial condition.

Furthermore, such agreements could also be impacted as a result of changes in laws and regulations, terminated or modified as a result of political pressure or be subject to expropriation or other adverse measures by the Mexican government or government entities. We may also renegotiate the terms of such agreements, voluntarily or as a result of changes in laws and regulations, or otherwise.

In early December 2020, Braskem Idesa received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency responsible for all natural gas pipelines and transportation in Mexico, related to the unilateral termination of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities. Later in January 2021, Braskem Idesa partially resumed its operations based on an experimental business model to produce PE. Braskem Idesa has taken legal measures pursuant to the ethane supply agreement entered into with Pemex. Braskem Netherlands B.V, which is Braskem Idesa’s direct shareholder, has also taken legal measures under applicable international investment protection standards to protect the interests of Braskem Idesa and its parent company with regard to their investment in Mexico. Such measures include a negotiation period to attempt to resolve the dispute between the parties.

In the first quarter of 2021, Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa’s shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

Failure by Cenagas to renew the agreement for transportation of natural gas or any other agreement with a Mexican state-owned company could have a material adverse effect on our business, results of operations and financial condition. For a discussion of additional risks related to sole-source suppliers, see “—We depend on ethane supplied by Pemex TRI in Mexico,” “—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof” and “We depend on ethane supplied by Pemex TRI in Mexico.”

For a discussion of additional risks related to sole-source suppliers, see “—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof.”

We have no control over the corporate actions or decisions of Pemex TRI and Cenagas, which are, respectively, our main supplier of ethane and provider of natural gas transportation services and Mexican state-owned enterprises subject to political interference and related risks.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the Mexican economy and state-owned enterprises could have a significant impact on Mexican private sector entities in general and on our operations in particular. We cannot predict the impact that political conditions will have on the Mexican economy. We can give no assurances that changes in Mexican federal government policies will not adversely affect our business, financial condition, results of operations and prospects. We currently do not have and do not intend to obtain political risk insurance, but the investment is subject to the protections provided under the bilateral investment treaty between the Netherlands and Mexico. For additional information, see “—Political events in Mexico could affect the Mexican economic policy and our business, financial condition and results of operations.”

Our main supplier of ethane, Pemex TRI, is a subsidiary of Pemex, a state-owned entity of the Mexican government, and, therefore, the Mexican government controls Pemex, as well as its annual budget, which is approved by the Mexican Congress. The Mexican government may cut spending in the future. These cuts could adversely affect Pemex’s annual budget and its ability to provide us with our contracted supply of ethane. In addition, Cenagas, which is a Mexican state-owned agency, has the monopoly of the transportation of natural gas in the region in which Braskem Idesa operates. As a result, the failure by Cenagas to renew the agreement for transportation of natural gas to our Ethylene XXI Project could have a material adverse effect on our business, results of operations and financial condition.

Pemex’s production, over which we have no control, nor over any other corporate action or decision, have decreased over the last years according to public disclosure by Pemex. As a result, it has led to a significant decrease in oil production and associated production of natural gas, which, in turn, is the feedstock used by Pemex in the production of ethane. Any further decrease in the amount of ethane currently being delivered by Pemex TRI to our petrochemical facility under the ethane supply agreement or any reduction in, or outright failure by, Pemex TRI to pay us the shortfall penalties owed under the ethane supply agreement, could have an adverse effect on our financial condition and results of operation.

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, U.S. domestic bribery laws, and other anti-corruption and anti-money laundering laws in the countries in which we conduct activities, including Mexico. We may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities in Mexico, such as Pemex TRI. We have been improving our compliance processes and controls to prevent the occurrence of any wrongdoing in such interactions. However, we could be held liable for the breach of such processes and controls and actions by our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities. Detecting, investigating, and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to whistleblower complaints, investigations, prosecution, enforcement actions, sanctions, settlements, fines, damages, other civil or criminal penalties or injunctions, suspension or prohibition from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any civil or criminal proceeding that may be filed against us, our business, financial condition and results of operations could be harmed.

In light of the allegations of undue payments related to the Ethylene XXI project, which were originally published in the media in Mexico and were included in the testimony by the former CEO of Pemex to the Office of the Attorney General of Mexico, we, together with Braskem Idesa, in compliance with the standards established by Braskem’s Global Compliance System Policy and Braskem Idesa’s governance guidelines, approved the engagement of a U.S. law firm with proven experience in similar cases to conduct an independent internal investigation of the allegations. The investigation is ongoing, and we are unable to estimate a date for its conclusion or its outcome. If the investigation concludes that there is evidence supporting any of the allegations, such findings could materially and adversely affect our business, reputation, financial condition, controls, and results of operations, as well as the liquidity and price of the securities issued by us.

We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof.

We rely on Petrobras for most or all of our supply of ethane, propane, refinery off gas and propylene in Brazil, a few companies for a large portion of our supply of propylene in our USA and Europe Segment, and Pemex TRI for most of our supply of ethane in Mexico. In Mexico, Cenagas (*Centro Nacional de Control del Gas Natural*), which is a state-owned agency, is the sole provider of gas transportation services. We rely on Cenagas for the transportation of natural gas to our Ethylene XXI Project. For naphtha supply to Brazil we rely on several international suppliers for most of the purchases to the crackers in the states of Bahia and Rio Grande do Sul, and we rely on Petrobras for the most of the supply only to the cracker located in the state of São Paulo and we rely on Petrobras for the major part of our supply of ethane and propane in the state of Rio de Janeiro. Also, we are subject to substantial risks because of our reliance on these and other limited or sole-source suppliers of raw materials, inputs and energy, including the following risks:

- if a supplier does not provide naphtha, ethane, propane, refinery off gas, propylene, sea salt, other inputs (including natural gas) or energy, as the case may be, that meet our or their specifications in sufficient quantities and with acceptable performance or quality on time or deliver when required, then sales, production, delivery of our products to our customers on a timely manner and revenue from our plants could be adversely affected;
- if our relationship with a key supplier changes or is adversely affected, for example, due to competitive pressures (or conflicting interests), we may be unable to obtain naphtha, ethane, propane or propylene, natural gas, as the case may be, on satisfactory financial terms;
- if an interruption of supply of naphtha, ethane, propane, refinery off gas, propylene, sea salt, other inputs (including natural gas) or energy, as the case may be, occurs because a supplier changes its technology roadmap, suffers damage to its manufacturing facilities, decides to no longer provide those products or services, increases the price of those products or services significantly or imposes reduced delivery allocations on its customers, it could take us a considerable period of time to identify and qualify alternative suppliers;
- some of our key suppliers are small companies with limited financial and other resources, and as a result, they may be more likely to experience financial and operational difficulties than larger, well-established companies, which increases the risk that they will be unable to deliver products as needed; and
- some of our suppliers are state-owned enterprises subject to political interference, including in Mexico (see “—We have no control over the corporate actions or decisions of Pemex TRI and Cenagas, which are, respectively, our main supplier of ethane and a provider of natural gas transportation services and Mexican state-owned enterprises subject to political interference”);
- if a key supplier is acquired or has a significant change in business, the production and sales of our systems and services may be delayed or adversely affected, or our development programs may be delayed or may be impossible to complete.

Delays in the availability of naphtha, ethane, propane, refinery off gas, propylene, sea salt, other inputs (including natural gas) or energy of acceptable quality, or our inability to obtain such acceptable naphtha, ethane, propane, propylene, sea salt, other inputs (including natural gas) or energy in the quantities we need or at all, may adversely affect our revenue and results of operations.

Our Brazil Segment depends on our chemicals operations to supply them with their ethylene and propylene requirements. In addition, our Brazil Segment depends on certain providers of environmental services for the treatment of effluents, industrial waste and water supply for industrial use.

Our chemicals operations are the only supplier of ethylene to our vinyls operations, the only supplier of ethylene to the polyethylene plants and the principal supplier of propylene to the polypropylene plants of our polyolefins operations. Because the cost of storing and transporting ethylene is substantial and there is inadequate infrastructure in Brazil to permit the importing of large quantities of ethylene and propylene, our polyolefins operations in Brazil and our vinyls operations are highly dependent on the supply of these products by our chemicals operations. Consequently, our production volumes of, and net revenue from, polyolefins and vinyls operations would decrease, and our overall financial performance would be negatively affected, in the event of the following:

- any significant damage to the facilities of our chemicals operations through which ethylene or propylene is produced, or to the pipeline or other facilities that connect our polyolefins plants or vinyls plants to our chemicals operations, whether as a consequence of an accident, natural disaster, fire or otherwise;
- any significant reduction in the supply of naphtha to our chemicals operations, as naphtha is the principal raw material used by our chemicals operations in the production of ethylene and propylene; or
- any significant reduction in the supply of ethane or propane to our basic petrochemical plant in Rio de Janeiro, as ethane and propane are the principal raw materials used in the production of ethylene and propylene.

Also, our production volumes of, and net revenue from, our chemicals operations products could decrease, and our overall financial performance would be negatively affected in the event of any significant damage to the facilities of our vinyls and polyolefins operations that are part of our Brazil Segment through which ethylene is consumed.

Our Brazil Segment depends on Cetrel S.A. (“Cetrel”), Água de Camaçari (“DAC”), both of which are our subsidiaries, Distribuidora de Água Triunfo (“DAT”), Companhia Riograndense de Saneamento (“CORSAN”), Aquapolo Ambiental S.A (“Aquapolo”), Refinaria de Paulínia (“REPLAN”) and Refinaria Duque de Caixas (“REDUC”) for the services such as: (i) treatment of effluents and industrial waste; (ii) supply of reuse water; (iii) supply of demineralized, clarified and potable water; and (iv) management of water reservoirs. An interruption in the operations of Cetrel, DAC, DAT, CORSAN, Aquapolo, REPLAN or REDUC may result in the shutdown of all of our plants at the Northeastern Complex, Southern Complex, São Paulo Complex, Paulínia plants and Rio de Janeiro Complex, in addition to increased environmental risks, which could lead to the shutdown of our entire petrochemical complex. If such a shutdown were to happen, our production volumes and net revenue from sales from our plants at the Camaçari Complex and the Rio Grande do Sul Complex would decrease, and our financial performance and results of operations would be adversely affected.

We may be materially adversely affected if our transportation, storage and distribution operations are interrupted or are more costly than anticipated.

Our operations are dependent upon uninterrupted transportation, storage and distribution of our products. Transportation, storage or distribution of our products could be partially or completely, temporarily or permanently shut down as the result of any number of circumstances that are not within our control, such as:

- catastrophic events;
- strikes or other labor difficulties; and
- other disruptions in means of transportation.

For example, in May 2018, Brazil experienced a national truck drivers’ strike that severely impacted the logistics operations of many companies throughout Brazil, including the delivery of our raw materials, our products, and other goods. In response to such strike, we gradually reduced the utilization rate of our petrochemical complexes in Brazil, which operated at 50% of their nominal capacity in May 2018. Following the strike, Brazil introduced a national freight cost schedule that set forth minimum prices for freight services provided by truck drivers and freight companies countrywide, which may have a lasting impact on freight prices in Brazil and lead to sustained increased transportation costs in the future in connection with our operations.

Any significant interruption at our distribution facilities, an inability to transport our products to or from these facilities, or to or from our domestic or foreign customers or suppliers, or an increase in transportation costs, for any reason, would materially adversely affect us.

In addition, as from January 2020, the International Maritime Organization (IMO) set a limit for sulphur in fuel oil used onboard ships of 0.50% m/m (mass by mass), aimed at significantly reducing the amount of sulphur oxide emissions by ships, down from the previous 3.50% m/m (mass by mass), which could increase our shipping costs and, as a consequence, decrease our gross margin.

We rely on access to third-party licensed technology and related intellectual property, particularly in the context of the manufacturing process of certain of our products. If the licensed third-party technology and intellectual property that we use cease to be available to us on commercially reasonable terms, or at all, or if any such third party ceases to provide us with technical support under license or technical services agreements that we have entered into with them to allow us to satisfactorily operate, certain of our production facilities, our operating results and financial condition could be adversely affected.

We use technology and intellectual property licensed from third parties in the regular operation of our business, particularly in the operation of certain machinery and equipment required for the production of certain of our products such as our first and second generation products, and we may continue to rely on access to third-party technology and intellectual property in the future.

There can be no assurance that we will be able to continue to obtain or renew any such necessary technology and licenses on acceptable terms, or at all. Failure to obtain or renew the right to use third-party technology or intellectual property on commercially reasonable terms, or to maintain access to satisfactory technical support, could ultimately lead to stoppages in our production processes and preclude us from selling certain products, which could have a material adverse impact on our operating results and financing condition.

Additionally, our inability to maintain existing access to third-party technology, licenses and technical support on commercially reasonable terms, or at all, or to obtain additional technology, licenses or technical support necessary to manufacture current products or develop new ones, could require us to obtain substitute technology or licenses at a greater cost or of lower quality or performance standards, or require us to carry out unscheduled interruptions of our production facilities. Any of these circumstances could harm our business, financial condition and results of operations. There can be no assurance that we will be able to replace any such third-party technology, intellectual property or technical support service for any adequate substitute technology, intellectual property or technical support in a timely manner to avoid any unscheduled interruption of our production processes or facilities, or in a cost-efficient manner.

Capital projects can take many years to complete, and market conditions could deteriorate significantly between the project approval date and the project startup date, negatively impacting project returns. If we are unable to complete capital projects at their expected cost and in a timely manner, or if the market conditions assumed as a basis for our project economics deteriorate, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Delays or cost increases related to capital spending programs involving engineering, procurement and construction of facilities could materially adversely affect our ability to achieve forecasted internal rates of return and results of operations. Delays in making required changes or upgrades to our facilities could subject us to fines or penalties as well as affect our ability to contract with our customers and supply certain products we produce.

Such delays or cost increases may arise as a result of unpredictable factors, many of which are beyond our control, including, but not limited to:

- denial of or delay in receiving requisite regulatory approvals or permits;
- unplanned increases in the cost of construction materials or labor;
- disruptions in transportation of components or construction materials;
- change in the market conditions assumed as a basis for our project economics;

- adverse weather conditions, natural disasters, epidemics, pandemics or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of vendors or suppliers;
- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages; and
- non-performance by, or disputes with, vendors, suppliers (including those responsible for transportation of supplies), contractors or subcontractors. Any one or more of these factors could have a significant impact on our ongoing capital projects.

If we are unable to make up the delays associated with such factors or to recover the related costs, or if market conditions change, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

Our insurance coverage may be ineffective, either due to the lack of coverage for any claim, or due to insufficient coverage limits in the event of damage.

We maintain property, business interruption, general liability, environmental, construction, marine, credit and other types of insurance that we believe are appropriate for our business and operations as well as in line with industry practices. However, we are not fully insured against all potential hazards and incidents inherent in our business, including losses resulting from natural disasters, wars or terrorist acts in Brazil. Changes in insurance market conditions have caused, and may in the future cause, premiums and deductibles for certain insurance policies to increase substantially and, in some instances, for certain insurance to become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, we might not be able to finance the amount of the uninsured liability on terms acceptable to us or at all, and might be obligated to divert a significant portion of our cash flow from normal business operations.

Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit the ability to react to changes in the economy or our industry and prevent us from meeting our obligations under our financing agreements.

Our level of indebtedness and our leverage, together with changes to our ratings and those of our debt securities by the main credit rating agencies, could have certain material consequences to us, including the following:

- limit our ability to obtain additional financing for working capital, additions to fixed assets, product development, debt service requirements, acquisitions and general corporate or other purposes;
- limit our ability to pay dividends;
- a portion of our cash flows from operations must be set aside for the payment of interest on existing indebtedness and is therefore not available for other purposes, including operations, additions to fixed assets and future business opportunities;
- limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt;
- we may become vulnerable in a downturn in general economic conditions; and
- we may be required to adjust the level of funds available for additions to fixed assets.

As a result of the factors listed above, our financial condition and results of operations may be adversely affected.

Any downgrade in the ratings of Brazil, our Company or our debt securities would likely result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity.

Currently, Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or Standard & Poor's, and Fitch Ratings Ltd., or Fitch, maintain our ratings on a global and national basis. Moody's Investors Service, Inc., or Moody's, only maintains our ratings on a global basis. On a global basis, we maintain ratings at: (i) Standard & Poor's of BB+ with a stable outlook and (ii) Fitch Ratings of BB+ with a stable outlook. At Moody's, our rating is Ba1 with a negative outlook. Our ratings are higher than the Brazilian sovereign rating by all these three main rating agencies. On a national basis, we maintain investment grade rating at: (i) Standard & Poor's of brAAA with a stable outlook and (ii) Fitch Ratings of AAA with a stable outlook.

Our credit rating is sensitive to any change in the Brazilian sovereign credit rating. The credit rating of the Brazilian federal government was downgraded in January 2018 and has not been investment grade by all the main rating agencies for several years. Any decision by these agencies to downgrade the ratings of the Brazilian federal government, our ratings or those of our debt securities in the future would likely result in increased interest and other financial expenses relating to our borrowings and debt securities and the inclusion of financial covenants in the instruments governing new indebtedness, and could significantly reduce our ability to obtain such financing, on satisfactory terms or in amounts required by us, and our liquidity and would require us to post cash collateral pursuant to our obligations or to contract letters of credit to backstop guarantees provided by us in the context of the Mexican Complex.

In 2020, the COVID-19 pandemic significantly impacted economic activity and markets around the world, and its severity, magnitude and duration are highly uncertain, rapidly changing and difficult to predict. Actual and potential impacts of the COVID-19 pandemic on the global economy, the economies of certain countries and certain companies has led ratings agencies to review and downgrade the credit ratings of sovereigns and issuers of securities around the world. In May 2020, Fitch Ratings revised the outlook of the Brazilian sovereign credit rating to negative from stable. In November 2020, Fitch Rating affirmed the negative outlook. A potential further downgrade of the ratings of Brazil, our ratings, or those of our debt securities could result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity and ability to obtain additional financing under desired terms and conditions.

We may be subject to attempts to acquire our control, which may lead to significant changes in management, the strategies that we are currently pursuing, or in our current corporate governance practices.

We may be subject to attempts to acquire our control. In the event there is a change in our corporate control, there might be significant changes in management, the strategies that we are currently pursuing, or in our current corporate governance practices.

For example, in June 2018, we were informed by Novonor S.A., or Novonor, formerly called Odebrecht S.A., about discussions that were being held between Novonor and LyondellBasell Industries N.V., or, LyondellBasell, regarding a potential transaction involving the transfer to LyondellBasell of all of Novonor's interest in us. In June 2019, we were informed by Novonor that such discussions for a change-of-control transaction with LyondellBasell had been terminated. We cannot assure you that such negotiations will not be resumed, or that Novonor will not initiate discussions with other parties regarding a change-of-control transaction in the future.

On August 7, 2020, we received a correspondence from our controlling shareholder, Novonor S.A., then named Odebrecht S.A., informing that, in order to fulfill certain commitments assumed with bankruptcy and non-bankruptcy creditors, it had taken preliminary measures to structure a process for the private sale of up to its total equity ownership in the Company, which, if implemented, will result in the change of our corporate control, adopting the necessary measures to organize such process, with the support of legal and financial advisors.

In addition, although we are not currently a party to any pending bankruptcy or other judicial restructuring proceedings in Brazil or elsewhere, we are exposed to certain risks related to the Novonor Judicial Restructuring Proceedings (as defined below), including risks related to the change of our corporate control resulting from decisions taken or agreed under such proceedings and the consequences derived therefrom. We have no control over the Novonor Judicial Restructuring Proceedings, and no assurance can be given on the outcome of the Novonor Judicial Restructuring Proceedings or their effect on us.

Some of our shareholders may have the ability to determine the outcome of corporate actions or decisions, which could affect the holders of our class A preferred shares and the ADSs.

Novonor, directly or through its wholly-owned subsidiary OSP Investimentos S.A., or OSP Inv., owns 38.32 % of our total share capital, including 50.11% of our voting share capital, and Petrobras holds 36.14% of our total share capital, including 47.03% of our voting share capital. Nominees of Novonor constitute a majority of the members of our board of directors. Under a shareholders' agreement to which Novonor and Petrobras are parties, which we refer to as the Braskem S.A. Shareholders' Agreement, we may only undertake certain actions after Novonor and Petrobras have reached a consensus with respect to those actions. However, Novonor will have the sole power to approve our business plan, through the board of directors, as described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements." As a result, Novonor has the ability to determine the outcome of most corporate actions or decisions requiring the approval of our shareholders or our board of directors—in certain instances, with the consent of Petrobras—which could affect the holders of our class A preferred shares and of our American Depositary Shares, or ADSs.

Furthermore, on June 17, 2019, Novonor, together with certain of its controlling and controlled entities, filed a petition for judicial restructuring before the First Judicial Bankruptcy Court of the State of São Paulo, Brazil, seeking a voluntary judicial restructuring and emergency relief staying certain foreclosure actions by their creditors (the “Novonor Judicial Restructuring Proceedings”). The Novonor Judicial Restructuring Proceedings does not include us.

Although we are not currently a party to any pending bankruptcy or other judicial restructuring proceedings in Brazil or elsewhere, we are exposed to certain risks related to the Novonor Judicial Restructuring Proceedings, such as risks related to the change of our corporate control resulting from decisions taken and/or agreed under such proceedings and the consequences derived thereto, including but not limited to significant changes in our management and our strategy that may be undertaken by any new controlling shareholders that may arise from the conclusion of these proceedings. We have no control over the Novonor Judicial Restructuring Proceedings, and no assurance can be given on the outcome of the Novonor Judicial Restructuring Proceedings or their effect on us.

We may face conflicts of interest in transactions with related parties.

We maintain trade accounts receivable and current and long-term payables with some of our affiliates and other related parties, including Petrobras, which is our Brazilian supplier of naphtha and other raw materials such as propylene, ethane, propane and refinery off gas. These trade accounts receivable and trade accounts payable balances result mainly from purchases and sales of goods, which are at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. These and other transactions between us and our affiliates could result in conflicting interests between us and our shareholders.

We may pursue strategic acquisitions or investments. The failure of an acquisition or investment to produce the anticipated results, or the inability to integrate an acquired company fully, could adversely affect our business.

We may from time to time acquire or invest in complementary companies or businesses. The success of an acquisition or investment will depend on our ability to make accurate assumptions regarding the valuation, operations, growth potential, integration and other factors related to that business. We cannot assure you that our acquisitions or investments will produce the results that we expect at the time we enter into or complete a given transaction. Furthermore, acquisitions may result in difficulties integrating the acquired companies, and may result in the diversion of our capital and our management’s attention from other business issues and opportunities. We may not be able to integrate successfully the operations that we acquire, including their personnel, financial systems, distribution or operating procedures. If we fail to integrate acquisitions successfully, our business could suffer. In addition, the expense of integrating any acquired business and their results of operations may adversely affect our operating results.

Certain acquisitions, partnerships and joint ventures we make may prevent us from competing for certain clients or in certain lines of business, and may lead to a loss of clients. We may spend time and money on projects that do not increase our revenue. To the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves, and to the extent the purchase price is paid with any of our shares, it could be dilutive to our shareholders. To the extent, we pay the purchase price with proceeds from the incurrence of debt, it would increase our level of indebtedness and could negatively affect our liquidity and restrict our operations. Our competitors may be willing or able to pay more than us for acquisitions, which may cause us to lose certain acquisitions that we would otherwise desire to complete. We cannot ensure that any acquisition, partnership or joint venture we make will not have a material adverse effect on our business, financial condition and results of operations.

We may face unforeseen challenges in the operation of our Mexico Complex, which could result in this business unit failing to provide expected benefits to us.

During the first half of 2016, we concluded the construction phase of an olefins complex, or the Mexico Complex, located in the Mexican state of Veracruz. For more information about this, which we refer to as the Mexico Complex, see “Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture—Mexico Complex.”

To develop our Mexico Complex, Braskem Idesa required significant capital expenditure and incurred significant debt. Our ability to achieve the strategic objectives of this business unit will depend largely on its successful operation. Factors that could affect the operation of this business unit include:

- general economic, political and business conditions in Mexico;
- global demand for, and supply balance of, PE;
- the occurrence of unforeseen technical and mechanical difficulties that may interrupt production or lead to unexpected downtime of the Mexico Complex’s plants;
- any material default by Pemex TRI under the ethane supply agreement (see “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico”);
- any termination, cancellation or modification of the ethane supply agreement or reduction in the amount of shortfall penalties owed to us by Pemex TRI for any other reason (see “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico”);
- the failure by Cenagas to renew the agreement for transportation of natural gas to our Ethylene XXI Project (see “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on natural gas transportation service by Cenagas”);
- the ability of Braskem Idesa to service the debt under its project finance facility;
- the ability of Braskem Idesa’s shareholders to comply with the obligation to make certain contingent equity contributions to cover additional amounts necessary to complete the project, as agreed in the equity support agreement in connection with the project finance facility. For additional information, see “Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture—Mexico Complex—Equity Support Agreement Relating to the Mexico Complex.”
- an unstable and non-continuous supply (including the transportation of supplies) of ethane, natural gas and other inputs, including energy and water (see “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico”); and
- increased competition from domestic or foreign competitors and/or the emergence of new domestic or foreign competitors.

In early December 2020, Braskem Idesa received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency responsible for all natural gas pipelines and transportation in Mexico, related to the unilateral termination of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities. Later in January 2021, Braskem Idesa partially resumed its operations based on an experimental business model to produce PE. Braskem Idesa has taken legal measures pursuant to the ethane supply agreement entered into with Pemex. Braskem Netherlands B.V., which is Braskem Idesa’s direct shareholder, has also taken legal measures under applicable international investment protection standards to protect the interests of Braskem Idesa and its parent company with regard to their investment in Mexico. Such measures include a negotiation period to attempt to resolve the dispute between the parties. Braskem Idesa also initiated legal measures to enforce its legal and contractual rights as established in the ethane supply agreement. For additional information, see “—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof” and “We depend on ethane supplied by Pemex TRI in Mexico.”

In the first quarter of 2021, Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

We cannot assure you that the Mexico Complex will provide the expected benefits to us, even after having completed four full calendar year of operations. Any significant interruption could hinder or prevent the implementation of our business plan as originally conceived, and result in revenue and net income below what is expected. Further, any material adverse effect on the financial condition or results of operations of the Mexican complex may adversely impact our own financial condition and results of operations. See also "—We depend on ethane supplied by Pemex TRI in Mexico."

Adjustments in tariffs on imports that compete with our products could cause us to lower our prices.

The first, second and third generation of petrochemical products currently rely on imports tariffs imposed by Mercosur member states to balance competition in the Mercosur domestic market. However, the Brazilian government has in the past used import and export tariffs to implement economic policies, resulting in varying tariff levels. For example, in September 2012, the Brazilian government increased import duties on 100 products related to various industries, including an increase in the import tariff on polyethylene. In October 2012, it increased the import tariff on polyethylene from 14% to 20%, and in October 2013, it reduced the import tariff on polyethylene to the previous level of 14%. Currently, the tariff remains at 14%. Adjustments of tariffs could lead to increased competition from imports and cause us to lower our domestic prices and impact the demand for our products, which would likely result in lower net revenue and could negatively affect our overall financial performance. Additionally, the products we export to the United States and Europe are subject to tariffs in the amount of 6.5% in each jurisdiction, subject to certain preferences. These tariffs generally balance the level of competition of our products produced locally and any future adjustments to these tariff structures could negatively impact our sales in these jurisdictions. Future trade agreements entered into by Brazil, the Mercosur, the United States or the European Union could also lead to increased competition from imports and lower domestic prices.

Changes in U.S. and global trade policies and other factors beyond our control may adversely impact our business, financial condition and results of operations.

The international environment in which we operate is affected from inter-country trade agreements and tariffs. As a result of recent revisions in the U.S. administrative policy, there are, and there may be additional changes to existing trade agreements, greater restrictions on free trade and significant increases in tariffs on goods imported into the United States, particularly those manufactured in China, Mexico and Canada. Future actions of the U.S. administration and that of foreign governments, including China, with respect to tariffs or international trade agreements and policies remains currently unclear.

The escalation of a trade war, tariffs, retaliatory tariffs or other trade restrictions on products and materials either exported by us to China or raw materials imported by us from China, or other countries, may significantly hinder our ability to provide our products to customers in China or other affected locations. Such developments may result in a decrease in demand for our products as well as delays in payments from our customers. Furthermore, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions, or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where our customers are located, could lead to a rebalancing of global export flows and an increase in global competition, which in turn could adversely affect our business, financial condition, results of operations and cash flows.

We may be affected by instability in the global economy and by financial turmoil.

Instability in the global markets and in the geopolitical environment in many parts of the world as well as other disruptions may continue to put pressure on global economic conditions. In the event global economic and market conditions, or economic conditions in key markets, remain uncertain or deteriorate, we may experience material impacts on our business, results of operations and financial condition.

We may not be able to specify in details technical specifications required by our customers' or updated mechanisms to promptly attend regulatory requirements, and we could be subject to damages based on claims brought against us or our customers as a result of the failure of our products specification.

Our products specification may not meet certain technical or regulatory requirements, specifications or standards. In addition, our customers may impose stricter requirements on our products or governments may enact stricter regulations for the distribution, sale or use of our products. Failure to meet such standards could materially adversely affect our business, financial condition and results of operations if we are unable to sell our products in one or more markets or to important customers in such markets.

As with all quality control systems, any failure or deterioration of our quality control systems could result in defects in our products, which in turn may subject us to contractual, regulatory, product liability and other claims, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our business and operations are inherently subject to environmental, health and safety hazards. As a result, our business is also subject to stringent environmental and other regulations.

As a company operating in the petrochemical industry, our operations, operated by us or third parties, involve the generation, use, handling, storage, transportation (mainly by pipeline, road, train, fluvial and maritime), treatment, discharge and disposal of hazardous substances and waste into the environment. Notwithstanding our environmental, health and safety standards, policies and controls, our operations remain subject to incidents or accidents that could adversely affect our business or reputation. Our industry is generally subject to significant risks and hazards, including fire, explosions, toxic gas leaks, contamination of soil and water, spilling of polluting substances or other hazardous materials, smoke emission, failure of operational structures and incidents involving mobile equipment, vehicles or machinery, associated or not with the manufacture of petrochemicals and the storage and transportation of feedstock and petrochemical products. These events may occur due to technical failures, human errors or natural events, among other factors, and could result in significant environmental and social impacts, damage to or destruction of production facilities and communities, personal injury, illness or death of employees, contractors or community members close to our operations or close to our logistic routes and pipelines, environmental damage, delays in production, and, in certain circumstances, liability in civil, labor, criminal and administrative lawsuits, difficulties in obtaining or maintaining operating permits, and impacts on our reputation, among other consequences.

In addition, our operations, operated by us or third parties, could generate impacts to the communities, from the regular operations of the Company, as well as in the management of the existing environmental liabilities, which may result in environmental, material and human damages, fines and sanctions, including loss of operating license, in addition to damage to our image and reputation.

For example, over 30 years ago, a leak of chemical products occurred from a tank installed on a property owned by the company Companhia Carbonos Coloidais ("CCC"), located in Madre de Deus, in the State of Bahia. These products were property of the company Tecnor Tecnolumen Química do Nordeste Ltda. ("Tecnor") and may have been acquired by domestic producers at the time, including by Companhia Petroquímica de Camaçari, a company that subsequently was merged into Braskem. Both CCC and Tecnor are companies that have never had any corporate relations with Braskem and no longer have any operating activities. Moreover, the Company clarifies that it has never had any industrial operation in Madre de Deus, in the State of Bahia.

In this sense and given the Company's experience in the chemical and petrochemical industry and related products, the authorities requested Braskem's collaboration for analysis, studies and environmental remediation, with monitoring by local authorities, which has been occurring since 2003. Following the agreement between the City of Madre de Deus, the Public Ministry of the State of Bahia and the "CCC" in 2015, by means of an Amendment to this Term of Commitment, Braskem is supporting the implementation of a vacancy program of an area near to the "CCC" property, declared as public utility by the City Hall in February of 2021. The vacancy of about 190 properties is necessary for the safe continuity of the remediation. For the remediation actions, the Company estimates the approximate amount of R\$110 million, which has been provisioned.

In 2020, in line with the guidelines established in its Global Policy on Risk Management, Braskem has continued to evolve and made improvements in its adoption of best practices in Enterprise Risk Management (ERM), with the aim of protecting shareholders' tangible and intangible assets, ensuring people safety and protecting the environment and local communities. The ERM process involves identifying risks, assessing their impacts and determining the applicable treatment measures. As a result, the Company frequently revisits its risk matrix and treatment of the scenarios identified and prioritized, especially those involving social and environment aspects, which are prioritized by the Company.

Changes to applicable laws may impose changes on standards we have already implemented, which can take time to review and update. For example, we are concluding studies related to dams located at certain of our industrial sites as a result of a change in Brazilian law that now requires that all water and waste dams have a safety plan for these structures. We have already classified all of our dams in terms of associated risks and potential damage. At this time, we finalized the dam safety plans and the emergency response plans for two dams, with completion and homologation by public authorities in March 2021, and all planned activities were communicated to public authorities. All of our dams are small in volume, and our detailed assessments indicated some risks with regard to two structures located in Triunfo, in the State of Rio Grande do Sul, and measures for mitigation were taken and communicated to the authorities until the final and definitive actions to eliminate the risks are implemented. Some environmental studies that we have commissioned have indicated instances of environmental contamination at certain of our plants. If the laws and regulations applicable to risks and safety plans change, we may be required to revise the studies that we have carried out, or take further action to rectify potential issues that would not need to be addressed under current laws and regulations. In addition, we and certain of our executive officers have received certain notices related to minor environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental issues, and any future environmental issues that may arise, could subject us to fines or other civil or criminal penalties imposed by Brazilian authorities.

Also, under Brazilian federal and state environmental laws and regulations, we are required to obtain operating licenses and permits for our manufacturing facilities. If any of our environmental licenses or permits lapse or are not renewed or if we fail to obtain any required environmental licenses or permits, we may be subject to fines ranging from R\$500 to R\$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose other civil and criminal sanctions on us.

In addition, our production and logistics processes are subject to inherent safety risks, which may lead to injuries, disability or death of our employees or individuals participating in such processes and communities, as well negatively impact the environment. Such risks cannot be entirely eliminated or mitigated despite full compliance with all safety measures applicable to us or required by laws or regulations. Despite all monitoring efforts, we may have a negative impact on our image and reputation, and on our business, financial condition and results of operations.

A sufficiently large accident at one of our plants, storage facilities, logistic equipment or pipelines could force us to suspend our operations temporarily and result in significant remediation costs and lost net revenue. Although we maintain insurance coverage for losses due to fire damage and for losses of income resulting from shutdowns due to fire, explosion or electrical damage, insurance proceeds from such insurance policies may not be available on a timely basis and may be insufficient to cover all losses, which could have a material adverse effect on our financial performance.

The existing salt mines in the state of Alagoas, Brazil, whose operation has been permanently interrupted, are also subject to similar risks and hazards. For example, in certain neighborhoods of the city of Maceió that are located near the geological area of our salt mines, there have been allegations that the ground gave way as a result of the activities carried out by us at these mines, which allegedly may have affected certain nearby private and public properties. Collective and individual lawsuits have been filed in the state of Alagoas in connection with this incident.

Mining operations at our salt mine in Alagoas were halted in May 2019. Even though the risk of a sinkhole formation is unlikely, it cannot be fully disregarded. A safety area covering 15 of the 35 wells at the site of our salt mine was designated, and the entirety of the mining area has been monitored. In October 2019, a conceptual project was launched to start backfilling four cavities that came out of the salt layer, which is a condition for sinkhole formation. In November 2020, the first well began to be backfilled with sand. However, these actions are part of a large operation that, following reasonable engineering efforts, may take a few years to be completed. Other caverns that are comparatively more stable will be closely monitored. Based on the results of monitoring routines and additional studies relating to numerical simulations, which provide data to monitor the stability of the caverns, there could arise the need for further stabilization and backfilling.

The mine closure planning was presented to the Brazilian National Mining Agency, or ANM, for proper analysis and decision. Following ANM's approval, we have been implementing actions consisting of backfilling four salt wells with solid material, and conventional closure and monitoring of our remaining salt wells. These actions were defined based on the recommendations of studies carried out by independent institutions and nationally and internationally recognized experts, which have been shared with ANM.

In September 2020, specialized and independent technical studies commissioned by us and carried out by internationally recognized entities (the "Studies") were concluded. The Studies presented the potential impacts from the geological event on the surface of the region, bringing an analysis of scenarios in the short and long terms, which included areas identified by the Civil Defense Map of June 2020. The Studies were submitted to the competent Authorities for definition of possible actions to be taken under mutual agreement. Given the update of the Civil Defense Map, in September 2020, the Company and the Authorities agreed to include additional properties in the Financial Compensation and Support for Relocation Program ("PCF"), with the execution of the Instrument of Resolutions in October 2020.

On November 26, 2020, we became aware of an ANM letter, or the ANM Letter, determining the closure of the mine including the backfilling with solid material of a number of additional salt wells, as informed to the market. For the implementation of the measures defined by ANM and taking into account the preliminary information that we obtained to date we estimated approximately R\$3.0 billion in costs and expenses in addition to the amounts already recorded. Such incremental costs and expenses, if confirmed, would be incurred in the long term due to the complexity of the technical aspects. Braskem presented an appeal against such decision and an order to stay was granted by ANM, suspending the effects of the ANM Letter until further technical evaluation of the appeal and of the motion for reconsideration.

In February 2021, ANM granted our motion to reconsider its order directing the implementation of additional measures for the mine closure plan proposed by us. ANM's decision maintained in place the implementation of the measures contemplated in the mine closure plan originally proposed by the Company, and for which the amount of R\$1.2 billion had already been provisioned. Lastly, considering that the mine closure plan is a dynamic process with complex execution, ANM will continue to oversee the results of the measures that are being taken by the Company for closing and monitoring the mine, and accordingly further evaluations, requirements and provisions may be necessary in the future.

Our actual costs related to this matter may be materially altered based on a variety of factors, including, but not limited to, the result of the monitoring and backfilling actions of the wells, potential future determinations by ANM, unforeseen technical difficulties or costs, or other factors.

In the context of the geological events occurred in Maceio, we entered into agreements with the Public Prosecutor's Office to settle three lawsuits (Ações Cíveis Públicas, or public-interest civil actions), ACP Labor, ACP Socio-environmental and ACP of Residents. The settlements were ratified by the court with the termination of the claims. The terms of the settlements were as follows:

- ACP Labor settlement: we committed to investing R\$40.0 million to fund a Business Recovery and Promotion of Educational Activities Program for residents and workers in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in Maceio, in the state of Alagoas.
- ACP of Residents settlement: we committed to supporting the relocation of, and paying indemnification to, residents in the risk areas defined with the Public Prosecutor's Office and based on expert studies and the Civil Defense analyses, located in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in the city of Maceio, in the state of Alagoas, as set forth in the agreement. Individuals subject to relocation will be indemnified through the PCF and offered individual settlements; and
- ACP Socio-environmental settlement: we committed to (i) adopting the necessary measures to stabilize the cavities and monitor the soil, implementing the measures of the mine closure planning presented to ANM and subject to its approval; (ii) repairing, mitigating or compensating potential environmental impacts and damages resulting from the mining activities (salt extraction) in the city of Maceio, to be defined by an Environmental Diagnosis developed by an expert and independent company approved by the Prosecutor's Office; (iii) allocating R\$1.28 billion to implement measures in the vacated area, actions related to urban mobility and to compensate potential socio-urbanistic impacts and damages; and (iv) allocating R\$300.0 million for social collective moral damages and for eventual contingencies related to actions in the vacated areas and urban mobility actions.

On December 31, 2020, based on its assessment and on that of its external legal advisors, and considering the existing information that was available, discussions held with authorities and estimates of expenses with the various safety measures to benefit residents, the Company recorded a provision of R\$9,175.8 million, of which R\$4,349.9 million is under current liabilities and R\$4,825.8 million is under non-current liabilities. Due to the inherent change in the assumptions related to the provisions arising from new facts and circumstances, execution time and extent of the action plans, the findings of future studies conducted by experts and the outcome of pending lawsuits, the provision may be adjusted over time to reflect new developments.

The provisions are based on current estimates and assumptions and may be updated in the future due to new facts and circumstances, including changes in time, extension and way of action plans, execution; the conclusion of current and future studies that indicate recommendations of experts, and other new developments on the topic.

The measures related to the mine closure plan are subject to the analysis and approval of ANM, the monitoring of results of the measures under implementation, as well as the changes related to the dynamic nature of geological events.

Braskem continues to face and could still face various lawsuits filed by individuals or legal entities not included in the PCF or that disagree with the individual proposal of the agreement, as well as potential claims by public utility concessionaires

For example, as of December 31, 2020, Braskem was a defendant in several actions, that, in aggregate, involved the amount of approximately R\$573 million, filed by individuals in Brazil and abroad, seeking the payment of indemnifications related to the geological event in Maceió. Also, in February, 2021, the Brazilian Company of Urban Trains (*Companhia Brasileira de Trens Urbanos*, or “CBTU”) filed a claim against the Company seeking damages in the amount of R\$222.1 million and the imposition of other obligations, including the construction of a new rail line to substitute the stretch that passed through the vacated area. CBTU attributes to the action the approximate amount of R\$1.3 billion.

The actions to repair, mitigate or offset potential environmental impacts and damages, as provided for in the Socio-Environmental Remediation Agreement, to be financed by Braskem, will be defined after the conclusion of the Environmental Diagnosis, to be conducted by a specialized and independent company. At this time, it is impossible to predict the outcome of these Environmental Diagnosis studies or their potential implications for additional disbursements to the costs already provisioned for by the Company. Furthermore, the Socio-Environmental Remediation Agreement sets forth the potential adherence by other parties, including the municipality of Maceió, which is under negotiation and will continue over the coming months. To date, the Company cannot predict the results of any discussions or any of their associated costs.

Therefore, we cannot eliminate the possibility of future developments related to the topic or related expenses, and the costs to be incurred by Braskem may differ from its estimates.

For additional information, see “Item 8. Financial Information—Legal Proceedings—Alagoas – Mining Activities.”

Further, we may face difficulties in obtaining or maintaining operating licenses and may suffer damage to our reputation following the occurrence of any such event. Petrochemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations.

In addition, we and other petrochemical producers are subject to stringent federal, state and local environmental laws and regulations concerning human health, the handling, storage, transportation, treatment, discharge and disposal of hazardous substances and waste into the environment. Our operations in Brazil, including those of our subsidiaries Cetrel and DAC, which are responsible for providing environmental services, waste water treatment and water supply to the Camaçari Complex in the state of Bahia, for example, are subject to extensive federal, state and local laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment and disposal of hazardous substances and waste materials. The Brazilian government enacted the Environmental Crimes Law in 1998 that imposes criminal penalties on corporations and individuals that cause environmental damage. Corporations found to be guilty of polluting the environment may be fined up to R\$50.0 million, have their operations suspended, be prohibited from contracting with the government, be required to repair damage that they caused and lose certain tax benefits and incentives. Executive officers, directors and other individuals may also be imprisoned for up to five years for environmental violations.

Our operations in the United States, Germany and Mexico are subject to extensive U.S., German, European and Mexican federal, state and local laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. U.S. environmental laws and regulations may impose liability on us for the conduct of third parties, or for actions that complied with applicable requirements when taken, regardless of negligence or fault. Of particular significance to us are (1) regulatory programs to be established to implement air quality standards under the National Ambient Air Quality Standards for ozone and fine particles promulgated by the U.S. Environmental Protection Agency, or the EPA, and (2) various legislative and regulatory measures in the United States that are under review, discussion or implementation to address greenhouse gas emissions. In Mexico, we adhere to the comprehensive responsibility program promoted by the Mexican National Chemical Industry Association (Asociación Nacional de la Industria Química de Mexico – ANIQ), which is based on the responsible care standard adopted in the United States and Canada. We are also signatories of the Responsible Care program in the United States and Brazil that was launched by certain entities of the chemical industry sector worldwide.

Such existing stringent environmental and other regulations require significant capital expenditures. Our consolidated annual expenditures on environmental control were R\$537.9 million in 2020, R\$369.8 million in 2019, and R\$329.3 million in 2018, including investments, waste and wastewater treatment, emissions management, environment licenses, environmental liabilities and other environmental expenditures. In addition, evolving regulatory requirements could require significant additional capital expenditures depending on the timing of the adoption and enforcement of specific standards imposing such requirements. In addition, changes in environmental regulations could inhibit or interrupt our operations or require modifications to our facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

We may also, from time to time, be involved in certain claims, disputes or litigation proceedings concerning environmental risks and liabilities, health and safety hazards, among others. For more information, please see “Item 8. Financial Information—Legal Proceedings.”

We could be materially adversely affected by the impacts of the Global Settlement.

In the context of allegations of improper payments in connection with the so-called Operation Car Wash (Operação Lava Jato) in Brazil, we engaged independent expert firms to conduct an investigation into such allegations (the “Investigation”) and report their findings. We have cooperated with governmental authorities in several jurisdictions, including the U.S. Department of Justice, or the DoJ, the U.S. Securities and Exchange Commission, or the SEC, Brazil’s Federal Prosecutor’s Office (Ministério Público Federal), or the MPF, and Switzerland’s Office of the Attorney General, or the OAG. On December 14, 2016, we entered into a leniency agreement with the MPF, or the Leniency Agreement, which was ratified by the competent Brazilian court on June 6, 2017. On December 21, 2016, we filed a plea agreement in the United States District Court for the Eastern District of New York under which we agreed to plead guilty to a one-count criminal information charging us with conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act, or the FCPA. On the same date, we consented to the entry of a final judgment in a civil action brought by the SEC based on civil violations of the anti-bribery, books and records and internal accounting controls provisions of the FCPA. The competent federal courts in the United States approved the DoJ and SEC resolutions on January 26, 2017 and February 28, 2017, respectively. In addition, on December 21, 2016, the OAG closed its investigation of these matters. We refer to these actions as the Global Settlement. Under the Global Settlement, we agreed to pay to the governmental authorities in these jurisdictions an aggregate amount of US\$957 million (equivalent to R\$3.1 billion), based on the exchange rate of R\$3.27 per U.S. Dollar, applicable at the time of the negotiation.

The MPF will distribute the majority of the amount it receives as restitution to third parties for damages caused by the misconduct. Pursuant to the Global Settlement, the MPF agreed to communicate with other public authorities or entities, as well as stated-owned companies and mixed-capital companies with which Braskem enters into discussions to address the facts under the Global Settlement and avoid making duplicate restitution payments. In this context, as announced to the market on July 10, 2018, and disclosed in a material fact on May 27, 2019, we have cooperated and engaged in negotiations with the Ministry of Transparency and Controllershship (CGU) and the Office of the Attorney General (AGU) in Brazil, and our Board of Directors approved the signing of a leniency agreement with the CGU and the AGU (the “CGU/AGU Agreement”).

The CGU/AGU Agreement, in the amount of R\$2.9 billion, to be adjusted by the SELIC rate, addresses the same facts that are the object of the Global Settlement executed in December 2016 with the Brazilian Federal Prosecution Office (MPF), the U.S. Department of Justice (DoJ), the U.S. Securities and Exchange Commission (SEC) and the Swiss Office of the Attorney General (“Global Settlement”). Of this amount, R\$2.5 billion will be offset by the amount that Company already had undertaken to pay under the scope of the Global Settlement, resulting in an additional disbursement of R\$410 million.

As of December 30, 2020, we had paid R\$2.7 billion of the total fine established in the Global Settlement, in the following manner:

- US\$94.9 million (R\$296.6 million) to the DoJ on February 8, 2017;
- US\$65.0 million (R\$206.5 million) to the SEC on April 27, 2017;
- CHF30.2 million (R\$104.3 million) to the OAG on June 27, 2017;
- R\$736.4 million to the MPF on July 6, 2017;
- R\$267.9 million to the MPF on January, 30 2018;
- CHF16.1 million (R\$62.0 million) to the OAG on June 28, 2018;
- R\$278.0 million to the MPF on January 30, 2019;
- CHF16.1 million (R\$58.0 million) to the OAG on June 27, 2019;
- R\$257.3 million to the Brazilian federal government on January 30, 2020;
- CHF16.1 million (R\$92.6 million) to the OAG on June 30, 2020; and

- R\$302.6 million to the Brazilian federal government on February 1, 2021.

The outstanding amount of R\$1.1 billion related to the Global Settlement and also the CGU/AGU Agreement will be paid in the following manner:

- CHF16.1 million to the OAG related to one remaining annual installment due on June 30 of 2021; and
- R\$1.0 billion under the MPF Agreement and CGU/AGU Agreement, in four annual installments adjusted by the variation in the SELIC rate and payable by January 30, 2025. To guarantee payment of the installments of these installments coming due, Braskem gave as collateral assets from its property, plant and equipment corresponding to one annual installment.

The Global Settlement does not prevent Braskem from responding to any legitimate third party, which may seek indemnification against us from damages for the facts subject to the Global Settlement. As a result, we cannot assure you that the aggregate amount disbursed as a requirement pursuant to the agreement will be sufficient to cover indemnification claims of all of the victims. We may be required to make additional disbursements to cover such claims.

Other authorities with jurisdiction over us may seek to impose monetary sanctions or fines on, or to initiate investigative proceedings against, us. As a result of entering into the Global Settlement, Braskem may be prevented from entering into certain agreements with government entities and may be subject to increased operating costs for being under the obligation to improve its governance and anti-corruption practices and procedures, including the cost of external monitorships.

Under the terms of the Global Settlement, we were required to cooperate with these governmental authorities and improve our governance and anti-corruption compliance practices. We were also subject to external monitorship for a period of three years from 2017, which ended in March 2020, during which time the monitor assessed compliance with the Global Settlement, including the effectiveness of our internal controls, policies and procedures to reduce the risk of any anti-corruption violations.

On May 13, 2020, the MPF, the DoJ and the SEC confirmed the conclusion of the independent compliance monitorship at Braskem, which had been established in the settlement agreements entered into by Braskem, the DoJ and the SEC on December 21, 2016. The decision of the DoJ and the SEC was based on a final report from the independent monitors, who certified that the Company implemented all of the recommendations regarding the structure and execution of its compliance program and concluded that the Company meets the standards set out in the settlement agreements entered into with the DoJ and the SEC. Following the end of the independent monitorship period and the certification by the MPF, the DoJ and the SEC, the Company has complied with its obligations established in the settlement agreements entered into with these authorities and has successfully concluded the three-year monitorship.

We believe we are fully in compliance with our obligations under the Global Settlement.

Unfavorable outcomes in pending or future litigation may reduce our liquidity and negatively affect our financial performance and financial condition.

We are, and in the future may be, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts. For certain of these lawsuits, we have not established any provision on our balance sheet or have established provisions only for a portion of the amounts in controversy, based on our judgments as to the risk of loss for these lawsuits.

In July 2015, two putative class action lawsuits were filed against us and certain of our then-current and former officers and directors, or the Defendants, in the United States District Court for the Southern District of New York, or the U.S. Court. In those lawsuits that were subsequently consolidated under the caption *In re Braskem, S.A. Securities Litigation*, No. 15-cv-5132, the Lead Plaintiff, Boilermaker-Blacksmith National Pension Trust, alleged that the Defendants made misrepresentations or omissions that inflated the price of Braskem S.A.'s stock in violation of U.S. securities laws.

After the decision on the motion to dismiss filed by us, partially granting its arguments, we and the Lead Plaintiff signed the proposed settlement agreement (“Proposed Settlement”), which was ratified by the applicable Court, which issued a final decision ending all claims from all members of the class of Investors. We have made no admission of any wrongdoing or liability as part of the settlement.

Under the terms of the Proposed Settlement, Braskem paid US\$10.0 million (R\$31.7 million) to resolve all claims arising out of or relating to the subject matter of the class action of a settlement class consisting of all persons who purchased or otherwise acquired a legal or beneficial ownership interest in Braskem American Depositary Receipts between July 15, 2010 and March 11, 2015, inclusive. The amount of the agreement was deposited by Braskem in the account designated by the judge (“Escrow Account”) on October 2, 2017.

On February 21, 2018, a hearing was held in which a decision was handed down for the final approval of the agreement regarding the entire class of investors and the dismissal of the case. Said decision became final and unappealable. The individual distribution of the amount of the agreement is the responsibility of the manager of the Escrow Account, as determined by the Court and in accordance with the ratified allocation plan. The Proposed Settlement was signed solely to avoid the risk, uncertainty, and expense of further litigation and does not represent the admission of any wrongdoing or liability by Braskem.

On August 25, 2020, a class action was filed against us and some of our current and former executives in the U.S. District Court for the District of New Jersey, in the United States, on behalf of an alleged class of investors who acquired Braskem's shares between March 21, 2019 and July 8, 2020. The action is grounded in the U.S. Securities Exchange Act of 1934 and its rules, based on allegations that the defendants made false statements or omissions related to the geological event in Alagoas. On January 15, 2021, the Court named two plaintiffs to act as leading plaintiffs in the action. On April 28, 2021, the lead plaintiffs of the action filed a consolidated complaint with its initial arguments. We engaged a U.S. law firm to represent it in the class action.

Our management, based on its assessment and that of its external legal advisors, and given the initial phase of the potential class action mentioned above, it is not possible at the moment to reliably estimate the potential amount involved.

Braskem cannot reliably predict the future developments of this matter or the expenses arising from it, including rates and costs in solving the dispute. The Company may be named as a defendant in other legal actions.

In the context of the geological events occurred in Maceió, we entered into agreements with the Public Prosecutor's Office to settle three lawsuits (Ações Civis Públicas, or public-interest civil actions), ACP Labor, ACP Socio-environmental and ACP of Residents. The terms of the settlements were as follows:

- ACP Labor settlement: we committed to investing R\$40.0 million to fund a Business Recovery and Promotion of Educational Activities Program for residents and workers in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in Maceió, in the state of Alagoas.
- ACP of Residents settlement: we committed to supporting the relocation of, and indemnification to, residents in the risk areas defined with the Public Prosecutor's Office and based on expert studies and the Civil Defense analyses, located in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in the city of Maceió, in the state of Alagoas, as set forth in the agreement. Individuals subject to relocation will be indemnified through the Financial Compensation and Support for Relocation Program (“PCF”) and offered individual settlements.
- ACP Socio-environmental settlement: we committed to (i) adopting the necessary measures to stabilize the cavities and monitor the soil, implementing the measures of the mine closure planning presented to ANM and subject to its approval; (ii) repairing, mitigating or compensating potential environmental impacts and damages resulting from the mining activities (salt extraction) in the city of Maceió, to be defined by an Environmental Diagnosis developed by an expert and independent company approved by the Prosecutor's Office; (iii) allocating R\$1.28 billion to implement measures in the vacated area, actions related to urban mobility and to compensate potential socio-urbanistic impacts and damages; and (iv) allocating R\$300.0 million for social collective moral damages and for eventual contingencies related to actions in the vacated areas and urban mobility actions.

We may face other claims in the future related to this matter. The measures related to the Mine Closure Planning are subject to ANM analyses and approval, as well to modifications related to the dynamicity of the geological events. Actions to repair, mitigate or compensate potential environmental impacts and damages, to be funded by Braskem, will be defined after the conclusion of the Environmental Diagnosis.

For more information about our legal proceedings, see “Item 8. Financial Information—Legal Proceedings.”

Labor unrest may materially and adversely affect our operations.

Labor unrest in our plants and facilities may have a material adverse effect on our financial condition or results of operations. Although we believe that we maintain good relations with our employees, future labor actions, including strikes, could have a material adverse effect on our financial performance.

Natural disasters, severe weather and climate conditions, or health epidemics could have a material adverse effect on our overall business.

Some of our facilities are located in places that could be affected by natural disasters, such as floods, earthquakes, hurricanes, tornados and other natural disasters, which could disrupt our operations or the operations of our customers and could damage or destroy infrastructure necessary to transport our products as part of the supply chain. Additionally, other unanticipated problems such as health epidemics or pandemics, including the COVID-19 outbreak that began in China and spread to the rest of the world, could also cause operational disruptions of varied duration. Such events could require maintenance shutdowns, delay shipments of existing inventory or result in costly repairs, replacements or other costs, all of which could have a material adverse effect on our financial performance.

While our energy risk policy dictates that we purchase energy in advance at fixed prices through long-term contracts, the majority of Brazilian power generation capacity is provided by hydroelectric generation facilities. If the amount of water available to energy producers becomes scarce due to drought or diversion for other uses, the cost of energy may increase. In addition, if the amount of water available to industrial facilities becomes scarce, there may be a need to reduce production at the affected sites. Such conditions could have a material adverse effect on our sales and margins.

We could be materially affected by violations of the U.S. Foreign Corrupt Practices Act, the Brazilian Anti-Corruption Law and similar anti-corruption laws.

We, our subsidiaries and our joint venture partners are subject to a number of anti-corruption laws, including Law No. 12,846/2013, or the Brazilian Anti-Corruption Law, which entered into effect on January 28, 2014, the FCPA and various other anti-corruption and anti-bribery laws of other jurisdictions.

The FCPA, the Brazilian Anti-Corruption Law and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners, injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits or other restrictions which could have a material adverse effect on our business, financial condition, results of operations or liquidity. See “—We could be materially adversely affected by the impacts of the Global Settlement” for the impact on us of allegations of improper payments in connection with the Operation Car Wash.

For example, in light of the allegations of undue payments related to the Ethylene XXI project, which were originally published in the media in Mexico and were included in the testimony by the former CEO of Pemex to the Office of the Attorney General of Mexico, we, together with Braskem Idesa, in compliance with the standards established by Braskem’s Global Compliance System Policy and Braskem Idesa’s governance guidelines, approved the engagement of a U.S. law firm with proven experience in similar cases to conduct an independent internal investigation of the allegations. The investigation is ongoing and we are unable to estimate the date for its conclusion or the outcome. If the investigation concludes that there is evidence supporting any of the allegations, such findings could affect our business, reputation, financial condition, controls, and results of operations, as well as the liquidity and price of the securities issued by us.

We are exposed to behaviors of our employees and non-employees that may be incompatible with our ethics and compliance standards, and failure to timely prevent, detect or remedy any such behavior and/or process vulnerabilities may have a material adverse effect on our results of operations and financial condition.

Our business, including our relationships with third parties, is guided by ethical principles. We have adopted a Code of Conduct, a Global Compliance System Policy, an Anti-Corruption Policy, and several other internal policies designed to guide our management, employees and counterparties and reinforce our principles and rules for ethical behavior and professional conduct. We maintain an independent whistleblower channel (denominated “Ethics Line”) managed by a third party available for employees and non-employees (including third parties). Every whistleblower complaint is investigated and submitted for evaluation to our Ethics Committee.

We are subject to the risk that our employees, counterparties or any person doing business with us may engage in fraudulent activity, corruption or bribery, circumvent or override our internal controls and procedures or misappropriate or manipulate our assets for their personal or business advantage. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. We have in place a robust Compliance and Anti-Corruption Program implemented through every area of our Company, including several processes for identifying, monitoring and mitigating these risks, but such program may not be completely effective.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. During our assessment of internal control over financial reporting as of December 31, 2020 (see “Item 15. Controls and Procedures”), we identified one material weaknesses. This specific material weakness in internal control over financial reporting was first identified of December 31, 2019, and due to its remediation complexity existed as of December 31, 2020. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As we were required to conduct additional procedures and analyses with respect to our internal processes and controls for the year ended December 31, 2017, we were unable to timely conclude our audited financial statements for such year and, therefore, were unable to timely file our annual report on Form 20-F for the year ended December 31, 2017. We obtained extensions from the SEC to file our annual report on Form 20-F for the year ended December 31, 2017 until May 16, 2019. Since we were not able to file our Form 20-F until the date granted by SEC and no further extensions were granted pursuant to Section 802.01E of the NYSE Listed Company Manual, on May 13, 2019, we were notified by the NYSE that it had suspended the trading of our ADSs and had initiated delisting procedures. Trading of our ADSs resumed after we filed our annual reports on Form 20-F for the years ended December 31, 2017 and December 31, 2018 on October 8, 2019 and October 17, 2019, respectively.

In the future, we may be required to conduct additional procedures and analyses with respect to our internal processes and controls that may lead to a delay in the conclusion of our audited financial statements and, as a result, prevent us from filing future annual reports in a timely manner. Any failure to timely file our annual reports in the future may have an adverse effect on our business.

If we are unable to comply with the restrictions and covenants in the agreements governing our indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and could affect our ability to make principal and interest payments on our debt obligations.

Any default under the agreements governing our indebtedness that is not cured or waived by the required lenders or noteholders could result in the holders of any such indebtedness accelerating the payment of amounts outstanding, which could make us unable to pay principal and interest on those and other debt obligations. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the agreements governing our indebtedness, we could be in default under the terms of such agreements. In the event of such default:

- the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;
- the lenders or noteholders under such agreements could elect to terminate their commitments thereunder and cease making further loans;
- the acceleration under such indebtedness may trigger cross-acceleration provisions under other financing arrangements entered into by us; and
- we could be forced into bankruptcy or liquidation.

In addition, certain of our contractual arrangements, including debt obligations, contain change of control provisions that provide our counterparties with a termination right or the ability to accelerate the maturity of our indebtedness with them in the event of a change of our control without their consent. These provisions would be triggered in the event Novonor, formerly called Odebrecht, ceases to own, directly or indirectly, capital stock representing more than 50% of the voting power of our capital stock outstanding. As a result, if Novonor ceases to control, or in some cases, own a certain percentage of our common shares, whether as a result of the Novnor Judicial Restructuring Proceedings, an alternative sale, foreclosure by creditors, reorganization, restructuring or other similar circumstance in connection with the Novonor Judicial Restructuring Proceedings or otherwise, if appropriate consents or waivers are not obtained, such counterparties could terminate such contracts or accelerate the maturity of such financing arrangements. The termination of any of our contractual arrangements or the acceleration of the maturity of any of our financing arrangements could have a material adverse effect on our business, financial condition, results of operations and cash flows, and ultimately result in the cross-acceleration of all of our indebtedness.

Furthermore, pursuant to the indentures governing our 5.375% Notes due 2022, 3.50% Notes due 2023, 6.45% Notes due 2024, 4.50% Notes due 2028, 4.500% Notes due 2030, 7.125% Notes due 2041, 5.875% Notes due 2050 and Subordinated Resettable Fixed Rate Notes due 2081, a change of control with a ratings decline would require a repurchase of any such outstanding notes, plus accrued and unpaid interest, if any, to the repurchase date.

In addition, on December 31, 2020, due to the breach of certain covenants contained in financing agreements, Braskem Idesa recorded under current liabilities its financial obligations with original long-term maturities. Braskem Idesa has been settling all of its obligations in accordance with the original maturity schedule and no creditor required or indicated the intention of requesting immediate reimbursement of these obligations or accelerating the indebtedness. As of December 31, 2020, certain non-monetary obligations established in the financing agreements remained unfulfilled. As a result, the entire balance of non-current liabilities, in the amount of R\$6,538.6 million was reclassified to current liabilities, in accordance with IAS 1 (Presentation of Financial Statements). Furthermore, Braskem Idesa intends to negotiate a waiver of such breaches with its creditors to reclassify the entire amount reclassified from current liabilities back to non-current liabilities. We may in the future need to obtain waivers under our other indebtedness to avoid being in default. If we breach any covenants under any of our debt instruments and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under such agreements, the lenders could exercise their rights or remedies under the agreements, and we could be forced into bankruptcy or liquidation.

Unauthorized disclosure or loss of intellectual property, trade secrets, other sensitive business or personal information, or disruption in information technology by cyberattacks or other security breaches, as well as our failure to comply with data protection laws and information security requirements can subject us to significant penalties or liability and can adversely impact our operations, reputation, and financial results.

We collect, store, process, and use certain confidential information and other personal data in connection with our business operations. We must ensure that any processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible complies with relevant data protection and privacy laws. The protection of information relating to our business partners (customers and suppliers), employees and confidential information related to our business is critical to us. We rely on commercially available systems, software and monitoring tools to provide secure processing, transmission and storage of relevant information, such as business confidential information and personal data including sensitive information.

Data protection and privacy laws are developing to take into account the changes in cultural and consumer attitudes towards the protection of personal data. For example, on August 14, 2018, Brazil enacted Law No. 13,709/2018 (Lei Geral de Proteção de Dados), or the LGPD, a comprehensive data protection law establishing general principles and obligations that apply across multiple economic sectors and contractual relationships. The LGPD establishes detailed rules for the collection, use, processing and storage of personal data and will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employers and employees, and other relationships in which personal data is collected, whether in a digital or physical manner.

The LGPD entered into effect on September 18, 2020, except for administrative sanctions, which will enter into effect on August 1, 2021, pursuant to Law No. 14,010/2020, which delayed the applicability of certain provisions of the LGPD. The LGPD established a new legal framework to be observed in the processing of personal data and provides, among other measures, rights of data subjects, cases in which the processing of personal data is allowed, obligations and requirements relating to security incidents involving personal data and the transfer and sharing of personal data between different countries, as well as penalties for non-compliance with its provisions, ranging from a warning and exclusion of personal data treated in an irregular way to fines or the prohibition from processing personal data. The LGPD also authorized the creation of the National Data Protection Authority (Autoridade Nacional de Proteção de Dados), an authority that oversees the compliance with the rules on data protection.

Any additional privacy laws or regulations enacted or approved in Brazil or in other jurisdictions in which we operate could seriously harm our business, financial condition or results of operations. On May 25, 2018, the Regulation No. 2016/279 of the European Parliament and of the Council of April 27, 2016 on the protection of personal data (the General Data Protection Regulation), or the GDPR, became directly applicable in all member states of the European Union. The GDPR has introduced new obligations relating to data privacy, control and retention, including, among others: (i) accountability and transparency requirements; (ii) enhanced data consent requirements; (iii) obligations to consider data privacy as any new products or services are developed and limit the amount of information collected, processed, stored and its accessibility; (iv) constraints on using data to profile data subjects; (v) providing data subjects with personal data in a useable format upon request and erasing personal data in certain circumstances; and (vi) reporting breaches without undue delay.

As we seek to expand our business and operations, we expect to be increasingly subject to laws and regulations relating to the collection, use, retention, security, and transfer of our employee and customer data. These may change over time and may vary by jurisdiction, and it is possible they will be interpreted and applied in ways that will materially and adversely affect our business. Any failure—real or perceived—by Braskem to comply with any applicable privacy or data protection-related laws and regulations could cause our customers to reduce their use of our products and services.

Compliance with data protection laws requires us to expend resources to revise our procedures and policies. There are no guarantees that we have sufficient resources to comply with new regulations or to successfully comply with this changing regulatory environment. Further, there is a risk of improper implementation and sanctions or reputational damage for noncompliance, both of which could have a material adverse effect on our operations, financial condition, and prospects.

In addition, despite the information security measures that we have in place, our facilities and systems—and those of our third-party service providers—may be vulnerable to security breaches, cyberattacks (including ransomware and phishing), computer viruses, misplaced or lost data, programming or human errors, or other similar events. Any security breach or perceived threat resulting in the loss or other unauthorized disclosure of confidential information could damage our reputation, expose us to litigation risk and liability, subject us to negative publicity, disrupt our operations and harm our business.

Our own security measures cannot be guaranteed and are susceptible to new cyberattacks. On October 4, 2020, we detected a cyberattack on our information technology environment as it occurred. Our security system immediately interrupted access to our servers and software, allowing us to eliminate the external threat before relevant data loss or damage occurred. We restored access to most of our servers and software, which allowed us to resume our normal operations at our plants on October 7, 2020. We took this opportunity to expedite the implementation of additional security measures that had already been planned. We have investigated and continue to investigate whether there was any breach of personal data and personal information. As of the date of this annual report, we have not found any evidence that a breach of personal data and personal information occurred.

As of the date of this annual report, we have not found any evidence that a breach of personal data and relevant information occurred. We are also unable to assess all the effects of this incident on our operations, data processing and other information technology systems. We continue to undertake our best efforts to assess the extent of the incident and take appropriate measures, including from a criminal standpoint, to prevent similar cyber-attacks from happening in the future.

We have investigated whether there was any breach of personal data and personal information. As of the date of this annual report, we have not found any evidence that a breach of personal data and relevant information occurred. We are also unable to assess all the effects of this incident on our operations, data processing and other information technology systems. We continue to undertake our best efforts to assess the extent of the incident and take appropriate measures, including from a criminal standpoint, to prevent similar cyber-attacks from happening in the future.

Cyberattacks or security breaches could compromise critical information and cause a disruption in our operations, which are heavily dependent on information technology and telecommunication systems and services. Information assets, including intellectual property, trade secrets, personal data and other business-sensitive critical information are an attractive asset to cyber criminals, cyberterrorism or other external agents. While we can offer no assurances, we have a comprehensive cybersecurity program in place, which is continuously reviewed, maintained and upgraded to prevent a significant cyberattack, a human error, including from our employees and partners, or obsolescence of technology could result in the loss of critical business information and/or negatively impact our operations, which could have a negative impact on our financial results.

Risks Relating to Brazil

Brazilian political, economic and business conditions, and the Brazilian government's economic and other policies, may negatively affect demand for our products as well as our net revenue and overall financial performance.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation and implement other policies have at times involved wage and price controls, blocking access to bank accounts, imposing capital controls and limiting imports into Brazil.

Our results of operations and financial condition may be adversely affected by factors such as:

- expansion or contraction of the Brazilian economy, as measured by rates of growth in GDP, which is expected to significantly contract in 2020;
- fluctuations in exchange rates;
- exchange control policies;
- interest rates;
- inflation;
- tax policies;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social, economic and business developments in or affecting Brazil.

Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing corruption investigations by the Federal Prosecutor's Office under Operations Car Wash, Zelotes, Greenfield, Efficiency and others, and their impact on the Brazilian economy and political environment. Certain current and former members of the Brazilian government and of the legislative branch, as well as former senior officers of the state-owned oil company and our shareholder Petrobras are being prosecuted for political corruption. These government officials and former senior officers allegedly accepted bribes by means of kickbacks on contracts granted by Petrobras to several infrastructure, oil and gas and construction companies, including Odebrecht, our controlling shareholder. We cannot currently predict how the Operation Car Wash investigation, related investigations and any future decisions and actions by authorities or developments in relation to our shareholders, may impact us. The profits of these kickbacks allegedly financed the political campaigns of political parties of federal, state and city governments that were unaccounted for or not publicly disclosed, as well as served to personally enrich the recipients of the bribery scheme. As a result of the ongoing Operation Car Wash investigation, a number of current and former senior politicians, including congressman and officers of the major state-owned companies in Brazil resigned or have been arrested. Senior elected officials and other public officials in Brazil are being investigated for allegations of unethical and illegal conduct identified during the Operation Car Wash investigation.

The potential outcome of these investigations is uncertain, but they have adversely affected and we expect that they will continue to adversely affect the Brazilian markets and trading prices of securities issued by Brazilian issuers. We cannot predict whether the allegations will lead to further political and economic instability or whether new allegations against government officials or other companies in Brazil will arise in the future. In addition, we can neither predict the outcome of any such allegations nor their effect on the Brazilian economy. The development of those unethical conduct cases could have a material adverse effect.

In addition, Brazilian politics have been characterized by considerable instability in recent years. The conviction of Former President Luiz Inácio Lula da Silva and potential ongoing judicial appeals may further increase political and economic instability. In addition, following a divisive presidential race, former Congressman Jair Bolsonaro became Brazil's president on January 1, 2019. It is unclear if and for how long the political divisions in Brazil that arose prior to the elections will continue under Mr. Bolsonaro's presidency and the effects that any such divisions will have on Mr. Bolsonaro's ability to govern Brazil and implement reforms. Any continuation of such divisions could result in congressional deadlock, political unrest and massive demonstrations and/or strikes that could materially adversely affect our operations. Uncertainties in relation to the implementation by the new government of changes relating to monetary, tax and pension funds policies as well as to the relevant legislation may contribute to economic instability. These uncertainties and measures adopted by the new administration may increase market volatility of Brazilian securities issued abroad.

Also, imports of suspension PVC from the United States and Mexico have been subject to anti-dumping duties of 16.0% and 18.0%, respectively, that were imposed by the Brazilian Foreign Trade Chamber (Câmara de Comércio Exterior), or CAMEX. Since 2008, imports of suspension PVC from China have also been subject to a duty of 21.6, and imports of suspension PVC from South Korea have been subject to duties ranging between 0% and 18.9%, depending on the producer, as a result of the imposition of anti-dumping duties by CAMEX. In August 2020, however, CAMEX decided to terminate the anti-dumping duties applied on imports of PVC from South Korea and to temporarily suspend the application of anti-dumping duties on imports from China. The duties imposed on imports from the United States and Mexico are scheduled to expire in 2021.

Additionally, in December 2010, CAMEX imposed an anti-dumping duty of 10.6% on polypropylene imports from the United States, which was extended in November 2016. In August 2014, the Brazilian government imposed anti-dumping duties on polypropylene imports from South Africa, India and South Korea of 16.0%, 6.4% to 9.9%, and 2.4% to 6.3%, respectively. In December 2020, CAMEX decided to terminate the anti-dumping duties applied on imports of polypropylene from South Korea and reduced the anti-dumping duties for South Africa to range between 4.6% and 16%. The duties imposed on imports of polypropylene from the United States are scheduled to expire in 2021, and the duties imposed on imports from South Africa and India are set to expire in 2025.

Finally, in December 2020, the Brazilian government temporarily reduced to 4%, for an initial period of three months initially, for a quota of 160,000 tons, the import tariffs levied on imports of PVC resins from countries that do not benefit from preferential import rates in Brazil. The Brazilian government extended such reduction in March 2021 for three additional months and 160,000 additional tons. In March 2021, the Brazilian government also temporarily reduced to 0%, for an initial period of three months, for a quota of 77,000 tons, the tariffs levied on imports of PP from countries that do not benefit from preferential import rates in Brazil.

In 2018, 25% of Brazilian PE, PP and PVC resins were imported products, which reflected a 12.3% annual increase in the volume of resins imported, due to higher availability of products from plants that recently started to operate.

In 2019, 31% of Brazilian PE, PP and PVC resins were imported products, which reflected an 8.5% annual increase in the volume of resins imported.

In 2020, 32% of Brazilian PE, PP and PVC resins were imported products, which reflected an 11% annual increase in the volume of resins imported.

Changes in industrial policy and related actions undertaken by the Brazilian government may negatively affect demand for our products as well as our net revenue and overall financial performance.

We currently benefit from certain industrial policies and related actions undertaken by the Brazilian government intended to strengthen the domestic economy and certain local industries. Some of these policies and actions have recently included reductions in payroll taxes for plastic manufacturers, a program to improve the competitiveness of Brazilian producers in the export markets by refunding the federal taxes levied on their export sale, intervention of the federal government to reduce incentives to imports at local ports, increases in import duties on certain products, including polyethylene, and the reduction in the rates of the Social Integration Program (*Programa de Integração Social*), or PIS, a federal value-added tax, and Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or COFINS, taxes on feedstock purchases by first- and second-generation petrochemical producers.

These taxes on feedstock purchases were set at a rate of 5.6% for naphtha and 9.25% for other feedstocks prior to June 2013. After September 2013, naphtha and also other feedstocks tax rates were lowered to 1% in 2015, increased to 3% in 2016, 5% in 2017 and further increased to 5.6% in 2018. On May 30, 2018, the Brazilian government issued Provisional Measure No. 836/18, which revoked the tax rebates for social contribution taxes, PIS and COFINS, beginning on September 1, 2018. Further, in early October 2018, the petrochemical industry special regime (REIQ) was not passed into law, which kept the PIS/COFINS taxes levied on the acquisition of domestic and imported feedstocks unchanged at 5.6%.

We cannot predict or control which policies will be renewed or discontinued and whether future changes to Brazilian industrial policy will be proposed and enacted in the future. If industrial policies that benefit us expire, or policies detrimental to us are implemented, our business, results of operations and financial condition may be adversely affected.

Fluctuations in the real/U.S. dollar exchange rate could increase inflation in Brazil, raise the cost of servicing our foreign currency-denominated debt and negatively affect our overall financial performance.

The exchange rate between the *real* and the U.S. dollar and the relative rates of depreciation and appreciation of the *real* have affected our results of operations and may continue to do so.

The Brazilian *real* has been devalued on several occasions. Throughout the last several decades, the Brazilian government has implemented various economic plans and various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. On average, the *real* depreciated by 16.5% against the U.S. dollar during 2016, appreciated by 8.5% during 2017, depreciated by 14.5% during 2018, depreciated by 7.9% during 2019 and depreciated by 30.7% during 2020.

Depreciation of the *real* relative to the U.S. dollar also could result in inflationary pressures in Brazil by generally increasing the price of imported products and services. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

We had total foreign currency-denominated debt obligations, all of which were denominated in U.S. dollars, in an aggregate amount of R\$52,293.6 million (US\$10,062.8 million) as of December 31, 2020 (inclusive of an aggregate amount of R\$12,059.2 million (US\$2,320.6 million) outstanding as of December 31, 2020 in connection with our secured debt related to our Mexico Complex), representing 96.8% of our consolidated indebtedness. As of December 31, 2020, we had R\$5,626.0 million (US\$1,082.6 million) in foreign currency-denominated cash and cash equivalents, including the aggregate amount of R\$904.4 million (US\$174.0 million) of Braskem Idesa's cash and cash equivalents.

A significant depreciation of the *real* in relation to the U.S. dollar or other currencies could increase our financial expenses as a result of foreign exchange losses that we must record and could reduce our ability to meet debt service requirements of our foreign currency-denominated obligations. To enable us to more efficiently manage the effects of exchange rate fluctuations on our results, in 2013 we decided to designate part of our U.S. dollar-denominated liabilities as a hedge for our future exports.

The prices of naphtha, our most important raw material, and of some of our other raw materials, are denominated in or linked to the U.S. dollar. Naphtha accounted, directly and indirectly, for 35.1% of our consolidated cost of products sold in 2020. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-denominated and U.S. dollar-linked raw materials increases, and our operating income in *reais* may decrease to the extent that we are unable to pass on these cost increases to our customers.

Therefore, with the goal of partially mitigating the long-term exchange risk, in September 2016, the Company started to contract financial derivatives to establish a long-term foreign exchange hedge program. The program aims to mitigate dollar call and put option contracts by hedging expected cash flows over a 24-month period.

The Brazilian government's actions to combat inflation may contribute significantly to economic uncertainty in Brazil and reduce demand for our products.

Historically, Brazil has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The inflation rate, as measured by the General Price Index—Internal Availability (*Índice Geral de Preços—Disponibilidade Interna*), or the IGP-DI, reached 2,708% in 1993. Although inflation rates have been substantially lower since 1995 than in previous years, inflationary pressures persist. Inflation rates, as measured by the IGP-DI, were 7.2% in 2016, negative 0.4% in 2017, 7.1% in 2018, 7.3% in 2019 and 23.1% in 2020. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions also may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation. Increasing prices for petroleum, the depreciation of the *real* and future governmental measures seeking to maintain the value of the *real* in relation to the U.S. dollar may trigger increases in inflation in Brazil. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which would lead to reduced demand for our products in Brazil and decreased net revenue. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *real*-denominated debt may increase, causing our net income to be reduced. Inflation and its effect on domestic interest rates can in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets. Any decline in our net revenue or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of our securities, including class A preferred shares and the ADSs.

Fluctuations or changes in, or the replacement of, interest rates could raise the cost of servicing our debt or reduce our financial revenue, negatively affecting our overall financial performance.

Our financial expenses are affected by changes in the interest rates that apply to our floating rate debt. As of December 31, 2020, we had, among other debt obligations:

- R\$1,005.4 million of loans and financing that were subject to the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, rate;
- R\$673.6 million of loans and financing that were subject to the Extended National Consumer Price Index (*Índice de Preços ao Consumidor Amplo*), or IPCA; and
- R\$8,075.9 million of loans and financing that were subject to the London Interbank Offered Rate, or LIBOR.

The TLP includes an inflation factor and is determined quarterly by the Central Bank. In particular, the TLP, the CDI and the SELIC rates have fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, inflation, Brazilian government policies and other factors. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk." A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

Due to the concerns regarding LIBOR, there have been market initiatives to enact its replacement. In June 2021, the Federal Reserve's Alternative Reference Rates Committee selected the Secured Overnight Financing Rate, or SOFR, as the preferred alternative to LIBOR. Subsequently, a schedule has been announced for the cessation of LIBOR. The ICE Benchmark Association, or IBA, has announced that it intends to end publication of the 1-week and 2-month LIBOR after December 31, 2021. The remaining tenors of LIBOR would remain in publication until June 2023, on a representative basis; after this date, publication will cease altogether. New risk-free rates, or RFRs, are also being introduced alongside SOFR for interbank offered rates in other currencies, such as the Euro, British pound, Swiss franc and Japanese yen, among others. Due to these changes, interest rates on future indebtedness may be adversely affected or we may need to renegotiate the terms of our existing facilities to replace LIBOR with the new standard, or to otherwise agree with lenders, trustees or agents, as applicable, on a new means of calculating interest. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have a material adverse effect on our financial expenses and/or financial revenue and materially adversely affect our overall financial performance.

Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt, adversely affect our ability to make payments under our foreign currency-denominated debt obligations and impair our liquidity.

The purchase and sale of foreign currency in Brazil is subject to governmental control. The current laws and regulations governing the Brazilian foreign exchange system allow the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. Many factors could cause the Brazilian government to institute more restrictive exchange control policies, including the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the IMF and political constraints to which Brazil may be subject. A more restrictive policy could increase the cost of servicing, and thereby reduce our ability to pay, our foreign currency-denominated debt obligations and other liabilities.

Our foreign-currency debt denominated in U.S. dollars represented an aggregate of 96.8% of our indebtedness on a consolidated basis as of December 31, 2020, including transaction costs and Braskem Idesa Financing. If we fail to make payments under any of these obligations, we will be in default under those obligations, which could reduce our liquidity as well as the market price of our securities, including our class A preferred shares and ADSs.

Changes in tax laws may result in increases in certain direct and indirect taxes, which could reduce our gross margin and negatively affect our overall financial performance.

The Brazilian government implements, from time to time, changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. We cannot predict the changes to Brazilian tax law that may be proposed and enacted in the future. However, future changes in Brazilian tax law may result in increases in our overall tax burden, which could reduce our gross margin and negatively affect our overall financial performance.

Risks Relating to Mexico

Political and economic conditions and government policies in Mexico, including political interferences in state-owned companies such as Pemex TRI and Cenagas, and elsewhere may have a material impact on our operations.

Deterioration in Mexico's economic condition, social instability, political unrest or other adverse social developments in Mexico could adversely affect our business and financial condition. These events could also lead to increased volatility in the financial markets, thereby affecting our ability to maintain financial liquidity and service our debt. Additionally, spending cuts related to Pemex or other government expenditures, or lack of investments in natural gas and ethane recovery, could adversely affect Pemex, Pemex's ability to produce and recover ethane, the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect our business and ability to service our debt. A worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, our financial condition and our ability to service our debt.

Furthermore, our long-term supply agreement to purchase ethane from Pemex TRI, a state-owned Mexican entity, could be modified through regulatory means, terminated or jeopardized by them as a result of political pressure to not comply with the agreement, to change the terms of the agreement, expropriation measures, or change in laws regulations by the Mexican government. Any non-compliance, modification, termination or interruption of this supply agreement could have a material adverse effect on the results of our operations or our financial condition.

In early December 2020, Braskem Idesa received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency responsible for all natural gas pipelines and transportation in Mexico, related to the unilateral termination of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities. Later in January 2021, Braskem Idesa partially resumed its operations based on an experimental business model to produce PE. Braskem Idesa has taken legal measures pursuant to the ethane supply agreement entered into with Pemex. Braskem Netherlands B.V, which is Braskem Idesa's direct shareholder, has also taken legal measures under applicable international investment protection standards to protect the interests of Braskem Idesa and its parent company with regard to their investment in Mexico. Such measures include a negotiation period to attempt to resolve the dispute between the parties.

In the first quarter of 2021 Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

For additional information, see “—We depend on ethane supplied by Pemex TRI in Mexico,” “—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof” and “We depend on ethane supplied by Pemex TRI in Mexico.”

Mexico has experienced adverse economic conditions, which may adversely affect our business.

Mexico has historically experienced uneven periods of economic growth. In 2017, Mexico's GDP only increased by 2.1%, while inflation increased to 6.8%. At the end of 2017, Mexico's inflation rate reached a 17-year high, primarily due to a weaker Peso compared to the U.S. dollar and the termination of government controls on gasoline and other fuels. In 2018, Mexico's economy rebounded slightly from the prior high inflation rate, decreasing to 4.8%. Inflation remained above the consumer price index target of 3%, and Mexico's GDP growth for 2018 decreased slightly to 2.0%, from 2.1% in 2017. In 2019, Mexico's GDP stagnated in relation to 2018. According to the IMF, because of the adverse effects of the COVID-19 pandemic, the GDP of Mexico shrank significantly in 2020, leading to an economic contraction and a recession in the country.

Decreases in the growth rate of the Mexican economy, periods of negative growth or reductions in disposable income may result in lower demand for our products. The Mexican government recently cut spending in response to an austerity policy and a downward trend in international crude oil prices, and it may further cut spending in the future. These cuts could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects. In addition, there can be no assurance that the recent Mexican sovereign debt rating downgrades will not adversely affect our business, financial condition or results of operations.

Our revenues are subject to the risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies. As a result, the actions of the Mexican government concerning the economy and regulating certain industries could have a significant effect on Mexican private sector entities, including us, and on market conditions, prices and returns on Mexican securities, including our securities.

A renegotiation of commercial treaties or changes in foreign policy among Mexico, Canada and the United States may negatively affect our business, financial condition, results of operations and prospects.

In recent years, economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. Adverse economic conditions in the United States or other related events could have a significant adverse effect on the Mexican economy, which could adversely affect our business. As a result of talks to renegotiate NAFTA, on November 30, 2018, the United States, Canada, and Mexico signed the United States-Mexico-Canada Agreement, or USMCA. The USMCA replaced NAFTA and, although it entered into force on July 1, 2020, it may fail to be implemented. If such event occur, it could adversely impact our business and operations. Since 2003, exports of petrochemical products from Mexico to the United States have enjoyed a zero-tariff rate under NAFTA. Any action taken by the current U.S., Mexico or Canada administrations, including changes to or non-compliance with the USMCA requirements that would increase the tariff rate between the countries, could have a negative impact on the Mexican economy, such as reductions in the levels of remittances, reduced commercial activity or bilateral trade, or declining foreign direct investment in Mexico. In addition, increased or perceptions of increased economic protectionism in the United States and other countries could potentially lead to lower levels of trade and investment and economic growth, which could have a similarly negative impact on the Mexican economy. These economic and political consequences could adversely affect our business, results of operations and financial condition.

The 2016 U.S. presidential election and the change in the U.S. administration have had an impact on the worldwide economy and in Mexico. The current U.S. governmental policies towards Mexico have created instability, uncertainty and may adversely affect the Mexican economy. For example, President Donald Trump has instituted import tariffs on a limited amount of products imported from Mexico and enforced measures intended to control illegal immigration from Mexico, which have created friction between the U.S. and Mexican governments and may reduce economic activity between these countries. In addition, in June 2019, the Trump administration announced plans to impose an escalating series of tariffs on Mexico unless the Mexican government enacted certain policy changes. While the Mexican and U.S. governments were able to reach an understanding, we cannot assure you that the U.S. government will not impose escalating or other tariffs on Mexico and that we will not be materially adversely affected by tariffs in the future.

Our profitability is affected by numerous factors including demand for the products we provide. The demand for our products in Mexico, Central and South America, the Caribbean, Europe the U.S. and in the other countries in which we operate may be adversely affected by the tightening of credit markets and economic downturns. As a global company, we depend on the demand from customers in Mexico, the U.S. and the other countries in which we operate, and reduced consumer spending that falls short of our projections could adversely affect our business, results of operations and financial condition.

Political events in Mexico could affect the Mexican economic policy and our business, financial condition and results of operations.

The last Mexican presidential and congressional elections took place in July 2018. Andrés Manuel López Obrador, presidential candidate for the National Regeneration Movement Party (Movimiento de Regeneración Nacional), or Morena, was elected President of Mexico and took office on December 1, 2018. Additionally, Mexican congressional elections took place in July 2018, resulting in Morena effectively controlling the Mexican House of Representatives (Cámara de Diputados) and having a significant influence in the Mexican Senate (Senado de la República), obtaining a historical absolute majority and reducing the rest of the political forces to a level of marginal influence. Mexico's next federal legislative election will be in July 2021.

During the presidential campaign, the candidates for the presidency and the federal legislatures presented diverse proposals to, among other things, modify or terminate certain structural reforms introduced in the previous administration, with the purpose of reducing the participation of private investment in sectors such as energy. Accordingly, as has happened historically in any change of administration or congress, the Mexican government could implement significant changes in laws, policies and regulations, and could reduce or eliminate the independence of organizations or of semi-autonomous or decentralized dependencies, which could affect the economic and political situation in Mexico. We cannot predict if the current administration will implement substantial changes in law, policy and regulations in Mexico, which could affect our business, results of operations or financial condition.

Morena's control over the Mexican Congress, as described above, could result in further reforms and secondary legislation of key sectors of the Mexican economy. The ruling political coalition led by Morena has been strengthened by fragmented support from the Green Ecologist Party of Mexico (Partido Verde Ecologista), the Institutional Revolutionary Party (PRI) and a deficient organization of dissident political groups. As a result, in the state elections of 2019, Morena expanded its influence in the entities acquiring control of 21 of 32 local congresses. We cannot ascertain whether, and to what extent, such policies may affect our business, results of operations and financial condition or the legal framework in which we operate.

In addition, the new administration canceled the New Mexico City Airport (Nuevo Aeropuerto Internacional de la Ciudad de México) project, and has announced the kickoff of the main infrastructure projects that were promised during campaign (including a new refinery at Dos Bocas, the “Mayan train,” and the construction of a new airport in Santa Lucía). Several investors and credit rating agencies are still cautious about the new administration’s policies, which could contribute to a decrease in the Mexican economy’s resilience in the event of a global economic downturn. Morena’s led coalition control in the Congress and in various local Congresses are enough to implement significant reforms without the approval of the rest of the other Mexican political parties, including amendments to the Mexican Constitution. Such concentration of power and any instability in Mexican politics or the Mexican economy as a result of the above can have a negative impact on our business, financial position or operating results. The extent of such impact cannot be accurately predicted.

Developments in other countries could adversely affect the Mexican economy, our financial performance and the price of our shares.

The Mexican economy and the market value of Mexican companies may be affected to varying degrees by global economic and market conditions, and the economic and market conditions in other emerging market countries and major trading partners, in particular the United States. In recent years, economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, increased economic activity between the two countries, and the remittance of funds from Mexican immigrants working in the United States to Mexican residents. Therefore, adverse economic conditions in the United States, the termination of, or modifications to, NAFTA or its successor agreement, USMCA, or other related events, including global trade disputes and instability, could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our financial performance.

Mexico has experienced a period of increased criminal activity, including violence associated with drug trafficking and organized crime, and such activities could adversely affect our financing costs and exposure to our customers and counterparties.

During recent years, Mexico has experienced a period of increased criminal activity and violence, primarily due to organized crime. This violence has taken place throughout Mexico, including the State of Veracruz, where our Mexico Complex is located. Despite the efforts of the Mexican government to increase security measures by strengthening its military and police forces, drug-related violence and crime continues to threaten the Mexican economy and the peace and security of certain regions, resulting in economic and political instability and uncertainty in Mexico. Systematic criminal activity and isolated criminal events could interrupt our operations, affect our ability to generate revenue and increase the cost of our operations. Continued violence could result in the Mexican government adopting additional security measures, such as transport restrictions, prohibiting the transit of goods and people at certain times, and cross-border trade. We cannot assure you that these activities, their escalation and the violence associated with them, over which we have no control, could have a negative impact on the business environment in which we operate, and therefore on our results of operations and financial condition.

We may interpret certain provisions of our ethane supply agreement differently than our counterparty Pemex TRI.

As of the date of this annual report, we source substantially all of the ethane for the production of polyethylene at our Mexico Complex from Pemex TRI pursuant to the take-or-pay long-term ethane supply agreement with Pemex TRI. The ethane supply agreement is a complex agreement, and we may interpret certain of its provisions differently than Pemex TRI does. For example, if Pemex TRI fails to supply a determined percentage of the ethane contractually specified under the ethane supply agreement for six consecutive months, we will have the right to terminate the ethane supply agreement and require Pemex TRI to pay to the other parties involved in the project an amount equal to the termination value of this project (the value of which is determined pursuant to the contract and takes into consideration, among other factors, the outstanding debt of the project and the amount invested in the project at such time). A difference of interpretation between us and Pemex TRI of certain provisions of the ethane supply agreement, including the provisions relating to calculation of the termination value, could have an adverse effect on our results of operations and financial position. See “—We have no control over the corporate actions or decisions of Pemex TRI and Cenagas, which are, respectively, our main supplier of ethane and a provider of natural gas transportation services and Mexican state-owned enterprises subject to political interference.”

If we fail to develop an alternative source of ethane or to expand the current alternative source of ethane, it may have a negative impact on our business because we cannot operate our Mexico Complex at full capacity.

In order to increase the operating rate of our Mexico Complex, we need to obtain additional quantities of ethane to offset the shortfall in the amount of ethane supplied by Pemex TRI under the ethane supply agreement. As of the date of this annual report, our Mexico Complex is importing additional supplies of ethane through a private terminal in Coatzacoalcos and transporting it to our complex via a logistical solution, or the Fast-Track Solution. In the future, we may consider the development and construction of a new terminal, or the Ethane Import Terminal. However, we cannot guarantee that the potential construction of the Ethane Import Terminal will be completed or that the Fast-Track Solution will be able to increase our production to our expected level of output. In addition, we cannot guarantee that we will be able to import ethane at current market prices, which could also adversely affect our business, results of operations and financial condition.

The development and construction of the Ethane Import Terminal and the establishment of the Fast-Track Solution for the importation of ethane may involve significant risks and uncertainties, such as:

- failure to obtain or maintain requisite approvals and permits from the applicable regulators and governmental entities;
- negotiation of satisfactory engineering, procurement and construction agreements;
- negotiation of satisfactory operations and maintenance agreements;
- failure to achieve expected results;
- failure to obtain rights of way required for the construction of the Ethane Import Terminal;
- negotiation with local communities and minority groups;
- delays in the construction and start of operations of the Ethane Import Terminal;
- unanticipated liabilities;
- obtaining the required financing for the construction of the Ethane Import Terminal; or
- contractor's or subcontractor's failure to comply with construction contracts.

The spread of COVID-19 has caused us to modify certain of our business practices, and we may take further actions as required by government authorities, including closure of ports, or that we determine are in the best interests of our employees, customers, partners and suppliers. These actions could impact the development and construction of the Ethane Import Terminal and the establishment of the Fast-Track Solution for the importation of ethane. We currently expect Pemex TRI's undersupply of ethane to continue.

Risks Relating to Our Equity and Debt Securities

The totality of the shares issued by Braskem and owned by OSP Investimentos S.A. were given as collateral in financing agreements entered into by the Novonor Group.

Pursuant to a shares fiduciary assignment agreement (*alienação fiduciária em garantia*) entered into by the Novonor Group on November 27, 2013, as amended on May 13, 2016, July 19, 2016, April 24, 2017, May 23, 2018, March 29, 2019 and October 9, 2020, all shares issued by Braskem and held by OSP Investimentos S.A. have been given as collateral in connection with certain financing agreements entered into by Novonor S.A. and certain of its subsidiaries. In the event that Novonor Group defaults on such financing agreements, or if such financing agreements are accelerated and, as a result, such collateral is seized by a creditor (assuming that Petróleo Brasileiro S.A. – Petrobras does not exercise its preemptive rights to acquire such shares) we may be subject to a change of control following statutory and procedural formalities required pursuant to our shareholders's agreement. A change of control under these circumstances may adversely affect us.

A foreclosure on or sale of our shares held by OSP Investimentos S.A. - whether within or outside the Novonor Judicial Restructuring Proceedings - may result in a change of control. As we do not have the ability to consent to or otherwise influence or control the Novonor Judicial Restructuring Proceedings or otherwise the acquirer of the shares from any such foreclosure, we may have a change in our corporate control in the foreseeable future.

Shareholders of our class A preferred shares or the ADSs may not receive any dividends or interest on shareholders' equity.

As permitted by the Brazilian Corporate Law, our by-laws specify that 25% of our adjusted net profit for each fiscal year must be distributed to shareholders as mandatory dividends, or the Mandatory Distribution of Dividends. Under our by-laws, our class A and class B preferred shareholders are entitled to an annual non-cumulative preferential dividend, or the Minimum Preferred Dividend, equal to 6% of their *pro rata* share of our capital before dividends may be paid to our common shareholders. The Brazilian Corporate Law allows a publicly traded company like ours to suspend the Mandatory Distribution of Dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability, provided that such suspension does not affect the Minimum Preferred Dividend, which is still payable to the holders of preferred shares. However, the shareholders, including the holders of our class A preferred shares or the ADSs, may not receive any dividends or interest on shareholders' equity in any given year if we do not record a profit.

Our class A preferred shares and the ADSs have limited voting rights and are not entitled to vote to approve corporate transactions, including mergers or consolidations of our Company with other companies, or the declaration of dividends.

Under the Brazilian Corporate Law and our by-laws, holders of our class A preferred shares and, consequently, the ADSs underlying these shares are not entitled to vote at meetings of our shareholders, except in very limited circumstances. These limited circumstances directly relate to key rights of the holders of class A preferred shares, such as modifying basic terms of our class A preferred shares or creating a new class of preferred shares with superior rights. Holders of preferred shares without voting rights are entitled to elect one member and his or her respective alternate to our board of directors and our fiscal council, depending on specific requirements provided in the Brazilian Corporate Law. Holders of our class A preferred shares and the ADSs are not entitled to vote to approve corporate transactions, including mergers or consolidations of our Company with other companies, or the declaration of dividends. However, if we do not pay dividends for three consecutive years, holders of our class A preferred shares and the ADSs will be granted voting rights. See "Item 10. Additional Information—Description of Our By-laws—Voting Rights."

Holders of the ADSs may find it difficult to exercise even their limited voting rights at our shareholders' meetings.

Under Brazilian law, only shareholders registered as such in our corporate books may attend our shareholders' meetings. All class A preferred shares underlying the ADSs are registered in the name of the depository. ADS holders may exercise the limited voting rights with respect to our class A preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs, which provides that voting rights are only available to ADS holders at our discretion. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in certain newspapers in Brazil. To the extent that holders of our class A preferred shares are entitled to vote at a shareholders' meeting, they will be able to exercise their voting rights by attending the meeting in person, voting by proxy or by remote voting, if applicable. By contrast, holders of the ADSs will receive notice of a shareholders' meeting by mail from the depository following our notice to the ADS depository requesting the ADS depository to do so. To exercise their voting rights, ADS holders must instruct the depository on a timely basis. This noticed voting process will take longer for ADS holders than for holders of class A preferred shares. If it fails to receive timely voting instructions for all or part of the ADSs, the depository will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

In the limited circumstances in which holders of the ADSs have voting rights, they may not receive the voting materials in time to instruct the depository to vote the class A preferred shares underlying their ADSs. In addition, the depository and its agents are not responsible for failing to carry out the voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise their voting rights, and they will have no recourse if the class A preferred shares underlying their ADSs are not voted as requested.

If holders of the ADSs exchange them for class A preferred shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.

The Brazilian custodian for the preferred shares underlying the ADSs must obtain an electronic registration number with the Central Bank to allow the depositary to remit U.S. dollars abroad. ADS holders benefit from the electronic certificate of foreign capital registration from the Central Bank obtained by the custodian for the depositary, which permits it to convert dividends and other distributions with respect to the class A preferred shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of the ADSs decide to exchange them for the underlying preferred shares, they will only be entitled to rely on the custodian's certificate of registration with the Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the preferred shares, which may result in expenses and may cause delays in receiving distributions. See "Item 10. Additional Information—Exchange Controls."

Also, if holders of the ADSs that exchange the ADSs for our Class A preferred shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, our preferred shares. See "Item 10. Additional information—Exchange Controls" and "Item 10. Additional Information—Taxation—Brazilian Tax Considerations."

Restrictions on the movement of capital out of Brazil may impair the ability of holders of our shares, ADSs and debt securities to receive payments on their respective obligations or guarantees and may restrict our ability to make payments in U.S. dollars.

In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign exchange reserves, and the government has responded by restricting the ability of Brazilian or foreign persons or entities to convert *reais* into foreign currencies. The government may institute a restrictive exchange control policy in the future. Any restrictive exchange control policy could prevent or restrict our access to U.S. dollars, and consequently our ability to meet our U.S. dollar obligations under our shares, ADSs and the guarantees we granted pursuant to our outstanding debt securities, and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Brazilian economy.

The foreign exchange policy of Brazil may affect the ability of Braskem to make money remittances outside Brazil in respect of our equity securities or debt securities.

Under current Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments under guarantees in favor of foreign persons, such as the holders of our shares, ADSs or our outstanding debt securities. We cannot assure you that these regulations will continue to be in force in the event that Braskem is required to perform its payment obligations under its shares, ADSs or the guarantees under our outstanding debt securities. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, Braskem would need to seek an authorization from the Central Bank to transfer the amounts under such obligations out of Brazil or, alternatively, make such payments with funds held by Braskem outside Brazil. We cannot assure you that such an authorization will be obtained or that such funds will be available. If such authorization is not obtained, we may be unable to make payments to holders of our shares, ADSs or the applicable debt securities in foreign currency. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by Braskem through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the shares, ADSs or debt securities. However, we cannot assure you that other remittance mechanisms will be available in the future, and even if they are available in the future, we cannot assure you that payment on the outstanding debt securities would be possible through such mechanism.

Holders of the ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights than under the laws of other jurisdictions, including in a jurisdiction in the United States.

Holders of the ADSs are not our direct shareholders and are unable to enforce the rights of shareholders under our by-laws and the Brazilian Corporate Law.

Our corporate affairs are governed by our by-laws and the Brazilian Corporate Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of ADSs surrenders its ADSs and becomes a direct shareholder, its rights as a holder of the class A preferred shares underlying the ADSs under the Brazilian Corporate Law to protect its interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

Although insider trading and price manipulation are crimes under Brazilian law and are the subject of continuously evolving regulations promulgated by the Brazilian Securities Commission, or the CVM, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our class A preferred shares and the ADSs at a potential disadvantage when compared to holders of shares of companies incorporated in other jurisdictions. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

Holders of the ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a corporation (*sociedade por ações*) organized under the laws of Brazil, and all of our directors and executive officers and our independent public accountants reside or are based in Brazil. Most of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. In addition, because a substantial portion of our assets and all of our directors and officers reside outside the United States, any judgment obtained in the United States against us or any of our directors or officers may not be collectible within the United States. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Judgments of Brazilian courts enforcing Braskem's obligations under our equity securities or the guarantees would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under our shares, ADSs, the guarantees under our outstanding notes or our other indebtedness, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under such shares, ADSs, guarantees or other indebtedness would be expressed in *reais*. We cannot assure you that this amount in *reais* will afford the holders of the shares, ADSs, notes or our other indebtedness full compensation of the amount sought in any such litigation.

Actual or anticipated sales of a substantial number of class A preferred shares could decrease the market prices of our class A preferred shares and the ADSs.

Sales of a substantial number of our class A preferred shares could negatively affect the market prices of our class A preferred shares and the ADSs. If substantial sales of shares are made through the securities markets by our controlling shareholders or other class A preferred shares, the market price of our class A preferred shares and, by extension, the ADSs may decrease significantly. As a result, holders of the ADSs may not be able to sell the ADSs at or above the price they paid for them.

Holders of the ADSs or class A preferred shares in the United States may not be entitled to the same preemptive rights as Brazilian shareholders have, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.

Under Brazilian law, if we issue new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, we must grant our shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholding percentage. We may not legally be permitted to allow holders of ADSs or class A preferred shares in the United States to exercise any preemptive rights in any future capital increase unless (1) we file a registration statement for an offering of shares resulting from the capital increase with the U.S. Securities and Exchange Commission, or the SEC, or (2) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that we consider important in determining whether to file such a registration statement. We cannot assure the holders of the ADSs or class A preferred shares in the United States that we will file a registration statement with the SEC to allow them to participate in any of our capital increases. As a result, the equity interest of such holders into us may be diluted.

Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of our ADSs and preferred shares.

According to Law No. 10,833, of December 29, 2003, if a nonresident of Brazil disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another nonresident. Dispositions of our ADSs between nonresidents, however, are currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of “disposition of assets” is interpreted to include the disposition between nonresidents of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of our ADSs made between nonresidents of Brazil. Due to the fact that, as of the date of this annual report, there is no judicial guidance on the application of Law No. 10,833/2003, we are unable to predict whether an interpretation applying such tax laws to dispositions of our ADSs between nonresidents could ultimately prevail in Brazilian courts. See “Item 10. Additional Information—Taxation—Brazilian Tax Considerations.”

The relative volatility and liquidity of the Brazilian securities markets may adversely affect holders of our class A preferred shares and ADSs.

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States and other jurisdictions, and may be regulated differently from the manner in which U.S. investors are accustomed. Factors that may specifically affect the Brazilian equity markets may limit the ability of holders of the ADSs to sell class A preferred shares underlying ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of the ADSs themselves.

Economic developments and investor perceptions of risk in other countries, including both in developed or emerging market economies, may adversely affect the trading price of Brazilian securities, including our common shares and ADSs, as well as any outstanding debt securities.

The market value of securities of Brazilian issuers is affected in varying degrees by economic and market conditions in other countries, including in developed countries, such as the United States and certain European countries, and in emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, the reaction of investors to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. The price of shares traded in the Brazilian capital markets, for example, has been historically subject to fluctuation of interest rates in the United States and the variation in the main U.S. stock exchanges. In addition, crisis in other emerging countries may diminish investor interest in securities of Brazilian issuers, including our shares and ADSs and our debt securities. This could adversely affect the market price of our shares, ADSs and outstanding debt securities and could also make it more difficult for us to access capital markets, affecting our ability to finance our operations on acceptable terms.

We are exposed to disruption and volatility of global financial markets due to their effects on the economic and financial environment, particularly in Brazil, such as economic downturn, increased unemployment rate, decreased purchasing power of consumers and unavailability of credit

In addition, the persistence of the COVID-19 pandemic could negatively impact the market value of securities of Brazilian issuers, including our shares and ADSs and our debt securities. The extent to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including the severity of the COVID-19 pandemic, actions to contain it or treat its impact, among others

These disruptions or volatility in global financial markets may increase even further the negative effects on the Brazilian economic and financial environment, adversely affecting us.

Because Braskem Finance Limited and Braskem Netherlands Finance B.V. have no operations of their own, holders of our outstanding debt securities issued by Braskem Finance Limited or Braskem Netherlands Finance B.V. depend on Braskem to provide Braskem Finance Limited or Braskem Netherlands Finance B.V., respectively, with sufficient funds to make payments on these debt securities when they become due.

Braskem Finance Limited, a wholly-owned subsidiary of Braskem incorporated in the Cayman Islands, and Braskem Netherlands Finance B.V., or Braskem Netherlands Finance, an indirect wholly-owned subsidiary of Braskem incorporated under the laws of The Netherlands, have no operations of their own other than the issuing and making of payments on their respective debt securities and other indebtedness, and using the proceeds therefrom as permitted by the agreements governing these issuances, including lending the net proceeds of the debt securities and other indebtedness incurred by Braskem Finance Limited and Braskem Netherlands Finance to Braskem and subsidiaries of Braskem. Accordingly, the ability of either Braskem Finance Limited or Braskem Netherlands Finance to pay principal, interest and other amounts due on the outstanding debt securities issued by it and other indebtedness will depend on our financial condition and results of operations and those of our subsidiaries that are debtors of Braskem Finance Limited or Braskem Netherlands Finance, respectively. In the event of an adverse change in our financial condition or results of operations or those of our subsidiaries that are debtors of Braskem Finance Limited or Braskem Netherlands Finance, these entities may be unable to service their indebtedness to Braskem Finance Limited or Braskem Netherlands Finance, as the case may be, which would result in the failure of Braskem Finance Limited or Braskem Netherlands Finance, as the case may be, to have sufficient funds to repay all amounts due on or with respect to the respective outstanding debt securities.

Payments on Braskem's guarantees will be junior to Braskem's secured debt obligations and effectively junior to debt obligations of Braskem's subsidiaries and jointly controlled companies.

The outstanding debt securities are fully guaranteed by Braskem on an unsecured basis. The Braskem guarantees constitute senior unsecured obligations of Braskem. The guarantees rank equal in right of payment with all of Braskem's other existing and future senior unsecured indebtedness. Although the guarantees provide the holders of the debt securities with a direct, but unsecured claim on Braskem's assets and property, payment on the guarantees is subordinated to secured debt of Braskem to the extent of the assets and property securing such debt.

Upon any liquidation or reorganization of Braskem, any right of the holders of the debt securities, through enforcement of Braskem's guarantees (i) to participate in the assets of Braskem, including the capital stock of its subsidiaries and jointly controlled entities, will be subject to the prior claims of Braskem's secured creditors, and (ii) to participate in the assets of Braskem's subsidiaries and jointly controlled entities will be subject to the prior claims of the creditors of such subsidiaries and jointly controlled entities. The indentures relating to the outstanding debt securities include a covenant limiting the ability of Braskem and its subsidiaries to create liens, although this limitation is subject to significant exceptions.

Our Mexico Complex was financed under a project finance structure, in which the construction loan must be repaid using exclusively the cash generated by us with shareholders pledging limited guarantees. Accordingly, this financing structure includes guarantees typical to transactions of this kind, such as assets, receivables, cash generation and other rights of Braskem Idesa.

As of December 31, 2020, Braskem had (1) consolidated corporate debt, of R\$41,968.2 million (US\$8,075.9 million), and (2) consolidated Braskem Idesa debt related to our Mexico Complex of R\$12,059.2 million (US\$2,320.6 million). Of the consolidated corporate debt, R\$2,303.6 million (US\$443.3 million) was unsecured debt of Braskem S.A., R\$1.5 million (US\$0.3 million) was secured debt of Braskem S.A., and R\$39,663.1 million (US\$7,632.4 million) was unsecured debt of Braskem's subsidiaries and special purpose entities (other than Braskem Idesa S.A.P.I.).

Braskem conducts a portion of its business operations through subsidiaries and jointly controlled companies. In servicing payments to be made on its guarantees of the outstanding debt securities, Braskem may rely, in part, on cash flows from its subsidiaries and jointly controlled companies, mainly in the form of dividend payments and interest on shareholders' equity. The ability of these subsidiaries and jointly controlled entities to make dividend payments to Braskem will be affected by, among other factors, the obligations of these entities to their creditors, requirements of Brazilian corporate and other law, and restrictions contained in agreements entered into by or relating to these entities. In the event that these subsidiaries and jointly controlled entities are unable to make dividend payments to Braskem due to insufficient cash flows, Braskem may be required to utilize its own cash flows to service payments. Further, if these subsidiaries and jointly controlled entities are unable to pay their debt, they may become subject to bankruptcy or insolvency proceedings. Any bankruptcy or insolvency proceedings of these subsidiaries and jointly controlled entities may have an adverse effect on our financial condition and results of operations.

Braskem's obligations under the guarantees of the outstanding debt securities are subordinated to certain statutory preferences.

Under Brazilian law, Braskem's obligations under the guarantees of the outstanding debt securities are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial restructuring of Braskem, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantees. In such event, enforcement of the guarantees may be unsuccessful, and holders of the outstanding debt securities may be unable to collect amounts due under the outstanding debt securities.

Brazilian bankruptcy laws may be less favorable to holders of our shares, ADSs and outstanding notes than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay our indebtedness, including our obligations under the shares, ADSs and guarantees under the outstanding notes, then we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. For example, holders of our outstanding debt securities may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantees normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered, or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the guarantees, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford full compensation of the amount invested in our outstanding debt securities plus accrued interest.

ITEM 4. INFORMATION ON THE COMPANY

According to IHS, we are the largest producer of thermoplastic resins in the Americas, based on the annual production capacity of our 29 plants in Brazil, six plants in the United States, two plants in Germany and four plants in Mexico as of December 31, 2020. We are the only producer of ethylene, polyethylene and polypropylene in Brazil. We are the largest producer of PE in Mexico and of PP in the United States. We produce a diversified portfolio of petrochemical and thermoplastic products, including polyethylene, green polyethylene, polypropylene and PVC.

As of December 31, 2020, our business operations were organized into three segments, which corresponded to our principal production processes, products and services. Our segments were as follows:

- our Brazil Segment includes: (i) production and sale of chemicals at the chemical complex located in Camaçari, in the State of Bahia, or the Northeastern Complex, the chemical complex located in Triunfo, in the State of Rio Grande do Sul, or the Southern Complex, the chemical complex located in Capuava, in the State of São Paulo, or the São Paulo Complex and the chemical complex located in Duque de Caxias, in the State of Rio de Janeiro, or the Rio de Janeiro Complex; (ii) supply of electricity and other inputs produced in these complexes to second-generation producers located in the petrochemical complexes; (iii) production and sale of PE, including the production of “green PE” from renewable resources, and PP produced by us in Brazil; and (iv) our production and sale of PVC and caustic soda;

The Brazil Segment accounted for net revenue of R\$40,794.4 million, or 68.7% of our consolidated net revenue of all reportable segments, including inter-segment sales;

- our USA and Europe Segment, which includes our production, operations and sale of polypropylene in the United States and Germany. This segment accounted for net revenue of R\$14,638.7 million, or 24.6% of our consolidated net revenue of all reportable segments, including inter-segment sales; and
- our Mexico Segment, which includes our production, operations and sale of ethylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) in Mexico. This segment accounted for net revenue of R\$4,000.8 million, or 6.7% of our consolidated net revenue of all reportable segments, including inter-segment sales.

In 2020, 2019 and 2018, 55.3%, 54.5% and 54.8% of our net revenue, respectively, related to sales performed in Brazil, and 44.7%, 45.5% and 45.2% of our net revenue in 2020, 2019 and 2018 was derived from our international operations.

Our Strategy

Our strategic objective is to satisfy clients mainly in the chemicals and plastics value chain in a sustainable way and maximize return on the capital invested by shareholders, with a focus on polyethylene, or PE, resins, polypropylene, or PP, polyvinyl chloride, or PVC, chemicals, and renewable chemistry.

The key pillars of our strategy include:

- ***Productivity and Competitiveness***

The petrochemical industry is constantly evolving through investments in the current asset base, advances in innovation and technology, and the addition of new capacities with enhanced productivity and competitiveness. Therefore, to maintain our leadership position in the industry a key element of our strategy is to pursue improvements in productivity and competitiveness of our current operations through innovation, focusing on operational efficiency and excellence, commercial and logistics effectiveness, cost leadership, and differentiation through our relationships with clients.

This strategy will allow us to ensure optimal operational performance, considering reliability, production optimization, cost reductions, investment discipline, and improvements of our industrial processes.

- ***Sustainability / Sustainable Development***

We have been operating with a sustainable development framework since 2012, with the purpose of improving people's lives by creating sustainable solutions through chemicals and plastics. With solid goals and consistent directives and actions, we have been contributing, directly and indirectly, towards the United Nations Sustainable Development Goals.

In 2020, sustainable development became an important part of our corporate goal with the definition of our macro objectives along seven lines: health & safety; plastic waste; climate change; financial & economic results; operational eco-efficiency; social responsibility & human rights; sustainable innovation.

Additionally, in 2020 we announced our commitment to expand its efforts to achieve the following goals related to mitigate climate change and eliminating plastic waste:

Plastic Waste:

- expand our "I'm greenTM" portfolio aiming to include 300,000 tons of thermoplastic resins and chemicals with recycled content by 2025; and, by 2030, 1 million tons of such products;
- by 2030, work to divert 1.5 million tons of plastic waste away from incineration, landfills, or the environment.

Climate Change:

- achieve carbon neutrality by 2050;
- provide a 15% reduction in carbon emissions by 2030.

- ***Diversification***

Feedstocks are a key element of competitiveness in the petrochemical industry, driving a large part of production costs. Petrochemical feedstocks follow the volatile nature of commodity markets with the competitive gap between different feedstocks fluctuating over time. We are constantly seeking to diversify our feedstock profile and suppliers to reduce the volatility of our results, reduce risks related to feedstock availability, and position ourselves to capture opportunities.

Additionally, regional markets are influenced by the local supply and demand balance, macro-economic factors, and the political environment. Having a local presence in a given market not only provides easier access to regional customers, feedstock opportunities and industrial policies but also exposes the player to several risks related to government decisions, feedstock availability and demand growth. Having a diversified footprint is important to have access to regional opportunities but also to hedging our operations against local risks.

Furthermore, the evolving consumer behavior and industry trends present different opportunities and risks to us. To capture the value of changing markets, we continue to evolve our product portfolio, enabling business growth and profitability, and anticipating and mitigating potential disruptions to our business.

- ***People, Governance and Reputation***

We are committed to strengthening our image and reputation among our key stakeholders: employees, communities, and investors, through advances in our compliance system, sustainability, innovation, and people management, while strengthening our culture and financial health.

In people management, we intend to develop a work environment that reinforces diversity and stimulates the attraction and integration of talented young people, preparing our team for our increasing globalization and preparing us for the new paradigms of managing people.

We are committed to strengthening our compliance system, guaranteeing the involvement and responsibility of all leaders, and implementing all policies and actions defined by our compliance committee, guided by transparency, integrity, and ethics.

By these means, we intend to continue strengthening our image and reputation together with our stakeholders, positioning ourselves as a human-oriented, forward-thinking global company that cultivates strong relationships and generates value to all.

- **Capital allocation and financial health**

Maintaining sound financial health and discipline in capital allocation is one of our strategic pillars, especially considering that we are a capital-intensive business, the petrochemical industry is subject to volatility throughout its cycles, and we are always looking for opportunities to create value.

Considering the volatility in market prices of our feedstocks, our products and, consequently, our margins, we are constantly seeking to maintain a high liquidity position and a long amortization schedule of our obligations, allowing us to maintain financial health and not to resort to costly financings during low petrochemical cycles or distressed economic scenarios.

To ensure permanent compliance with our financial obligations, we maintain a relevant cash and cash equivalents and financial investments position taking into consideration quantitative criteria, such as a minimum cash position, calculation established in our financial policy, and qualitative criteria, such as the macroeconomic scenario and any other risks that might be identified. We also maintain a proactive and continuous financial risks management approach, identifying, measuring, and defining mitigating strategies for our financial risks, such as foreign exchange and interest rates.

Our dividends policy also reflects our commitment to financial health, setting guidelines for the payment of dividends in excess of the mandatory dividend in accordance with the Brazilian Corporate Law. The dividends policy establishes that we must consider our capacity to generate cash flow based on our long-term projections, including investment plans, as well as any other factors we deem pertinent, and the impact of such distribution on the Net Debt/EBITDA ratio.

- **Innovation**

Innovation is a comprehensive pillar that helps deliver and shape our corporate strategy, with several initiatives focused on productivity and competitiveness, sustainability, product development and people management.

Innovation and technology are an important path to increase productivity and competitiveness, and we are constantly improving our operations, through the adoption and implementation of new digital technologies and solutions that bring greater efficiency in our industrial processes and business management.

A robust pipeline of sustainable solutions aims to provide step-change process, technology and upgrades for energy efficiency and carbon emission reduction, applications for plastic waste reduction, new renewable chemicals and polymers and more efficient carbon capture and utilization.

By leveraging new technologies and expanding our product portfolio with innovative solutions, R&D efforts seek to ensure the business perpetuity, with solutions from disruptive technologies such 3D printing through, portfolio upgrades such as high-performance film grades for packaging, high-performance grades for agrochemicals packaging, new proprietary catalysts for polyolefin production and several process technology upgrades are examples of developments that support current business growth.

Our History and Development

Our business began when the Odebrecht Group (comprised of Odebrecht S.A. and its subsidiaries) and Mariani Group acquired control of Copene, a raw materials petrochemical complex in Camaçari, in July 2001, and then subsequently integrated their assets in the petrochemical sector with Copene. From 2001 to 2004, we underwent a corporate reorganization and merged many companies that had been acquired. In addition, we acquired Polialden in 2005 and Politeno in 2006.

Through a partnership with Petrobras, we began consolidating the Southern Complex in Brazil in March 2007 with the acquired petrochemical assets from the Ipiranga group. In November 2007, we signed an agreement with Petrobras and Odebrecht, which required them to contribute part of their assets in the petrochemical sector to Braskem. In September 2008, Ipiranga Petroquímica, Petroquímica Paulínia and the spun-off portion of Ipiranga Química were merged into us. In May 2009, our merger with Triunfo was approved.

In January 2010, we announced the acquisition of Quattor in order to strengthen the Brazilian petrochemical sector and establish ourselves among the five largest and most competitive petrochemical companies in the world. In February 2010, we announced the acquisition of the polypropylene assets of Sunoco Chemicals, the fourth largest producer of this resin in the United States. This acquisition represented an important step towards strengthening our internationalization strategy, which combines our growth in the U.S. market with alternative access to competitive raw materials and main consumer markets. As a result of this acquisition, we became a leader of thermoplastic resins in the Americas, consolidating our position as a major player in the international petrochemical market and the third largest global player in the polypropylene industry. In 2010, Braskem inaugurated its green ethylene plant in Triunfo, Rio Grande do Sul, becoming the world leader in biopolymers and launched the brand I'm greenTM, which identifies Braskem's products made from renewable sources.

In July 2011, we announced the acquisition of Dow Chemical's polypropylene business, including four plants (two plants in the United States and two plants in Germany). The U.S. assets, located in Freeport and Seadrift, Texas, have a combined annual production capacity of 545,000 tons, which represented a 50% increase in annual capacity polypropylene production in the United States. The German assets, located in the cities of Wesseling and Schkopau, have a combined annual production capacity of 545,000 tons. This acquisition represented an important step in the consolidation of our international strategy, positioning us as the largest producer of polypropylene in the United States.

In June, 2017, we announced the construction of a Polypropylene Unit ("Delta") at our La Porte, Texas site. Aligned with the strategy to diversify the raw materials matrix and geographic expansion in the Americas, this is a new world-class PP production facility with an annual polypropylene production capacity of 450,000 tons. In September, 2020, we announced that after completing the commissioning phase, we had started commercial production of PP at this new plant. We believe that this investment reinforces our PP leadership position in the region, as it will enable us to replace imported PP volumes in the North American domestic market and also scale up our exports supporting structural global demand with existing global clients.

In February 2020, we announced the new project at the Triunfo Petrochemical Complex in the State of Rio Grande do Sul state to expand the current production capacity of green ethylene, a feedstock made from sugarcane ethanol and used to produce our "I'm GreenTM" resins, which have a negative carbon footprint. With an estimated investment of R\$316.8 million (US\$61.0 million), the Project is expected to add 60 kta to the production of green ethylene on our portfolio and is expected to start operations by the end of 2022.

Beginning of Operations of Our Mexico Segment

In April, 2016 Braskem Idesa, our joint venture with the Mexican Idesa group, reached an important milestone with the production of the first batch of polyethylene in the Mexico Petrochemical Complex following a gradual start-up process initiated in December 2015 with the beginning of utilities area operations, followed by the start-up of the cracker in March 2016.

Located in the state of Veracruz, the Mexico Complex includes an ethane cracker integrated with three polyethylene plants, as well as utilities plants (electric power, water and steam). Ethane supply is assured through a 20-year contract with Pemex TRI at a price pegged to the U.S. gas price.

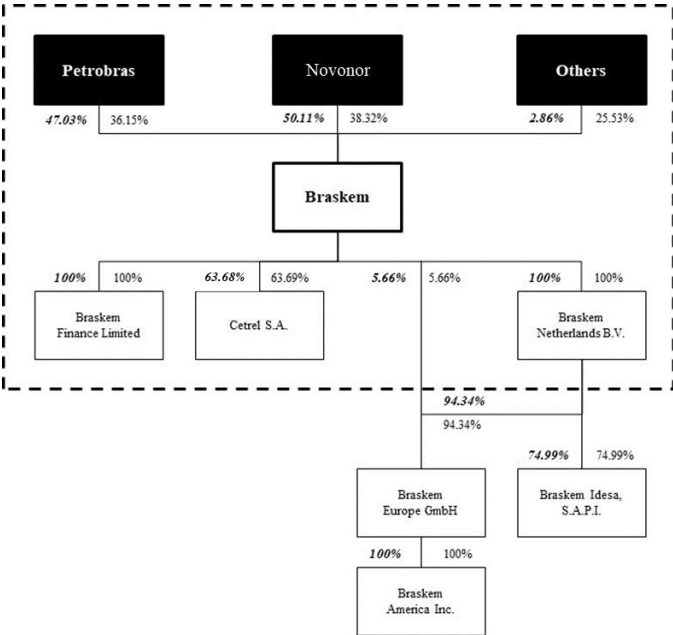
In early December 2020, Braskem Idesa received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency responsible for all natural gas pipelines and transportation in Mexico, related to the unilateral termination of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities. Later in January 2021, Braskem Idesa partially resumed its operations based on an experimental business model to produce PE. Braskem Idesa has taken legal measures pursuant to the ethane supply agreement entered into with Pemex. Braskem Netherlands B.V, which is Braskem Idesa's direct shareholder, has also taken legal measures under applicable international investment protection standards to protect the interests of Braskem Idesa and its parent company with regard to their investment in Mexico. Such measures include a negotiation period to attempt to resolve the dispute between the parties.

In the first quarter of 2021, Braskem entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

For additional information, see "Item 3. Key Information—Risk Factors—We depend on ethane supplied by Pemex TRI in Mexico," "Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof" and "Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico."

Our Corporate Structure

The following chart presents our simplified ownership structure and the corporate structure of our principal subsidiaries as of the date of this annual report. The percentages in bold *italics* represent the direct and indirect percentage of the voting share capital owned by each entity, and the percentages not in bold *italics* represent the direct and indirect percentage of the total share capital owned by each entity.



In November 2017, Braskem Petroquímica Ltda., or Braskem Petro, merged with and into Braskem S.A., with Braskem S.A. as the surviving entity. This merger simplified our corporate structure by consolidating our activities to reduce financial and operating costs.

In January 2019, Odebrecht informed us of the Odebrecht Reorganization, which was effective as of December 31, 2018. For additional information on the Odebrecht Reorganization, see “Item 5. Operating and Financial Review and Prospects.”

In December 2020, Odebrecht informed us about the change of its name and brand from “Odebrecht” to “Novonor.”

The SEC maintains an internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file or furnish documents electronically to the SEC, including us. Our internet website is www.braskem.com.br, and the internet website of our investors relations’ department is www.braskem-ri.com.br. The information included on our internet website, the internet website of our investor relations’ department, or the information that might be accessed through such websites is not included in this annual report and is not incorporated into this annual report by reference.

We are a corporation (*sociedade por ações*) organized under the laws of Brazil. Our registered office is at Rua Eteno, 1561, Pólo Petroquímico, Camaçari, Bahia, CEP 42810-000, Brazil, and our telephone number at this address is +55 71 3413-2102. Our principal executive office is at Rua Lemos Monteiro, 120 – 24º andar, Butantã, São Paulo, SP, CEP 05501-050, Brazil, and our telephone number at this address is +55 11 3576-9000.

Until December 31, 2019, our five reportable petrochemical segments were: Chemicals, Polyolefins, Vinyls, USA and Europe, and Mexico. As from January 1, 2020, we made changes to our macro structure to seek synergies in all of the regions in which we operate to achieve a more integrated operational performance. As a result of these changes, our management revised the structure of our internal reporting with a focus on our petrochemical operational expansion and internationalization with a view to simplifying and streamlining the work and decision-making processes, which led us to adopt a new structure for petrochemical reporting segments by region. As from January 1, 2020, our three reporting segments are as follows:

- Brazil Segment includes: (i) production and sale of chemicals at the chemical complex located in Camaçari, in the State of Bahia, or the Northeastern Complex, the chemical complex located in Triunfo, in the State of Rio Grande do Sul, or the Southern Complex, the chemical complex located in Capuava, in the State of São Paulo, or the São Paulo Complex and the chemical complex located in Duque de Caxias, in the State of Rio de Janeiro, or the Rio de Janeiro Complex; (ii) supply of electricity produced at these complexes to second generation producers, including producers owned or controlled by us; (iii) production and sale of PE, including the production of “green PE” from renewable resources, and PP produced by us in Brazil; and (iv) our production and sale of PVC and caustic soda;
- United States and Europe Segment: includes production, operations and sale of PP in the United States and Germany; and
- Mexico Segment: includes production, operations and sale of ethylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) in Mexico.

Brazil Segment

As of December 31, 2020, according to IHS, our chemicals operations that are part of our Brazil Segment’s facilities had one of the largest annual production capacities of all first-generation producers in the Americas. Our Brazil Segment generated net revenue of R\$40,794.4 million during 2020, or 68.7% of the net revenue of all reportable segments, including inter-segment sales.

Nomenclature of Segment

Chemicals Operations that are Part of our Brazil Segment

Our chemicals operations that are part of our Brazil Segment is comprised of the chemicals operations conducted by us in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

Our chemicals operations that are part of our Brazil Segment produce:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene and butene-1;
- BTX products;
- fuels, such as automotive gasoline, liquefied petroleum gas, or LPG, ethyl tertiary-butyl ether, or ETBE, and methyl tertiary-butyl ether, or MTBE;
- intermediates, such as cumene;
- aliphatics, aromatics and hydrogenated solvents; and
- specialties such as isoprene, dicyclopentadiene, or DCPD, piperylene, nonene, tetramer, polyisobutylene, or PIB, and hydrocarbon resins.

The products of our chemicals operations that are part of our Brazil Segment are used primarily in the manufacture of intermediate second generation petrochemical products, including those manufactured by our polyolefins and vinyls operations that are part of our Brazil Segment. Our chemicals operations that are part of our Brazil Segment also supply other second generation producers in each of the petrochemical complexes in which we operate and other companies located outside of these complexes, and renders services to those producers.

Products of Our Chemicals Operations that are Part of our Brazil Segment

Our other business units and third-party petrochemical producers use ethylene and propylene produced by our chemicals operations that are part of our Brazil Segment to produce second generation products such as polyethylene, polypropylene and PVC. We also sell butadiene, a variety of aromatics, including BTX products, and intermediates, such as cumene, to third-party petrochemical producers for use as raw materials in the production of a variety of second generation products, including synthetic rubber, elastomers, resins, nylon fibers, ethyl benzene (which is used to make styrene monomer/polystyrene), linear alkyl benzene, purified terephthalic acid, dimethyl terephthalate, bisphenol A, a feedstock for the production of polycarbonate resins, phthalic anhydride, plasticizers and paint.

The following table sets forth the sales volume of basic petrochemical products by our chemicals operations that are part of our Brazil Segment (excluding our intra-company sales) for the periods indicated.

	Year Ended December 31,		
	2020	2019	2018
	(in thousands of tons)		
Domestic sales:			
Ethylene	486.3	464.1	509.1
Propylene	282.1	341.9	345.8
Cumene	186.6	219.0	234.7
Butadiene	122.9	161.0	192.0
BTX products ⁽¹⁾	676.6	618.7	648.0
Gasoline	953.9	1,007.3	942.9
Others	430.6	443.8	492.0
Total domestic sales of Chemicals	3,139.2	3,255.8	3,364.5
Total export sales of Chemicals	785.1	1,060.9	1,028.9
Total sales of chemicals	3,924.3	4,316.7	4,393.4

(1) Includes benzene, toluene and para-xylene.

Production Facilities of Our Chemicals Operations that are Part of our Brazil Segment

We believe that the technological processes we use at plants in our chemicals operations that are part of our Brazil Segment are among the most advanced in the world. Our chemicals operations that are part of our Brazil Segment currently include owning and operating:

- five major production facilities in the Northeastern Complex (two olefins units, two aromatics units and one utilities unit);
- five major production facilities in the Southern Complex (two olefins units, one green ethylene unit, one aromatics unit and one utilities unit);
- three production facilities in the São Paulo Complex (one olefins unit, one aromatics unit and one utilities unit); and
- two production facilities in the Rio de Janeiro Complex (one olefins unit and one utilities unit).

We define the term “unit” to mean several production lines that are linked together to produce olefins, aromatics or utilities.

The table below sets forth the primary products of our chemicals operations that are part of our Brazil Segment, annual production capacity as of December 31, 2020 and annual production for the years presented.

Primary Products	Annual Production	Production		
	Capacity	For the Year Ended December 31,		
		2020	2019	2018
			(in tons)	
Olefins:				
Ethylene	3,952,000	3,027,070	3,185,203	3,399,610
Propylene	1,585,000	1,232,053	1,310,028	1,324,358
Butadiene	480,000	339,487	397,762	394,998
Aromatics:				
BTX products ⁽¹⁾	1,367,000	893,097	825,253	841,485

(1) Consists of benzene, toluene and para-xylene.

Raw Materials of Our Chemicals Operations that are Part of our Brazil Segment

The main raw material that we use for chemical production is naphtha, with a total consumption capacity of up to 10 million tons per year. One million tons of naphtha can be substituted by condensate, which has happened in recent years. Natural gasoline is also a feedstock that can be used as a replacement for naphtha. The cracker located in Rio de Janeiro uses ethane and propane, and its consumption is 0.4 million tons of each of these raw materials per year. The São Paulo cracker can also consume refinery off gas in a quantity equivalent to about 15% of the ethylene production capacity.

Naphtha

Naphtha is the main raw material that we use to produce our chemical products and represents the principal production and operating cost of our chemicals operations that are part of our Brazil Segment. We also use condensate as a raw material in the Southern Complex. The following table shows the average Amsterdam-Rotterdam-Antwerp, or the ARA price, of naphtha for the periods indicated.

	2020	2019 (in US\$/t)	2018
Average ⁽¹⁾	US\$354.68	US\$505.33	US\$601.26
Month ended:			
January	527.23	459.16	592.23
February	465.41	499.83	555.15
March	246.70	533.15	571.44
April	138.41	563.16	607.20
May	228.91	544.57	666.82
June	342.23	472.94	632.55
July	380.85	503.46	642.73
August	381.15	446.86	640.60
September	366.74	479.46	676.13
October	375.07	491.00	661.82
November	370.74	529.99	505.59
December	432.70	540.33	462.87

(1) The information in the "Average" row represents the mean average monthly naphtha prices during each respective year.

Source: Braskem Global Market Intelligence.

Supply Contracts and Pricing of the Chemicals Operations that are Part of our Brazil Segment

Naphtha and Condensate

The following table shows the distribution of the naphtha plus condensate purchases by our chemicals operations that are part of our Brazil Segment for the periods indicated by geographic location of the suppliers.

	Year Ended December 31,		
	2020	2019	2018
Brazil	52%	37%	43%
Algeria	5%	11%	19%
Europe	12%	16%	14%
South America	4%	10%	10%
North America	16%	16%	5%
West Africa	6%	4%	4%
Others	4%	6%	5%
Total	100%	100%	100%

Supply Contracts with Petrobras

On December 23, 2015, we and Petrobras entered into a five-year Naphtha Purchase Agreement whose term expired on December 22, 2020.

Throughout 2020, Braskem and Petrobras entered into four new naphtha supply contracts to provide naphtha for our plants in the Southern Complex, the Northeastern Complex and the São Paulo Complex. All four contracts have a term of five years until the end of 2025.

Under the terms of these agreements:

- Petrobras has agreed to sell and deliver naphtha, for a period of five years, to our chemicals plants in the Northeastern, Southeastern and the Southern Complex exclusively for our use as a feedstock;
- we are required to purchase a minimum monthly volume of naphtha for each of our Complexes;
- we have the option to purchase additional volume for the São Paulo Complex and Petrobras has an option to sell us additional volume for our Northeastern and Southern Complexes;
- we may request volumes of naphtha that exceed a monthly firm commitment order, which Petrobras may supply at its discretion;
- the price we pay for naphtha is based on international price references;

- the contract could be terminated or amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract;
- either party may terminate the contract, without prior notice, in the event of: (1) failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event that continues for more than 90 days; (3) transfer or offer as a guaranty all or part of either party's rights and obligations under the contract to a third party without the other party's consent; (4) an alteration of ownership or corporate purposes that conflicts with the purpose of the contract; (5) dissolution; or (6) failure to comply with the compliance obligations of the contract; and
- Petrobras may terminate the contract, without prior notice, in the event of our bankruptcy or liquidation.

Other Supply Contracts

As part of our strategy to diversify our sources of supply of naphtha, we are acquiring naphtha under annual supply arrangements with international suppliers.

Spot Market Purchases of Naphtha

In addition to our supplies of feedstock under the agreements described above, we purchase naphtha on the spot market from time to time from foreign suppliers located in Africa, Europe, North America and Latin America.

Spot Market Purchases of Condensate

In addition to our supplies of feedstock under the agreements described above, we purchase condensate on the spot market from time to time from foreign suppliers.

Ethane and Propane

Ethane and propane are the principal feedstocks that we use to produce our chemical products in the Rio de Janeiro Complex and represent the principal production and operating cost of the chemical operations that are part of our Brazil Segment in the Rio de Janeiro Complex. The price of ethane and propane that we purchase varies primarily based on changes in the U.S. dollar-based international price of these feedstocks.

- in December 2000, we and Petrobras entered into an ethane and propane supply agreement. The initial term of this contract expires in January 2021 and this agreement is automatically renewable for one two-year period, unless either party notifies the other party in writing, at least one year prior to the expiration of the contract, that it does not intend to renew this agreement. Under the terms of this agreement, Petrobras agrees to sell and deliver ethane and propane to our chemical plant in the Rio de Janeiro Complex exclusively for use as a raw material;
- in 2019, Petrobras informed us that it would not renew this agreement on the same terms.
- in 2020, we and Petrobras entered into a new ethane and propane supply agreement, with a term of five years until the end of 2025;
- we are required to purchase and Petrobras is required to deliver a minimum annual volume of ethane and/or propane;
- we agree to provide Petrobras with a firm commitment order for ethane and propane each month, together with an estimate of the volume of ethane and propane that we will purchase over the immediately succeeding four months;
- the prices for ethane and propane are based on international price references; and
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 60-day grace period; (2) a force majeure event that continues for more than 365 days; (3) we transfer or offer as a guaranty all or part of our rights and obligations under the contract to a third party without Petrobras' consent; and (4) the dissolution, bankruptcy or liquidation of RioPol.

Braskem also has an ethane supply contract with Enterprise Products Operating LLC, or Enterprise Products, to supply ethane from the United States to Brazil. This agreement will remain valid until 2027. The price of ethane is based on the Mont Belvieu ethane price plus a Terminal Fee, basis FOB USGC. The logistics to move the ethane to Brazil is managed by Braskem.

Since February 2017, Braskem has had the capability to receive imported ethane at the Rio de Janeiro Complex. The imported ethane is marginal to domestic supply and the quantity imported in 2020 was 30.9 ktons, and in 2019 it was 35.3 ktons.

Since November 2017, Braskem has the capacity to consume ethane in the cracker in Bahia, partially replacing naphtha. Braskem has invested to create the flexibility to substitute naphtha for ethane in a ratio equivalent to 15% of the ethylene production of the site. 2018 was the first year in which we operated our cracker in Bahia using imported ethane as feedstock. Of the total ethylene produced by the cracker, 1.8% was from ethane feedstock in 2020 and 1.5% in 2019.

Refinery Off Gas

In January 2005, we entered into an agreement with Petrobras for the purchase and sale of steam from refinery off gas, from which we separate ethylene and propylene. This agreement provides that we and Petrobras will negotiate the renewal of this agreement prior to its expiration in 2020 and that, in the event that Petrobras does not intend to renew this agreement, it must notify us at least two years prior to the expiration of this agreement and must perform under the terms and conditions of this agreement until 2028.

Under the terms of this agreement, which represents 100% of our refinery off gas supply:

- we are required to purchase a minimum daily volume of refinery off gas, and Petrobras is required to sell a minimum daily volume to us;
- the price for refinery off gas is based on a variety of market references;
- the contract will be amended in the event that unforeseen extraordinary events occur that cause a disruption in the economic-financial equilibrium of the contract;
- Petrobras may terminate the contract, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event that prevents the execution of the contract; (3) a transfer or pledge by us, as a guarantee for indebtedness, of all or part of our rights, obligations and credits under this contract to a third party without Petrobras' consent, unless the third party is a member of our economic group; (4) the dissolution or bankruptcy of Braskem S.A.; or (5) a change in business structure, merger, sale, spin-off or any other corporate reorganization of Braskem S.A. that conflicts with or impedes the execution of contract's purpose.

In December 2017, Petrobras informed us that it would not renew this agreement on the same terms. The current contract will remain valid and under the current conditions until 2028. The impact of the new terms and conditions of a possible future agreement and any failure to successfully negotiate such terms with Petrobras could impair our ability to satisfy our refinery off gas needs.

Electricity

To supply our industrial operations in Brazil, which represented 82 % of our global electric consumption in 2020, we self-generated 52% of our electrical energy consumption. 28 % of our demand in 2020 was supplied by Companhia Hidrelétrica do São Francisco, or CHESF, a Brazilian government-owned electric power generation company, pursuant to a power purchase agreement that will remain valid until 2037. The remaining energy is supplied primarily under long-term contracts with several suppliers in the free energy market (*Mercado Livre de Energia*).

- In the Bahia Complex, we self-generate 33% of the energy consumption, and about 67% of the demand is supplied by CHESF. The remaining energy is acquired primarily from several suppliers in the free energy market.
- In the Alagoas plants, 17% of the energy consumption is supplied by CHESF. Therefore, the remaining energy from the Alagoas plants is acquired primarily from several suppliers in the free energy market.
- In the Southern Complex, we self-generate 42% of the energy consumption, and the remaining energy is acquired primarily from several suppliers in the free energy market.
- In the São Paulo Complex, we self-generate 3% of the energy consumption, and the remaining energy is acquired primarily from several suppliers in the free energy market.
- In the Rio de Janeiro Complex, the energy consumption is acquired primarily from several suppliers in the free energy market.

Natural Gas

Natural gas is supplied to our industrial operations in Brazil under long-term contracts in the regulated market by companies that have government licenses and exclusivity to deliver it in each state. The natural gas consumed by our operations in Brazil in 2020 represented 61% of our consolidated consumption.

- In the Bahia Complex, natural gas is supplied by Companhia de Gás da Bahia, or Bahiagás, which represents 45% of our consumption in Brazil.
- In the Alagoas plants, natural gas is supplied by Gás de Alagoas S.A., or Algás, which represents 15% of our consumption in Brazil.
- In the Rio Grande do Sul Complex, natural gas is supplied by Companhia de Gás do Estado do Rio Grande do Sul, or Sulgás, which represents 18% of our consumption in Brazil.
- In the São Paulo Complex, natural gas is supplied by Companhia de Gás do Estado de São Paulo, or Comgás, which represents 16% of our consumption in Brazil.
- In the Rio de Janeiro Complex, natural gas is supplied by Naturgy Brasil, which represents 6% of our consumption in Brazil.

Others

In the Southern Complex we also buy methanol to produce MTBE and ethanol to produce the “green polyethylene.” Methanol is imported and its price is based on international market quotations. Ethanol is bought in the domestic market from several producers. In the Bahia Complex, we also buy ethanol to produce ETBE.

Sales and Marketing of Our Chemicals Operations that are Part of our Brazil Segment

We sell most of our chemical products in Brazil to third-party petrochemical producers. We sell the remainder of our chemical products to customers in the United States, Europe, South America and Asia.

Domestic Sales of Chemicals

As part of our commercial strategy, our chemicals operations that are part of our Brazil Segment focuses on developing long-term relationships with our customers and entering into long-term supply contracts that provide for minimum and maximum quantities to be purchased on a monthly basis. The domestic market pricing is based on international market references.

Export Sales of Chemicals

International market prices are also based on international market references, which usually vary according to the region to which the product is exported.

We are focused on maintaining our leading position in the Brazilian market, while continuing to use our exports to optimize our operations and adjust the imbalances between demand and production. Since we export large volumes of certain products, we also develop long-term relationships with international customers through contracts that minimize our exposure to market conditions and mitigate risk.

Competition

Our chemical customers, which are mostly second generation petrochemical producers with plants located in the Brazilian petrochemical complexes, would have difficulty obtaining their feedstocks from other sources at lower prices due to the high cost of transportation of these products, as well as other logistical difficulties. In addition, because Brazil produces sufficient quantities of olefins to meet domestic demand, imports of these products are generally sporadic and usually related to scheduled plant maintenance shutdowns or to meet unsatisfied domestic demand.

During the past several years, as the relative cost of naphtha and gas as feedstock for petrochemical crackers has diverged, many crackers using gas as a feedstock have become low-cost producers in the global markets and have seen their margins improve as compared to naphtha crackers. Competition in the international markets for these products is primarily based on the price of delivered products and competition has increased since mid-2008 as the balance between supply and demand was disrupted due to the impact of the global economic downturn on consumers of these products. In the international markets for our Chemical products, we compete with a large number of producers, some of which are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than us.

Polyolefins Operations that are Part of our Brazil Segment

As of December 31, 2020, our polyolefins production facilities had the largest annual production capacity of all second generation producers of polyolefins products in Latin America. Our polyolefins operations that are part of our Brazil Segment is comprised of the operations conducted by us at nine polyethylene plants and five polypropylene plants located in the Northeastern Complex, the Southern Complex, the São Paulo Complex and the Rio de Janeiro Complex.

Products of Our Polyolefins Operations that are Part of our Brazil Segment

Our polyolefins operations that are part of our Brazil Segment produce:

- polyethylene, including LDPE, LLDPE, HDPE, UHMWPE, EVA and “green polyethylene” from renewable resources; and
- polypropylene.

We manufacture a broad range of polyolefins for use in consumer and industrial applications, including:

- plastic films for food, agricultural and industrial packaging;
- bottles, shopping bags and other consumer goods containers;
- automotive parts;
- engineering and infra-structure goods; and
- household appliances.

The following table sets forth a breakdown of the sales volume of our polyolefins operations that are part of our Brazil Segment by product and by market for the years indicated.

	Year Ended December 31,		
	2020	2019	2018
	(in thousands of tons)		
Domestic sales:			
Polyethylene ⁽¹⁾	1,886.7	1,789.7	1,788.3
Polypropylene	1,250.3	1,142.8	1,143.3
Total domestic sales	3,137.0	2,932.5	2,931.7
Total export sales	1,051.8	1,391.8	1,257.3
Total polyolefins sales	4,188.8	4,324.3	4,189.0

(1) Includes EVA and Green PE.

We provide technical assistance to our customers to meet their specific needs by adapting and modifying our polyethylene and polypropylene products. We believe that the variety of technological processes at our polyolefins plants provides us with a competitive advantage in meeting our customers' needs.

Production Facilities of Our Polyolefins Operations that are Part of our Brazil Segment

As of December 31, 2020, our polyolefins operations that are part of our Brazil Segment owned 14 production plants. Our polyolefins operations that are part of our Brazil Segment operates five plants located in the Southern Complex, three plants located in the Northeastern Complex, four plants located in the São Paulo Complex and two plants located in the Rio de Janeiro Complex.

The table below sets forth for each of our primary polyolefins products, our annual production capacity as of December 31, 2020 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31,		
		2020	2019	2018
		(in tons)		
Polyethylene:				
LDPE/EVA ⁽¹⁾	795,000	644,747	675,075	663,285
HDPE/LLDPE/UHMWPE ⁽²⁾	2,260,000	1,927,512	1,935,752	2,009,389
Polypropylene ⁽³⁾	1,850,000	1,568,723	1,638,974	1,592,480

(1) Represents capacity and production at five production facilities, part of then with swing line capacity capable of producing two types of resins.

(2) Represents capacity and production at seven production facilities, part of then with swing line capacity capable of producing two types of resins. Capacity varies depending on actual production demands.

(3) Represents capacity and production at five plants.

In September 2010, we commenced production of ethylene at a new plant located in the Southern Complex that produces "green" ethylene using sugar cane ethanol received through the Santa Clara Terminal as its primary raw material. This plant has an annual production capacity of 200,000 tons of ethylene.

Raw Materials of Our Polyolefins Operations that are Part of our Brazil Segment

Ethylene and Propylene

The most significant feedstock of our production of polyethylene and polypropylene are ethylene and propylene that are produced by our chemicals operations that are part of our Brazil Segment. In 2020, our polyolefins operations that are part of our Brazil Segment consumed all of the ethylene and part of the propylene produced by our chemicals operations that are part of our Brazil Segment.

Propylene Contracts with Petrobras and its Subsidiaries

We have entered into multiple propylene agreements, which have initial terms expiring at various dates between May 2021 and December 2029, and are priced based on international references to assure competitiveness of feedstock. In 2016, Braskem entered into an agreement with Petrobras for a five-year propylene supply contract with Refap S.A., a subsidiary of Petrobras. This supply contract is also priced based on international references.

Petrobras may terminate these contracts, without prior notice, in the event of: (1) our failure to cure any breach of the contract following a 30-day grace period; (2) a force majeure event occurs, although some of these contracts require that the force majeure event continues for more than 180 days; (3) we transfer or offer as a guaranty all or part of its rights and obligations under the contract to a third party without Petrobras' consent; (4) an alteration of Braskem management or corporate purposes that conflicts with the purpose of the contract; (5) the dissolution, bankruptcy or liquidation of Braskem; and (6) a change of entity type, merger, sale, spin-off or any other corporate reconstruction of Braskem that conflicts with or impedes the execution of contract's purpose.

Ethanol Supply Contracts

We buy ethanol from Brazilian producers to supply our facility that produces ethylene using sugar cane ethanol. Some agreements expire in July 2021 and others have no specific expiration date. We also purchase ethanol on the spot market from time to time to supplement the contracted volumes. Under the contracts we have, we are or will be required to purchase an annual supply of ethanol sufficient to meet at least 90% of the capacity of this ethylene plant. The price we pay under these contracts is or will be determined by reference to the price of combustible hydrated alcohol as published by the Center for Advanced Studies in Applied Economics of the Superior School of Agriculture (Centro de Estudos Avançados em Economia Aplicada da Escola Superior de Agricultura– CEPEA/ESALQ).“

Other Materials and Utilities

Our polyolefins operations that are part of our Brazil Segment use butene and n-hexane as raw materials in the production of HDPE and LLDPE. Butene is consumed from our chemicals operations that are part of our Brazil Segment, and we import n-hexane from suppliers located in U.S. Gulf Coast.

Our Unipol polyethylene plants in the Northeastern Complex and Rio de Janeiro Complex use catalysts supplied by Univation Technologies. Our HDPE plant in the São Paulo Complex uses catalysts supplied by W.R. Grace & Co. The catalysts for our swing line LLDPE/HDPE plants are purchased from Basell Poliolefine Italia S.R.L. and Equistar Chemicals, L.P, or, collectively, Basell. We produce our own catalysts for our HDPE slurry plants in the Southern and Northeastern Complexes, and we purchase the inputs that we need to produce these catalysts from various suppliers at market prices. Our polypropylene plants use catalysts primarily supplied by Basell, while we import certain catalysts from suppliers in the United States and Europe.

Sales and Marketing of Our Polyolefins Operations that are Part of our Brazil Segment

Through our polyolefins operations that are part of our Brazil Segment, we sell polyethylene and polypropylene products to more than 1,400 customers worldwide. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our polyolefins operations that are part of our Brazil Segment generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Domestic Sales

We are focused on developing long-term relationships with our customers. Given the cyclical nature of the markets for our polyolefins products, we believe that we can strengthen customer loyalty during periods of reduced demand for polyethylene or polypropylene by providing a reliable source of supply to these customers during periods of high demand. We work closely with our customers to provide technical assistance and to coordinate the production and delivery of our products. Despite having a regular client basis in the domestic market, prices in such market are driven by monthly spot negotiations. Both sales volume per client and the types of products our clients purchase may vary on a monthly basis.

In addition to direct sales of polyolefins to our customers, through our polyolefins operations that are part of our Brazil Segment we sell products in Brazil through exclusive independent distributors. Our polyolefins operations that are part of our Brazil Segment is served by five distributors, through which we distribute our products pursuant to formal agreements and spot market transactions. We have selected our distributors based on their ability to provide full service to their customers, and also based on their background. These distributors sell our polyethylene and polypropylene products to manufacturers with lower volume requirements and are able to aggregate multiple orders for delivery. They have a wide coverage network in Brazil and, as a result, expand the Braskem brand.

Furthermore, by providing customized services and serving smaller customers through a network of distributors, our account managers focus their efforts on delivering high quality service to a smaller number of large and medium direct customers.

Export Sales

Our volume of polyolefins export sales has generally varied based upon the level of domestic demand and the total production availability for our products. Our polyolefins operations that are part of our Brazil Segment has sales office in Argentina, Chile, Peru and Colombia. These offices are used to consolidate our marketing efforts in South America, one of our key markets outside of Brazil for this business unit. Our polyolefins operations that are part of our Brazil Segment also uses our European, Mexican and U.S. sales force in order to improve the profitability of our sales. In each of these regions, we have specific commercial strategies in connection with exports coming from Brazil, which complements our local product availability.

We have established a strategic position in the polyolefins business in South America, North America, Europe and Asia through regular direct sales, local distributors and agents who understand their respective markets. Our strategy to increase our presence in these foreign markets is intended, among other things, to reduce our exposure to the cyclical nature of the international spot market for polyolefins through the development of long-term relationships with customers in neighboring countries. Our local presence allows us to further enhance our position in those markets and sell our polyolefins operations that are part of our Brazil Segment's products through our USA and Europe Segment.

The main focus of our polyolefins operations that are part of our Brazil Segment is to maintain our leading position in the Brazil and South America reinforcing our commitment to the plastic industry chain in the region, maintaining our position as a leader in polyolefins through a continued local presence and regular product supply.

Prices and Sales Terms

We determine the prices of our products in accordance with international pricing references. In addition, we take into account segment, volume, and other information when we set our prices. Our customers in Brazil may pay in full on delivery or elect credit terms that require payment in full within three to 60 days following delivery. We charge interest based on prevailing market rates to our Brazilian customers that elect to pay on credit.

In addition, besides our strategic sales to South America, Europe, Mexico and the United States, our polyolefins operations that are part of our Brazil Segment generally conducts export sales to buyers in Asia and Africa through the international spot market. Our customer base in these markets consists primarily of trading houses and distributors. Pricing is based on international spot market prices.

Competition

We are the only producer of polyethylene and polypropylene in Brazil. We compete with polyolefins producers worldwide. In 2020, Brazilian polyethylene and polypropylene imports increased by 12% and represented 32% of Brazilian polyolefin consumption.

We compete for export sales of our polyolefins products in other countries in Latin America and in the North American, Asian and European markets. Similar to Braskem, those competitors also have a wide portfolio, ample research and development capabilities and sufficient production capacity. Our competitive position in the export markets that we serve is based on customer relationship, extensive product portfolio, product quality and customer service and support.

We are the only green polyethylene producer in the world, made by sugar cane that is 100% verified by ASTM D6866

Vinyls Operations that are Part of our Brazil Segment

We were the leading producer of PVC in Brazil, based on sales volumes and installed capacity in 2020. As of December 31, 2020, our PVC production facilities had the second largest annual production capacity in Latin America

Our PVC production is integrated through our production of chlorine, ethylene and other raw materials. The main use of PVC is for pipes and fittings and other products related to the civil construction market. Our vinyls operations that are part of our Brazil Segment also manufacture caustic soda, which is mainly used by producers of alumina, pulp and paper, and in the soap industry.

In 2020, we had an approximate 50% share of the Brazilian PVC market and 11% of market share of the Brazilian caustic soda market (excluding consumption of alumina by companies located in the North and Northeast of Brazil), based on sales volumes of our vinyls operations that are part of our Brazil Segment.

Products of Our Vinyls Operations that are Part of our Brazil Segment

The following table sets forth a breakdown of the sales volume of our vinyls operations that are part of our Brazil Segment by product line for the years indicated.

	For the Year Ended December 31,		
	2020	2019	2018
		<i>(in thousands of tons)</i>	
PVC	525.7	491.3	490.1
Caustic soda	150.6	243.2	344.2
Other ⁽¹⁾	34.4	72.1	85.9
Total domestic sales	710.7	806.7	920.2
Total export sales	21.7	22.2	49.4
Total vinyls sales	732.4	828.8	969.6

(1) Includes chlorine, hydrogen, caustic soda flake and sodium hypochlorite.

Production Facilities of Our Vinyls Operations that are Part of our Brazil Segment

We own four vinyls production facilities. One of our facilities is located in the Northeastern Complex, and three others are located in the State of Alagoas.

In January 2020, Braskem announced the permanent shutdown of its chlor-alkali production facility located in Camaçari, in the State of Bahia, whose operations started in 1979 with annual production capacity of 79,000 tons of caustic soda and 64,000 tons of chlorine. The shutdown is explained by the end of the facility's useful life and started in April 2020, following applicable safety standards and seeking to protect people, local communities and the environment.

The table below sets forth for each of our primary vinyls products, our annual production capacity as of December 31, 2020 and annual production for the years presented.

Primary Products	Annual Production Capacity	Production For the Year Ended December 31,		
		2020	2019	2018
			<i>(in thousands of tons)</i>	
PVC	710.0	448.5	461.1	533.2
Caustic Soda	460.0	9.0	123.2	317.8

Raw Materials of the Vinyls Operations that are Part of our Brazil Segment

Ethylene

The most significant feedstock associated with the production of PVC is ethylene. Our chemicals operations that are part of our Brazil Segment supply all of the ethylene required by our vinyls operations that are part of our Brazil Segment.

Electricity

Electric power is a significant cost component in our production of chlorine and caustic soda. Our vinyls operations that are part of our Brazil Segment obtains its electric power requirements from various generators under long-term power purchase agreements (see “Chemicals Operations that are Part of our Brazil Segment—Supply Contracts and Pricing of the Chemicals Operations that are Part of our Brazil Segment—Electricity”).

Salt

We used 5,289.4 tons of salt during 2020.

However, salt mining operations at our mine were halted in May 2019, as described in “Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—Our business and operations are inherently subject to environmental, health and safety hazards. As a result, our business is also subject to stringent environmental and other regulations” and “Item 8. Financial Information—Legal Proceedings—Alagoas – Mining Activities.” Production of caustic soda and ethylene dichloride at our chlor-alkali facility located in the state of Alagoas was also interrupted due to the lack of salt. Ethylene dichloride, or EDC, is consumed in PVC production. Because of the interruption, we needed to import 139,000 tons of caustic soda to supply our customers and 295,000 tons of EDC to supply our PVC facilities located in the state of Alagoas and in the Northeastern Complex.

Seeking to resume our chlor-alkali operations, we launched a project to modify the feedstock base of our chlor-alkali plants by acquiring sea salt from third parties in Brazil or abroad. The product was stocked, dissolved in water to make brine and then treated and sent for processing. After concluding the commissioning process in accordance with applicable safety standards, we started production of chlor-alkali and dichloroethane at our unit located in the Pontal da Barra district of Maceió, in the state of Alagoas, which had been idled since May 2019. The cost of the project was R\$67.7 million, of which R\$21.2 million had been already disbursed in 2019, R\$43.9 million was disbursed in 2020 and the remaining R\$2.6 million will be disbursed in 2021. See “Item 5. Operating and financial review and prospects—Other Investments—Technology change at our chlor-alkali facility in Alagoas.”

Sales and Marketing of Our Vinyls Operations that are Part of our Brazil Segment

There is a structural link between the PVC and caustic soda markets because caustic soda is a co-product of the production of chlorine required to produce PVC. Most of the time, when demand for PVC is high, greater amounts of caustic soda are produced, leading to an increase in supply and generally lower prices for caustic soda. Conversely, when demand for PVC is low, prices for caustic soda tend to rise.

We make most of our sales of PVC and caustic soda directly to Brazilian customers, but we use third-party distributors to serve smaller caustic soda customers. However, our vinyls operations that are part of our Brazil Segment maintain contractual relationships through five distribution centers that provide logistical support, located in Paulínia and Barueri, both in the State of São Paulo, Joinville, in the State of Santa Catarina, Extrema, in the State of Minas Gerais, and Araucaria, in the State of Paraná. In addition, we operate twelve warehouse facilities for PVC, on a non-exclusive basis, and five terminal tank facilities for caustic soda strategically located along the Brazilian coast to enable us to deliver our products to our customers on a “just-in-time” basis. Our vinyls operations that are part of our Brazil Segment develops its business through close collaboration with its customers, working together to improve existing products as well as to develop new applications for PVC. Our marketing and technical assistance groups also advise current customers and potential customers that are considering the installation of manufacturing equipment for PVC downstream products.

In addition, our vinyls operations that are part of our Brazil Segment supplies the Brazilian market with emulsion PVC and other copolymers with higher value by imports from Colombia under a contract with Mexichem. Our primary customers operate in the laminated, shoe and automobile sectors. These products represented 2% of our consolidated sales volume in 2020.

Prices and Sales Terms

The domestic price for PVC resins is based on the import parity of PVC imported by converters in Brazil, which generally reflects the Northeast Asian spot market price, plus exchange rate variation. Delivery time, quality and technical service also affect the levels of sales of PVC resins. We establish our domestic price for caustic soda based on North American spot market prices, plus exchange rate variation.

Competition

PVC

Unipar Indupa (formerly Carbocloro and Solvay), or Unipar, and Braskem are the only two producers of PVC in Brazil. Unipar's total Brazilian installed annual production capacity is 300,000 tons, compared to our annual production capacity of 710,000 tons. Unipar's Brazilian production facilities are located in São Paulo, which is closer to the primary PVC market in Brazil than our facilities. However, we believe that our vertically integrated production capabilities, our strong relationship with our customers and our technical assistance programs enable us to make up for any competitive disadvantage due to distance and compete effectively with Unipar.

Braskem also competes with Unipar's Argentina production facilities and other importers of PVC. Unipar has a PVC plant in Argentina in addition to its plants in Brazil. Imports from all regions accounted for 32% of Brazilian PVC consumption in 2020. Domestically produced PVC is currently competitively priced with imported PVC, considering that our price is based on the international market.

In addition, Braskem competes with other producers of thermoplastics that manufacture the same PVC products or substitutes for products in our PVC product line. Thermoplastic resins, principally polyethylene and polypropylene, are used in certain applications as substitutes for PVC. Wood, glass and metals also are used in some cases as substitutes for PVC.

Caustic Soda

According to IHS and Abiclor (*Associação Brasileira da Indústria de Alcalis, Cloro e Derivados*), the three largest Brazilian producers of caustic soda, including Braskem, accounted for 89% of capacity in Brazil in 2020. Most domestic producers operate on a local or regional basis, with the exception of Braskem and another producer located in the Northeast region of Brazil that operate in the whole country through terminal tanks located on the Brazilian coast. Imports accounted for 47% of Brazil's total caustic soda consumption in 2020, excluding Braskem imports. Due to the mining event in Alagoas, our chlor-alkali plant was idled in 2019 and we have been importing caustic soda from various sources to keep supplying customers in Brazil since then.

Our principal competitors in the caustic soda market elsewhere in South America are other international petrochemical companies operating in Brazil and producers located on the U.S. Gulf Coast.

USA and Europe Segment

Our USA and Europe Segment includes:

- the operations of Braskem America, which consist of five polypropylene plants in the United States and one Ultra High Molecular Weight Polyethylene – the UTEC® plant; and
- the operations of two polypropylene plants in Germany.

As of December 31, 2020, our USA and Europe Segment's facilities had the largest annual polypropylene production capacity in the United States. Our USA and Europe Segment generated net revenue of R\$14,638.7 million during 2020, or 24.6% of the net revenue of all reportable segments, including inter-segment sales.

In June 2014, we announced the construction of an UHMWPE production line in our La Porte, Texas site, which began producing UTEC[®] in the first quarter of 2017. We believe that the production of specialized UHMWPE at this new line complements our existing portfolio of products and will enable us to access new markets and to develop close relationships with new and existing clients.

In June, 2017, we announced the construction of a Polypropylene Unit (“Delta”) at our La Porte, Texas site. Aligned with the strategy to diversify the raw materials matrix and geographic expansion in the Americas, this is a new world-class PP production facility with an annual polypropylene production capacity of 450,000 tons. In September, 2020, we announced that after completing the commissioning phase, we have started commercial production of PP at this new plant. We believe that this investment reinforces our PP leadership position in the region, as it will enable us to replace imported PP volumes in the North American domestic market and also scale up our exports supporting structural global demand with existing global clients.

Products of Our USA and Europe Segment

Our USA and Europe Segment produces polypropylene. The sales volume of polypropylene by this unit was 1,968,146 tons in 2020, 1,920,434 tons in 2019 and 1,923,227 tons in 2018. For a description of the uses of our polypropylene products, see “—Polyolefins Operations that are Part of our Brazil Segment.”

Production Facilities of our USA and Europe Segment

The table below sets forth the annual production capacity as of December 31, 2020 of the USA and Europe Segment’s polypropylene plants in the United States and Germany and the annual production for the years presented.

Plant	Annual Production Capacity	Production For the Year Ended December 31,		
		2020	2019	2018
		<i>(in tons)</i>		
United States	2,020,400	1,446,066	1,435,298	1,388,600
Germany	625,000	493,304	494,241	523,797

Raw Materials of Our USA and Europe Segment

Propylene

The most significant direct cost associated with the production of polypropylene by our USA and Europe Segment is the cost of purchasing propylene.

We acquire propylene for our polypropylene plants in the United States under a variety of long-term supply agreements and through the spot market. As of December 31, 2020, we had 14 supply agreements with multiple suppliers. The pricing formulas for propylene under these supply agreements are generally based on international market prices.

As a result of rising natural gas production and related production of natural gas liquids, several companies have announced plans to build propane dehydrogenation, or PDH plants, which would produce on-purpose propylene. We have secured a long-term propylene agreement of 15 years with one such company, Enterprise Products, which completed construction of a PDH plant in Texas in 2017 with an annual capacity of 750,000 tons. We expect this agreement with an established producer to provide us with a competitive, long-term supply of propylene, using shale gas and other nontraditional sources as its feedstock. This plant has commenced operations by the end of 2017. Under this arrangement, the pricing of these contracts will be based on market prices for propane and other market costs.

We acquire propylene for our polypropylene plants in Germany under long-term supply agreements that provide for the supply of 91% of the propylene requirements of these plants. We have two main supply agreements in Germany. One will expire in September 2021 and will be replaced by a new five-year agreement effective as of October 1, 2021 with a term until September 30, 2026, and thereafter will automatically be renewable for consecutive one-year terms, unless terminated by one of the parties. The other agreement expires in December 2024, and thereafter will also be automatically renewable for consecutive one-year terms, unless terminated by one of the parties. We have entered into a third contract that will expire at the end of 2022, increasing the supply of our plants to 94% of the propylene required. The pricing formula for propylene under these supply agreements is based on market prices. We purchase the propylene used in our Europe plants based on monthly contract price for propylene for Europe (as reported by ICIS-LOR).

Sales and Marketing of Our USA and Europe Segment

Our USA and Europe Segment sells polypropylene products to approximately 391 customers. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our USA and Europe Segment generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

The following table sets forth our net revenue derived from sales of our USA and Europe Segment for the years indicated:

	For the Year Ended December 31,		
	2020	2019	2018
	<i>(in millions of reais)</i>		
Net revenue:			
USA and Europe	14,638.7	10,044.3	11,725.6

56% of the sales of polypropylene by the USA and Europe Segment are made under long-term supply agreements with our customers. These supply contracts generally have an initial two-year term and are automatically renewable for one-year periods unless one party notifies the other of its intention not to renew. These contracts also provide for minimum and maximum quantities to be purchased and monthly deliveries.

The remainder of the polypropylene production of the USA and Europe Segment is sold through (1) our direct sales force that seeks to establish supply relationships with customers; (2) a select number of distributors authorized to represent the Braskem brand in the U.S. and European markets; (3) resellers that trade these products under private labels in the North American and European markets; and (4) traders that resell these products in the export markets.

Competition

The USA and Europe Segment is largely a commodities business and competes with local, regional, national and international companies, some of which have greater financial, research and development, production and other resources than us. Although competitive factors may vary among product lines, our competitive position is primarily based on raw material and production costs, selling prices, product quality, product technology, manufacturing technology, access to new markets, proximity to the market and customer service and support.

Our primary competitors for sales in the polypropylene industry in North America are other large international petrochemical companies. In general, demand is a function of economic growth in North America and elsewhere in the world.

Our primary competitors for sales in the polypropylene industry in Europe are other large international petrochemical companies. In general, demand is a function of economic growth in Europe and elsewhere in the world.

Mexico Segment

Braskem and Idesa, one of Mexico's leading petrochemical groups, formed Braskem Idesa S.A.P.I. in April 2010, with Braskem holding 75% of the total share capital and Idesa holding the remaining 25%, to develop, construct and operate the Mexico Complex, located in the Mexican state of Veracruz. During April 2016, Braskem Idesa commenced commercial operations of the Mexico Complex. As a result of the commencement of operations of the Mexico Complex, we commenced recording the results of our Mexico business unit as a separate segment in our financial statements as of dates and for periods ended after January 1, 2017.

As of December 31, 2020, our Mexico Segment had the largest annual polyethylene production capacity in Mexico. Our Mexico Segment generated net revenue of R\$4,000.8 million during 2020, or 6.7% of the net revenue of all of our reportable segments, including inter-segment sales.

Products of Our Mexico Segment

Our Mexico business unit produces ethylene, HDPE and LDPE at our Mexico Complex. We use all of the ethylene produced by our Mexico Complex as raw material for the production of polyethylene by this complex. The sales volume of polyethylene by this unit was 843,532 tons in 2020. Our Mexico Complex manufactures a broad range of polyethylene grades for use in consumer and industrial applications, including plastic films for food and industrial packaging, bottles, shopping bags and other consumer goods containers, automotive parts, and household appliances.

Technologies selected for the Mexico Segment are proven and considered state of the art with excellent track records in the petrochemical market and provides a competitive advantage in serving our customers to meet their specific needs by adapting and modifying our polyethylene products.

Production Facilities of Our Mexico Segment

Our Mexico Segment operates four plants located in the Mexico Complex, consisting of:

- an ethylene cracker, with an annual production capacity of 1,050,000 tons of ethylene, which commenced operations in March 2016;
- two high density polyethylene plants, with a combined annual production capacity of 750,000 tons, which commenced operations in April 2016; and
- a low density polyethylene plant, with an annual production capacity of 300,000 tons, which commenced operations in June 2016.

Plant	Annual Production Capacity	Production For the Year Ended December 31,		
		2020	2019	2018
		(in tons)		
Mexico (Polyethylene)	1,050,000	780,176	800,783	808,388

Raw Materials of Our Mexico Segment

The principal raw material used in our Mexico Complex is ethane, in addition to other raw materials such as hexane, propylene and polyaldehyde (PAL). Other chemicals, catalyzers, additives and utilities such as natural gas, electricity and nitrogen are used to produce polyethylene in the Mexico Complex.

Ethane

Ethane is the principal raw material that we use to produce ethylene in the Mexico Complex and represent the principal production and operating cost of the Mexico Complex. The price of ethane that we purchase varies based on changes in the U.S. dollar-based U.S. reference price of these feedstocks. We currently source most of our supply of ethane, which is the primary feedstock used in our polyethylene production process, from Pemex TRI, a state-owned Mexican entity, which is a subsidiary of Pemex, the state-owned Mexican oil and gas company, pursuant to an ethane supply agreement.

Ethylene

All of the ethylene produced by our Mexico Complex is used by the polyethylene plants in our Mexico Complex.

Other Materials and Utilities

Our Mexico Segment uses natural gas as the main fuel for its production process, which is supplied by PEMEX and other private suppliers using the pipelines that are the property of the *Centro Nacional de Control del Gas Natural* ("Cenagas").

In early December 2020, Braskem Idesa received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency responsible for all natural gas pipelines and transportation in Mexico, related to the unilateral termination of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities. Later in January 2021, Braskem Idesa partially resumed its operations based on an experimental business model to produce PE. Braskem Idesa has taken legal measures pursuant to the ethane supply agreement entered into with Pemex. Braskem Netherlands B.V, which is Braskem Idesa's direct shareholder, and has also taken legal measures under applicable international investment protection standards to protect the interests of Braskem Idesa and its parent company with regard to their investment in Mexico. Such measures include a negotiation period to attempt to resolve the dispute between the parties.

In the first quarter of 2021, Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

For additional information, see "Item 3. Key Information—Risk Factors—We depend on ethane supplied by Pemex TRI in Mexico," "Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—We rely on limited or sole-source suppliers for our raw materials, inputs and energy, including transportation thereof" and "Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico."

Our Mexico Segment uses hexene as raw materials in the production of HDPE. We import hexene for the Mexico Complex from suppliers located in the United States.

Our Mexico Segment uses catalysts supplied by Ineos Europe Limited.

Supply Contracts of the Mexico Segment

Ethane

Braskem Idesa is party to an ethane supply agreement with Pemex TRI, a subsidiary of Pemex, dated February 19, 2010, pursuant to which Pemex TRI is obligated to provide, and Braskem Idesa is required to purchase, 66,000 barrels per day of ethane for the Mexico Complex for a period of 20 years at prices based on the highest reference between Mont Belvieu purity ethane or Henry Hub Natural Gas reference U.S. dollar-based international reference price of these feedstocks. Under this agreement, any daily volume rejected by Braskem Idesa could be purchased in installments in subsequent deliveries until the deficit has been resolved. This contract commenced in June 2015, will initially expire in 2035, and is renewable for three consecutive five-year periods if prior notice to renew is given be either party at least two years before it expires.

If Pemex TRI (i) delivers less than an average of 70% of the 66,000 barrels of ethane per day over a six-month period, (ii) reaches the annual limit in respect of shortfall penalties owed by Pemex TRI to us and such limit is not waived by Pemex TRI, or (iii) materially breaches any of its obligations related to the supply of ethane thereunder; Braskem Idesa has the right to notify Pemex TRI through a notice of breach and if such breach continues for more than six months after notice, or an extended period if the parties agree, Braskem Idesa has the right to terminate the ethane supply agreement and require Pemex TRI to repay certain outstanding debt and compensate Braskem and Idesa according to an agreed valuation formula including the repayment of certain of our debt.

The ethane supply agreement contains a volume delivery long-term performance covenant that requires Pemex TRI to meet a volume delivery of ethane over a six-month period averaging 70% of the agreed-upon volume under the ethane supply agreement (the “Long-Term Performance Test”). As of November 2020, Pemex TRI volume deliveries under the Long-Term Performance Test remained close but above the 70% threshold. In the event that Pemex TRI fails to meet the Long-Term Performance Test, in addition to the direct negative impact on the production volumes of our Mexico Complex, it may (i) render us unable to generate sufficient cash to service our indebtedness with creditors under the Braskem Idesa Financing, (ii) cause such creditors to accelerate this indebtedness, and/or (iii) require Braskem Idesa to exercise a termination and put option against Pemex TRI that would force Pemex TRI to purchase the Mexico Complex from us. For further information, see “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico” and “Item 5. Operating and Financial Review and Prospects—Capital Expenditures—Joint Venture—Mexico Complex.”

Electricity

The Mexico Complex has its own power generation plant consisting of one gas turbine and two steam turbines, which can generate more than 100% of the Mexico Complex’s energy consumption. In addition, the Mexico Complex is also connected to the high-voltage power grid of Comisión Federal de Electricidad (the Mexican government-owned electricity company) as an alternative power source and to sell excess power on the spot market. The Mexico complex generates all of its requirements of steam and its water requirements are supplied by the Comisión Nacional del Agua (the Mexican government-owned water commission) pursuant to an agreement that expires in 2022 and is subject to renewal.

In general, we believe that there are sufficient alternative sources available at reasonable prices for each of these other inputs used in our polyethylene production process such that the loss of any single supplier would not have a material adverse effect on our operations.

The main feedstock used for power generation is natural gas, which is mainly supplied by Pemex through Cenagas, but also by other natural gas suppliers in Mexico. In December 2020, we received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency solely responsible for the natural gas pipelines and transportation in Mexico, related to the unilateral non-renewal of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities, which may have a material adverse effect on our operating or financial results, depending on the timing of the stoppage. Later in January 2021, Braskem Idesa partially resumed its operating activities based on an experimental business model to produce polyethylene. Braskem Idesa also initiated legal measures to enforce its legal and contractual rights. For additional information, see “Risk Factor - Political and economic conditions and government policies in Mexico, including political interferences in state-owned companies such as Pemex TRI and Cenagas, and elsewhere may have a material impact on our operations.”

Sales and Marketing of Our Mexico Segment

Our Mexico Segment sells polyethylene products to over 200 customers in the Mexican market. We have a diversified product mix that allows us to serve a broad range of end users in several industries. The customers of our Mexico Segment generally are third generation petrochemical producers that manufacture a wide variety of plastic-based consumer and industrial goods.

Domestic Mexican Sales

In the first full year operation of our Mexico Complex since its start-up, we were focused on the domestic market and obtaining the customer approval of our products. One of our priorities has been to develop long-term relationships with our customers and, given the cyclical nature of the markets for our polyethylene products, we believe that we can strengthen customer loyalty during periods of reduced demand for polyethylene by providing a reliable source of supply to these customers during periods of high demand. We work closely with our customers to determine their needs, to provide technical assistance and to coordinate the production and delivery of our products.

Considering our Mexico Complex's logistical infrastructure and logistics centers in different regions, we are able to project customer demand by region. Thus, we can anticipate and plan our production and logistics in order to make the products available on time and at the points of shipment. As our products portfolio can adjust to the nature of the demand of the Mexican market, we have greater flexibility to adapt and better serve the market.

In addition to direct sales of polyethylene to our customers, our Mexico Segment sells products in Mexico through independent distributors. Our Mexico Segment is served by distributors through which we distribute our products pursuant to formal agreements and spot market transactions.

We have selected our distributors based on their ability to provide full service to their customers, including the ability to prepare our products on a customized basis. These distributors sell our polyethylene products to manufacturers with lower volume requirements and are able to aggregate multiple orders for delivery to customers that would otherwise be uneconomical for us to serve. Furthermore, by serving smaller customers through a network of distributors, our account managers focus their efforts on delivering high quality service to a smaller number of large, direct customers.

Export Sales

The main focus of our Mexico Segment is to maintain our leading position in the Mexican market while continuing to export in order to manage the relationship between our production capacity and domestic demand for our products. We believe that our continued presence in export markets is essential to help manage any overcapacity in the Mexican market. The excess volume is exported to several regions such North and South America, Asia, and Europe, using our existing sales force and complementing our portfolio in those regions, together with products exported from Brazil. In order to use the already established Braskem sales channels in the United States and Europe, the strategy of exports of the Mexico Segment production, for these regions, is to develop and retain customers, in order to seek a greater added value in exports, especially considering the competitive logistics for serving the United States. This new polyethylene complex reinforces our position with polyethylene customers worldwide, which enhances our position in North America.

Prices and Sales Terms

We determine the Mexican domestic prices for polyethylene by reference to North American export prices. Our customers in Mexico may pay in full on delivery or elect credit terms that require payment in full within 60 days, on average, following delivery for most customers.

Our Mexico Segment's export sales consist of volumes to South America, Asia, Europe and the United States through traders and distributors. Pricing is based on international market price references. As discussed under "—Export Sales" above, since the beginning of 2017, the Mexico Segment has been focused on export sales directly to customers in the United States and Europe, so the netback price of exports has been increasing.

Competition

We have the largest annual production capacity of polyethylene in Mexico. We compete in Mexico with a subsidiary of Pemex and with importers of polyethylene, primarily producers located in the United States and Canada. We compete for export sales of our polyethylene products with producers from other countries in Latin America and in markets in the United States, Asia and Europe. Our export business is a commodity business and we compete with a variety of resin producers, some of which have greater financial, research and development, production and other resources than us. Our competitive position in the export markets that we serve is primarily based on raw material costs, selling prices, product quality and customer service and support.

Technology, Research and Development

Research and Development

R&D is key to developing differentiated offers for our priority markets and enabling growth through product portfolio upgrade and the development of new technologies in catalysis and process. One of our priorities is to support the recently announced goals towards carbon neutrality and plastic waste reduction by delivering sustainable solutions. To ensure business perpetuity, the Innovation & Technology area also works to leverage disruptive technologies. A close relationship with customers and market amplifies our ability to understand the current needs and anticipate future opportunities.

We develop technology at our research and development centers: (1) Innovation and Technology Center in Triunfo, Rio Grande do Sul, Brazil; (2) Innovation and Technology Center in Pittsburgh, Pennsylvania, United States; (3) Renewable Chemicals Research Center in Campinas, São Paulo, Brazil; (4) Process Technology Development Center in Mauá, São Paulo, Brazil; (5) European Technical Center in Wesseling, North Rhein Westphalia, Germany; and (6) Mexican Technical Center in Nanchital, Vera Cruz, Mexico, where we develop new processes, products and applications for many market segments. As of December 31, 2020, we had 292 employees dedicated to R&D. Through these centers, we coordinate and conduct our research and development activities that include scale-up (pilot plants operation), analytical testing, catalyst development and testing, advanced materials characterization, process technology development and research capabilities on renewable sources and biotechnology.

The construction of new catalysis laboratories in Pittsburgh was completed this year, totalizing investments of approximately US\$10.0 million, with the goal of supporting research focused on our businesses.

Recent product portfolio updates include the development of high performance film grades for packaging, resins to provide soft touch on personal care high-end applications, high performance grades for agrochemicals packaging, new specialty grades with differentiated sealing performance applied to high-speed packaging, new proprietary catalysts for polyolefin production and several process technology upgrades.

We continue our efforts to develop sustainable solutions through internal projects and collaborations and partnerships with several third parties, as follows: (i) advance in biotechnology research with a focus on proof of concept of routes to produce solvents and plastics of renewable origin; (ii) a partnership between the Company and the Danish-based Haldor-Topsoe, which is world leader in catalysis and surface science; in 2020, it achieved the first-ever demo-scale production of bio-based monoethylene glycol (bio-MEG), reinforcing our commitment to expand our portfolio of renewable products; (iii) a partnership with The University of Illinois at Chicago (UIC) to advance a new route for producing raw materials used to make thermoplastic resins; this route will use carbon capture and utilization technology to remove CO₂ emissions from existing industrial processes and convert it to ethylene; (iv) a partnership with Compact Membrane Systems, Inc. to deploy a pilot plant based on their olefin/paraffin separation technology; and (v) collaborations to develop new technologies using process intensification concepts in conjunction with SENAI CETIQT, UFRJ and some others prominent Brazilian universities.

We increased our efforts with respect to recycling solutions to provide sustainable pathways for plastic waste reduction and strengthen our reputation as a sustainability leader. The portfolio of recycled resins has been upgraded with the launches of 16 new PP and PE post-consumer resin (PCR) grades. The recycling platform coordinates all efforts relating to advanced recycling and mechanical recycling of plastic waste and aims to convert post-consumer plastic into high quality recycled resins. Our focus is to expand certified recycled resins in our portfolio. In this regard, several partnerships were established last year, for example: (i) Agilyx to exploring the development and construction of an advanced recycling project in North America; and (ii) the Federal University of Rio de Janeiro (UFRJ) and National Industrial Learning Service (SENAI), to develop catalysts for pyrolysis technologies.

The increasing effort on additive manufacturing opportunities through 3D-Printing technology continues to be one of the transformative innovation priorities, with recent additions to product portfolio of filaments, powder and pellets for commercial applications and the new investments on research capabilities in Triunfo (Brazil) and Pittsburgh (USA).

Maintenance

Most of our maintenance is performed by third-party service providers. For example, we have contracts with Novonor, formerly called Odebrecht S.A., a subsidiary of our controlling shareholder OSP Investimentos S.A., or OSP Inv, Asea Brown Boveri Ltd., Rip Serviços Industriais S.A., Sulzer Ltda. and other service providers to perform maintenance for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex. We also perform some of our ordinary course maintenance with our small team of maintenance technicians, which also coordinate the planning and execution of maintenance services performed by third parties.

Chemicals Plants

Regular chemicals plant maintenance requires complete plant shutdowns from time to time, and these shutdowns usually take 30 to 45 days to complete. We occasionally undertake brief shutdowns of the chemical operations at our basic petrochemical plants that do not materially affect our production output, primarily for maintenance purposes, catalyst regeneration and equipment cleaning. In addition, because we have two independent olefins units and two independent aromatics units at the Northeastern Complex and two independent olefins units at the Southern Complex, we may continue production of chemicals at these complexes without interruption, even while we perform certain maintenance services.

The next scheduled general maintenance shutdown of:

- the São Paulo Complex's olefins and aromatics units is scheduled to take place in 2021;
- the Southern Complex's aromatics and olefins units is scheduled to take place in 2022 with a brief stop that is expected to be made in 2021;
- the Northeastern Complex's olefins 2 and aromatics 2 units is scheduled to take place in 2023; and
- the Rio de Janeiro Complex's olefins unit is scheduled to take place in 2025.

Plants of Our Brazil, and USA and Europe Segment

We have a regular maintenance program for each of our polyolefin plants. Production at each of our polyolefin plants generally is shut down for 7 to 20 days every 2 to 3 years to allow for regular inspection and maintenance. In addition, we undertake other brief shutdowns for maintenance purposes that do not materially affect our production of polyolefins. We coordinate the maintenance cycles of our polyolefin plants with those of our basic petrochemicals plants. While our chemicals facilities must be shut down for up to 30 days for maintenance, our polyolefins facilities may be shut down for shorter periods because these facilities are less complex to operate and maintain than our chemicals plants. Similarly, plants of our USA and Europe Segment attempt to coordinate their maintenance cycles with the routines of their largest suppliers.

We have a regular maintenance program for each of our vinyls plants. Our Northeast PVC plants are generally shut down for 15 to 20 days every two years to allow for regular inspection and maintenance. Our caustic soda and chlorine plant in Alagoas shuts down once a year for three days of maintenance in different parts of the plant.

Environmental Regulation

We, like other petrochemical producers, are subject to stringent federal, state and local environmental laws and regulations concerning human health, the handling and disposal of solid and hazardous wastes and discharges of pollutants into the air, water and soil, among others. Petrochemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations.

Our consolidated annual expenditures on environmental control were R\$537.9 million in 2020, R\$369.8 million in 2019 and R\$329.3 million in 2018, which included investments, waste and wastewater treatment, emissions management, environment licenses, environmental liabilities and other environmental expenditures.

Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements.

Compliance with Environmental Laws in Brazil

The Brazilian government enacted an Environmental Crimes Law in 1998 that imposes criminal penalties on corporations and individuals causing environmental damage. Corporations found to be polluting can be fined up to R\$50.0 million, have their operations suspended, be prohibited from government contracting, be required to repair damage that they cause and lose certain tax benefits and incentives. Executive officers, directors and other individuals may be imprisoned for up to five years for environmental violations.

We make all reasonable efforts to ensure that our operations are in compliance in all material respects with applicable Brazilian environmental laws and regulations currently in effect. Our internal audit processes and our management system in place aim to ensure that the permits that will expire be renewed in a timely manner. However, changes to applicable laws and regulations may require us to revise our standards, which may take time to implement. Some environmental studies that we have commissioned have indicated instances of environmental contamination at certain of our plants. In addition, we and certain of our executive officers have received notices from time to time related to minor environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental issues, and any future environmental issues that may arise, could subject us to fines or other civil or criminal penalties imposed by Brazilian authorities.

Operating Permits

Under Brazilian federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities. If any of our environmental licenses and permits lapse or are not renewed or if we fail to obtain any required environmental licenses and permits, we may be subject to fines ranging from R\$500 to R\$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose civil and criminal sanctions on us.

Each State in which we operate has its own environmental standards and state authorities in each state have issued operating permits that must be renewed periodically. Additionally, all projects for the installation and operation of industrial facilities in the Northeastern Complex, Southern Complex, São Paulo Complex, Rio de Janeiro Complex and Alagoas plants are subject to approval by various environmental protection agencies, which must approve installed projects prior to their commencement of operations and must renew such approval periodically thereafter. State authorities have issued operating permits for all of our plants, as follows: the Northeastern Complex (State of Bahia); Southern Complex (State of Rio Grande do Sul), São Paulo Complex and Cubatão, Santo André, Mauá and Paulínia plants (State of São Paulo), Rio de Janeiro Complex (State of Rio de Janeiro) and our Alagoas plants (State of Alagoas). We make all reasonable efforts to ensure that our operations in Brazil are in compliance in all material respects with applicable Brazilian federal, state and local environmental laws and regulations currently in effect, and we have an internal audit process and a management system in place assuring that the permits that will expire be renewed in a timely manner.

Industrial Waste

Companhia Riograndense de Saneamento, or Corsan, a state-owned sanitation company, operates an integrated system for liquid effluents treatment, or Sitel, in the Southern Complex. Sitel treats wastewater generated by us and the other petrochemical producers at the Southern Complex at a liquid effluents treatment station located in the Southern Complex. This treatment station also includes a system for the collection of contaminated wastewater and disposal after treatment. We treat wastewater generated by us at the Rio de Janeiro Complex at a liquid effluents treatment station located in the Rio de Janeiro Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. Hazardous solid waste is co-processed in cement kilns or incinerated and other kinds of solid waste are disposed of in landfills at facilities approved by us.

We treat wastewater generated by us at the São Paulo Complex at a liquid effluents treatment station located in the São Paulo Complex. This treatment station also includes a system for the collection and disposal of contaminated wastewater. Hazardous waste generated at the São Paulo Complex is incinerated in cement kilns and other kinds of solid waste are disposed of in landfills.

In our Bahia facilities, all wastewater is transported to our wastewater treatment facility at Cetrel. Hazardous liquid and solid waste are incinerated at high temperatures and non-hazardous solid waste is coprocessed and sent to cement customers to be used as energy in cement kilns.

In our Alagoas plants, organochlorines waste is incinerated, producing steam and wastewater. All wastewater is treated at a treatment station located in the complex. Solid waste is separated and disposed of in landfills.

Additionally, we have a series of recycling programs that include recycling of solid waste and wastewater. We recycle or reuse 55.5% of the solid waste generated by our facilities and 25.8% of the water used in our production processes.

Mercury

As of December 31, 2019, Braskem had a chlor-alkali plant in Bahia based on mercury cell technology. On April 8, 2020, our chlor-alkali plant in Bahia shut down following the end of the facility's useful life, and it has been decommissioned. The decommissioning strategy is ongoing, we are currently proceeding with the disassembly of the cell house, appropriately disposing of the waste, as well as planning the most appropriate strategies for diagnosis and remediation of potential contaminated areas, which should be implemented soon after the disassembly is complete.

Compliance with Environmental Laws in the United States

Our operations in the United States are subject to federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment; the generation, storage, handling, management, transportation and disposal of hazardous waste, industrial waste and other types of waste; the use, storage, and handling of various types of products and materials; and the protection of human health, safety and the environment. In many instances, specific permits must be obtained for particular types of operations, emissions or discharges. For example, our facilities in Texas, Pennsylvania, and West Virginia are required to maintain various permits relating to air quality and treatment of industrial wastewater, and to comply with regulatory requirements relating to waste management. We are in possession of necessary permits to operate our facilities. We make all reasonable efforts to ensure that our operations in the United States comply with applicable U.S. federal, state and local environmental laws and regulations.

As with the U.S. petrochemical industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating our U.S. plants, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require us to make, expenditures of both a capital and an expense nature.

The Clean Air Act, which was last amended in 1990, requires the United States Environmental Protection Agency, or the EPA, to set National Ambient Air Quality Standards, or the NAAQS, for pollutants considered harmful to public health and the environment. The Clean Air Act requires periodic review of the science upon which the standards are based and the standards themselves. NAAQS for ozone and fine particulate matter (referred to as PM_{2.5}), promulgated by the EPA have resulted in identification of nonattainment areas throughout the country, including certain areas within Texas, Pennsylvania, and West Virginia, where Braskem America operates facilities. As a result of these nonattainment designations by the EPA, state or local air pollution control agencies are required to apply permitting and/or control requirements intended to reduce emissions of ozone precursors (nitrogen oxides and volatile organic compounds), and fine particles (including PM_{2.5} precursors), in order to demonstrate attainment with the applicable NAAQS. Such requirements may include imposition of offset requirements and could result in enhanced emission control standards. In addition, on August 24, 2016, the EPA finalized requirements for state and local agencies charged with the current PM_{2.5} NAAQS. These requirements could in turn translate into additional state-specific requirements to further reduce allowable emission rates for PM_{2.5} or its precursor pollutants. In October 2015, the EPA lowered the primary and secondary NAAQS for ozone from 0.075 ppm to 0.070 ppm. Such state-specific requirements would become applicable, if at all, following a multi-year process. Regulations implementing this change will likely not be promulgated for several years.

In addition to permitting and/or control requirements that may result from the implementation of the NAAQS at the state or local level, the EPA may promulgate new or revised federal New Source Performance Standards or National Emission Standards for Hazardous Air Pollutants that would apply directly to certain facility operations and may require the installation or upgrade of control equipment in order to satisfy applicable emission limits and/or operating standards under these regulatory programs. The EPA's proposed regulations in this area would not specifically apply to Braskem America's operations.

Additionally, there are various legislative and regulatory measures to address greenhouse gas emissions which are in various stages of review, discussion or implementation by Congress and the EPA. In October 2015, the EPA finalized new regulations (known as the Clean Power Plan) aimed at lowering greenhouse gas emissions from existing, new and reconstructed electric generating units. In February 2016, the Supreme Court stayed implementation of the Clean Power Plan pending judicial review. On October 16, 2017, the EPA proposed repealing the Clean Power Plan, but this proposal has not been finalized. On August 21, 2018, the EPA proposed a replacement to the Clean Power Plan, the Affordable Clean Energy Rule. While it is currently not possible to predict the final impact, if any, that these regulations may have on Braskem America or the U.S. petrochemical industry in general, they could result in increased utility costs to operate our facilities in the United States. In addition, future regulations limiting greenhouse gas emissions of carbon content of products, which target specific industries such as petrochemical manufacturing could adversely affect our ability to conduct Braskem America's business and also may reduce demand for its products. The EPA's proposed regulations in this area would not specifically apply to Braskem America's operations.

Compliance with Environmental Laws in Mexico

Braskem IDESA in Mexico is subject to federal, state and local laws and regulations that govern the discharge of effluents and emissions to the environment; the generation, storage, handling, management, transportation and disposal of hazardous waste, industrial waste and other types of waste; the use, storage and handling of various types of products and materials; and the protection of human health, safety and the environment. Specific permits may be required for certain types of operations.

Ethylene and Aromatic Hydrocarbons Mixture production require permission of the Secretary of Energy and Federal Commission for Sanitary Risks (COFEPRIS) related to risk management and public health. The Mexican legislation regulates the emission of particles, ozone, fixed sources and everything related to GHGs. There are regulations on water, effluent treatments and specific conditions for discharge of the effluent. We make all reasonable efforts to ensure that our operations in Mexico are in compliance in all material respects with applicable Mexican federal, state and local environmental laws and regulations currently in effect.

In Mexico, the Federal Attorney's Office for Federal Environmental Protection (PROFEPA) verifies compliance with the Mexican Regulation and Permits through audits.

Failure to comply with Mexican regulations may lead to economic and administrative penalties, including Operations shutdown in certain cases.

Compliance with Environmental Laws in Germany and the European Union

Our operations in Germany are subject to German federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste and otherwise relating to the protection of the environment and waste management. Our operations in Germany are in compliance in all material respects with applicable German federal, state and local environmental laws and regulations currently in effect.

As with the petrochemical industry in the European Union generally, compliance with existing and anticipated German laws and regulations increases the overall cost of operating our European business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require us to make expenditures of both a capital and an expense nature.

At our Schkopau and Wesseling facilities in Germany, we are required to maintain air, radiation, waste water and waste management permits. We are in possession of all necessary permits.

Furthermore, our Wesseling and Schkopau facilities in Germany are subject to existing European GHG regulations and a cap and trade program relating to emissions. We have purchased sufficient carbon dioxide emissions permits for our operations until 2022, provided it operates under normal business conditions. We will purchase any additional permits that may be required on the emission trade market. We are not aware of any new environmental regulations that would materially affect our European operations. Accordingly, we cannot estimate the potential financial impact of any future European Union or German environmental regulations.

Sustainability

In April 2018, our board of directors approved our policy on global sustainable development. Its objective is to encourage economic growth, environmental preservation and social justice by developing sustainable solutions related to chemical and plastic production. In connection with these goals, we have developed a three-pronged approach: (1) seek and develop sustainable sources and operations, (2) develop and deliver a portfolio of sustainable products and services, and (3) work with our clients to offer sustainable solutions that benefit society as a whole.

Circular Economy

Consistent with our purpose of contributing to the transition from a linear economy into a circular economy, effectively demonstrating our commitment to sustainable development, we announced in 2018 our global positioning statement titled “Braskem’s Positioning in the Circular Economy.”

In the statement, we announced eight key global initiatives, which are: (i) partnerships with clients and value chain to develop new products that increase efficiency, recycling and reuse; (ii) more investments in renewable products; (iii) development and support of new technologies and the recycling chain; (iv) programs to engage consumers in conscientious consumerism, proper disposal and recycling; (v) use of science tools to select the most sustainable options; (vi) adoption of recycling indicators for plastic packaging; (vii) partnerships to understand, prevent and solve the problem of marine debris; and (viii) incentives for policies to improve solid waste management.

Property, Plant and Equipment

Our properties consist primarily of petrochemical production facilities in:

- Camaçari, in the State of Bahia;
- Triunfo, in the State of Rio Grande do Sul;
- Duque de Caxias, in the State of Rio de Janeiro;
- São Paulo, Paulínia, Cubatão, Santo André and Mauá, in the State of São Paulo;
- Maceió and Marechal Deodoro, in the State of Alagoas;
- the United States, in La Porte, Freeport and Seadrift, Texas; Marcus Hook, in Pennsylvania; Neal and West Virginia;
- Germany, in Schkopau and Wesseling; and
- Coatzacoalcos, in Mexico.

For more information, see note 12 to our audited consolidated financial statements included elsewhere in this annual report.

Our principal executive offices are located in São Paulo, in the State of São Paulo, and we have an administrative support office in the City of Salvador, in the State of Bahia. We also have equity interests in investments located in other parts of the country. We own all our production facilities, but we generally rent our administrative offices.

The following table sets forth our properties as of December 31, 2020 by location of facilities, products produced and size of plant.

Type of Product or Service	Location of Facilities	Size of Plant (in hectares) ⁽¹⁾
Chemicals	Triunfo	152.8
Chemicals	Santo André	74.1
Chemicals	Camaçari	65.5
Chemicals	Duque de Caxias	53.0
Chemicals	Mexico	23.6
Polypropylene	Paulínia	39.7
Polyethylene	Triunfo	30.5
Polyethylene	Camaçari	24.5
Polyethylene	Cubatão	17.6
Polyethylene	Santo André	15.8
Polyethylene	Duque de Caxias	15.0
Polyethylene	Mexico	14.9
Polypropylene	La Porte, Texas	87.0
Polypropylene	Neal, West Virginia	27.1
Polypropylene	Mauá	15.8
Polypropylene	Duque de Caxias	15.0
Polypropylene	Camaçari	13.2
Polypropylene	Triunfo	10.0
Polypropylene	Marcus Hook, Pennsylvania	6.9
Polypropylene	Freeport, Texas	8.9
Polypropylene	Seadrift, Texas	2.5
Polypropylene	Schkopau, Germany	3.7
Polypropylene	Wesseling, Germany	26.0
Caustic soda/chlorine	Maceió	15.0
PVC/caustic soda ⁽²⁾ /chlorine ⁽²⁾	Camaçari	12.6
PVC	Marechal Deodoro	186.7
Distribution Center	Vila Prudente/Capuava	3.2

(1) One hectare equals 10,000 square meters.

(2) In January 2020, Braskem announced the permanent shutdown of its chlor-alkali production facility located in Camaçari, in the State of Bahia. The shutdown is explained by the end of the facility's useful life and started in April 2020, following the applicable safety standards and seeking to protect people, local communities and the environment.

We believe that all of our operating facilities are in good operating condition. As of December 31, 2020, the consolidated net book value of our property, plant and equipment was R\$35,929.1 million.

The following properties are mortgaged or pledged to secure certain of our financial transactions: (1) our chemicals plant, our polypropylene plant and our polyethylene plant located in the Southern Complex; (2) our chlor-alkali plant and PVC plant located in the Northeastern Complex; (3) our chemicals plant, polypropylene plant and polyethylene plant located in the State of São Paulo; (4) our chlor-alkali plant and PVC plant located in the State of Alagoas; (5) our chemicals plant, our polyethylene plant and our polypropylene plant located in the Rio de Janeiro Complex; and (6) our chemical plant and our polyethylene plants located in Mexico.

Insurance

In addition to the policies described below for our Brazilian and international operations, we maintain other insurance policies for specific risks, including general and product liability, directors and officers liability, workers' compensation, marine cargo and charterer's liability insurance, among others.

We believe that our insurance coverage is reasonable in amount and consistent with industry standards applicable to chemical companies operating globally.

Operations in Brazil, Mexico, the United States and Germany

We carry insurance for all our plants against material damage and consequent business interruption through comprehensive "all risk" insurance policies.

The "all risks" insurance program for our plants provides for a total replacement value of US\$36.4 billion for property damage. This insurance program is underwritten through separate policies in Brazil, Mexico, the United States and Germany by large insurance companies. The leading insurers are Mapfre (rating S&P BBB+), HDI (rating S&P AA-), Inbursa (rating S&P AAA) and Great Lakes (rating S&P AA-). These policies are valid until October 2021.

Set forth is a table with additional information related to our all risk insurance policies.

Policy / Region US\$ bn	Value at risk — Property Damage	Combined Property Damage and Business Interruption Limit	Comments
Brazil	28.0	3.5	—
Mexico ⁽¹⁾	5.7	2.7	—
USA and Germany	2.7	0.65	Limit increased from US\$500 million to US\$655 million after Delta inception

(1) Includes coverage for acts of terrorism, except for Brazil.

Our policies provide coverage for losses that arise from accidents caused by or resulting from fire, explosion and machinery breakdown, among others, and consequential business interruption, with maximum indemnity periods ranging from 12 to 34 months, depending on the plant and/or coverage.

As part of our program, we also have general and products liability insurances for our operations, which cover losses for damages to third parties caused by our operations and products. Additionally, Braskem has coverage for environmental liabilities and remediation activities such as clean-up costs. These policies are capped at US\$50 million for Mexico, US\$50 million for Brazil and US\$25 million for the United States and Germany (coverage is included in the general and umbrella liability policies).

New projects can be covered for construction/erection all risks under the existing Property policies or through a standalone project-specific policy.

We have relevant exposure to operational risks, and our insurance policy requires coverage to be contracted through a complex insurance program involving multiple insurers and reinsurers in the commercial market, which have limited and variable capacity to offer insurance policies over time. In order to seek alternatives for the composition of hedges, the possibility of transferring operational risks through the mutual insurer “OIL” was identified. OIL is the global leader in the energy sector, including oil and gas, refining, chemical and petrochemicals, electric power and mining, and holds a total of US\$3 trillion in insured assets and has a portfolio of selected participants. In addition to providing a stable capacity to Braskem, OIL has a structure in which there is reciprocal cooperation among the insured companies participating in a known risk environment, in addition to a lower administrative cost compared to the commercial insurance market, providing less volatile and potentially more competitive premiums.

Compliance

We have adopted a Code of Conduct, a Compliance System Policy and an Anti-corruption Policy, and several internal directives designed to guide our management, employees and counterparties and reinforce our principles and rules for ethical behavior and professional conduct. We maintain an Ethics Line managed by a third party available for employees and non-employees. Every whistleblower complaint is investigated by the compliance team and submitted for evaluation by our Ethics Committee and/or our Compliance Committee.

As of December 31, 2020, we identified ineffective information technology controls (GITCs) over the scale systems that generate the weighted quantities of product sold for certain sales that resulted in a material weakness. These ineffective controls were due to an insufficient complement of resources to timely complete an effective risk assessment process and implement controls.

The material weakness did not result in a misstatement of the consolidated financial statements.

See “Item 15. Controls and Procedures.” Our management is actively engaged in the development and implementation of remediation efforts to address the material weakness described above.

In addition, we have implemented and improved procedures and control activities across all areas of the Company, which allowed us to resolve most of the material weaknesses described in our 2019 annual report on Form 20-F. In 2020, the following actions were performed to address the material weaknesses described in our 2019 annual report:

- *Control environment, risk assessment, information and communication and monitoring*

The internal control department hired experienced resources and redesigned its structure to provide more focus and coverage over the internal control environment. Management performed and documented an extensive risk assessment over the Company and its processes. This activity provided a better perspective on where the Company should focus on designing and implementing controls, training the involved teams and addressing process improvements. The implementation of these activities resulted in the remediation of the material weakness in these overall components reported in our 2019 annual report except for the material weakness noted above.

- *Ineffective design and operation of GITCs over certain ancillary IT operating systems and completeness and accuracy of ERP reports*

Our IT department leveraged the risk assessment executed over Company processes and systems to design and implement the necessary set of controls to provide an adequate coverage level of the risks related to these ancillary systems. Controls over user access, change management and IT operations are being executed and monitored by the IT team. These controls were tested and found to be effective during our management assessment cycle completed in 2020.

Our management also implemented controls to assess the key reports extracted from the ERP system, excluding the scales system, used to perform the control activities. Controls over the accuracy and completeness of each report were implemented and successfully tested by our management.

- *Ineffective design and operation of controls within the financial reporting process:*

Our management hired new employees with expertise and skills to design, implement and execute controls focused on financial reporting, non-routine transactions and consolidation process that provide a higher standard over the preparation and quality of the Company's financial statements. Also, the Shared Services group designed and implemented a process and controls to ensure that manual journal entries were being correctly recorded, supported and tracked by management. These controls were tested by management and operating effectively at December 31, 2020.

- *Ineffective operation of legal contingences controls:*

The Legal team improved its controls focused on the legal contingency confirmation process. The implemented procedures, controls and the documentation ensure the completeness of the assessment and the quality of the results obtained from the confirmation process.

- *Ineffective operation of controls over the purchase of and payment for legal services:*

The Procurement and Legal teams worked together during 2020 to redesign the process of sourcing of legal services. This process is now executed by the procurement team as is executed for other services categories. This action provided adequate segregation of duties between procurement and payment activities.

Therefore, as of December 31, 2020, we concluded that the material weaknesses described in our annual report on Form 20-F for the year ended December 31, 2019 has been remediated. See "Item 15. Controls and Procedures."

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of December 31, 2020 and 2019 and for the three years ended December 31, 2020, included in this annual report, as well as with the information presented under "Presentation of Financial and Other Information" and "Item 3. Key Information—Selected Financial and Other Information."

The following discussion contains forward-looking statements that involve risks and uncertainties, in particular with respect to the COVID-19 pandemic and related impacts on our historical and future results of operations and financial condition. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in “Cautionary Statement with Respect to Forward-Looking Statements” and “Item 3. Key Information—Risk Factors.”

Overview

Our results of operations for the years ended December 31, 2020, 2019 and 2018 have been influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

- GDP growth in the regions where we operate, including as follows:
 - Brazil’s GDP, which contracted 4.1% in 2020, as compared to a 1.1% expansion in 2019 and 1.1% in 2018, which affected the demand for our products and, consequently, our sales volume;
 - the U.S. GDP, which contracted 3.4% in 2020, as compared to a 2.3% expansion in 2019 and 2.9% in 2018, which affected the demand for our products and, consequently, our sales volume;
 - Europe’s GDP, which contracted 7.2% in 2020, as compared to a 1.2% expansion in 2019 and 2.2% in 2018, which affected the demand for our products and, consequently, our sales volume;
 - Mexico’s GDP, which contracted 8.5% in 2020, as compared to a 0.1% contraction in 2019, and a 2.1% expansion in 2018, which affected the demand for our products and, consequently, our sales volume; and
 - according to the IMF, because of the adverse effects of the COVID-19 pandemic on the economy of several countries, the world’s GDP and the GDP of Brazil, the United States, Europe and Mexico shrank significantly in 2020, leading to an economic contraction and a recession in these countries or regions;
- the expansion of global production capacity for the products that we sell and the growth rate of the global economy;
- the international market price of naphtha, our principal raw material, expressed in U.S. dollars, which has a significant impact on the cost of producing our products and which has experienced volatility during the three years ended December 31, 2020, fluctuating in a range between US\$140 and US\$528 per ton during 2020, US\$447 and US\$563 per ton during 2019 and US\$463 and US\$676 per ton during 2018;
- the average domestic prices of our principal products expressed in U.S. dollars, which fluctuate to a significant extent based on international prices for these products and which also have a high correlation to our raw material costs;
- our crackers’ capacity utilization rates, which decreased in 2020 as a result of the: (i) lower utilization rate of the cracker in Rio Grande do Sul due to unscheduled shutdowns at the PE integrated unit in the first quarter of 2020; and (ii) weaker demand for resins and main chemicals as a result of the COVID-19 pandemic significantly impacted economic activity and markets around the world;
- government industrial policy;
- changes in the *real*/U.S. dollar exchange rate, including the depreciation of the *real* against the U.S. dollar by 28.9% in 2020, 4.0% in 2019 and 17.1% in 2018.
- the level of our outstanding indebtedness, fluctuations in benchmark interest rates in Brazil, which affect our interest expenses on our *real*-denominated floating rate debt and financial income on our cash and cash equivalents, and fluctuations in the LIBOR rate, which affect our interest expenses on our U.S. dollar-denominated floating rate debt;

- the inflation rate in Brazil, which was 23.1% in 2020, 7.7% in 2019 and 7.1% in 2018, in each case, as measured by the IGP-DI, and the effects of inflation on our operating expenses denominated in *reais* and our *real*-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation; and
- the tax policies and tax obligations.

Our financial condition and liquidity is influenced by various factors, including:

- our ability to generate cash flows from our operations and our liquidity;
- prevailing Brazilian and international interest rates and movements in exchange rates, which affect our debt service requirements;
- our ability to continue to be able to borrow funds from international and Brazilian financial institutions and to sell our debt securities in the international and Brazilian securities markets, which is influenced by a number of factors discussed below, including the adverse effect of the COVID-19 pandemic on the world economy and our business, financial condition and results of operations;
- our capital expenditure requirements, which consist primarily of maintenance of our operating facilities, expansion of our production capacity and research and development activities; and
- the requirement under Brazilian Corporate Law and our by-laws that we pay dividends on an annual basis in an amount equal to at least 25% of our previous year adjusted net income, unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders.

Recent Developments

Geological Event in Alagoas

On January 6, 2021, settlements were ratified by Court with the termination of the public-interest civil actions related to the compensation of the residents (“ACP of Residents”) and to the socio-environmental remediation (“ACP Socio-environmental”), regarding the Company. As provided for in the settlement agreement to dismiss the ACP Socio-environmental, the Alagoas State Prosecutor’s Office (Ministério Público do Estado de Alagoas) dismissed, on January 21, 2021, the Investigation Proceedings related to urban damages, with the consequent filing of an administrative procedure to monitor and supervise the compliance with said settlement agreement.

In February 2021, the Brazilian Company of Urban Trains (*Companhia Brasileira de Trens Urbanos*, or “CBTU”) filed a claim against Braskem seeking the payment of damages in the amount of R\$222.1 million and the imposition of other obligations, including the construction of a new rail line to substitute the stretch that passes through the vacated area. CBTU attributes to the claim the approximate amount of R\$1.3 billion. For more information, “Item 8. Financial Information—Legal Proceedings—Alagoas – Mining Activities.” In February 2021, ANM accepted our motion requesting that ANM reconsider its order directing the implementation of additional measures for the mine closure plan proposed by the Company.

Exclusion of ICMS from PIS and COFINS calculation base

In February 2021, a final and unappealable decision was issued in connection with lawsuits of the Company involving the exclusion of ICMS tax from the PIS/COFINS tax calculation base, which represents the approximate amount of R\$1.1 billion to be recognized in the first quarter of 2021, as federal tax credits. For further information, see “Item 8. Key Information—Tax Proceeding—Exclusion of ICMS from PIS and COFINS calculation base.”

Redemption of the perpetual bonds

Due to our strong cash position and with the purpose of reducing our gross debt, we fully redeemed our 7.375% Perpetual Bonds in March 2021 in the outstanding principal amount of US\$500.0 million.

Braskem Idesa

In the first quarter of 2021, Braskem Idesa entered into the following agreements under a strict reservation of all rights: (i) a memorandum of understanding with Pemex TRI setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and (ii) a natural gas transport service agreement with Cenagas for a term of 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above. Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas, which had unilaterally terminated gas supply to Braskem Idesa in December 2020. The existing ethane supply agreement between Braskem Idesa and Pemex TRI has not been modified and remains in full force and effect. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders and creditors.

For further information, see "Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico" and "Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on services and products supplied by Mexican state-owned company."

Impact of the Novel Coronavirus (COVID-19) on our Business and Results of Operations

We have closely monitored the effects of the COVID-19 pandemic on our business and the communities in the regions in which we operate.

On March 20, 2020, we formed a crisis committee to establish procedures focusing on the health and safety of our employees and the continuity of our operations. To that end, we adopted the following measures: (i) ordered all of our employees and contractors who were most vulnerable to COVID-19 to work remotely until criteria for a safe return to their worksite were met; (ii) ordered all of our employees and contractors who were not directly related to the safe continuity of our operations to work remotely until criteria for a safe return to their worksite were met; (iii) reduced the number of employees and contractors working at our industrial plants and prioritized operations with fewer people, while ensuring that all rules relating to ensuring personal safety and operational reliability were followed; (iv) restricted visits by non-routine third parties and suppliers to our facilities; (v) created agendas jointly with our customers and local communities to assess whether products on our portfolio could be used to help fight the COVID-19 pandemic; and (vi) created, implemented and monitored the indicators of the Plan for Safe Return to Braskem plants and offices.

Also, in line with our core safety value, we started to operate our industrial plants with reduced teams. The reduction of approximately 50% in the number of industrial team members and contractors allowed us to keep teams safe while maintaining the reliability of our operations.

During the second quarter of 2020, the capacity utilization rates of our plants in Brazil and the United States were temporarily reduced to 70% and 90%, respectively, to adjust to the weaker demand for our products and to the destocking trend in the petrochemical and plastics production chains. The capacity utilization rates followed market demand and export opportunities that arose in other regions, especially with the restart of economies in Asia, which occurred before other regions of the world.

During the third quarter of 2020, there was strong recovery in demand for resins in Brazil and in the United States that led the capacity utilization rates of the petrochemical plants to return to normal levels. In the fourth quarter of 2020, the demand for resins remained strong and the capacity utilization rates in Brazil and the United States remained at levels similar to those of the previous quarter.

In Europe and Mexico, the capacity utilization rates returned to their normal levels in the second quarter of 2020, following the gradual recovery in demand, resulting in capacity utilization rates of 83% and 80%, respectively. With regard to the fourth quarter of 2020, despite the recovery in demand that began in the previous quarter, the capacity utilization rate in Europe was 64% due to the scheduled shutdown of our European plant.

We have also taken a series of measures to preserve liquidity in order to maintain our financial strength and business resilience, such as:

- drawdown of our revolving credit facility in the amount of R\$5.2 billion in April 2020, which comes due in 2023; at the end of July 2020, we prepaid the facility in full, in an amount corresponding to R\$5.5 billion;
- issuance of bonds in the international market by the subsidiary Braskem Netherlands Finance B.V., in July 2020, in the amount of US\$600 million (R\$3.2 billion);
- reduction of fixed costs by approximately 9% compared to the same period of 2019;
- reduction of planned investments for 2020 from R\$3.8 billion to US\$2.8 billion;
- postponement of payment of social contributions in Brazil; and
- working capital optimizations.

We also took the following actions with respect to our clients and business partner companies: (i) transformed chemicals and plastic resins into essential items to combat the novel coronavirus (COVID-19), especially surgical masks, packaging for liquid and gel alcohol, bleach, and 3D printing of rods for protection masks; (ii) donated LPG (cooking gas) to field hospitals; (iii) took action to support clients and supply chains, especially small and midsize companies; and (iv) donated hygiene kits and basic food baskets to affected communities around our plants.

During periods in which the Brazilian *real* depreciates significantly against the U.S. dollar, we are subject to an adverse effect from exchange variation on our debt, a part of which we recognize in our results for the period and a part of which is incorporated into our equity through the hedge accounting mechanism. In 2020, the Brazilian *real* depreciated 28.9% against the U.S. dollar.

Due to the uncertainties arising from the COVID-19 pandemic, we are unable to accurately predict its impacts on our financial position and results of operations and those of our subsidiaries. Following the recovery in demand for resins, we do not currently expect to make any additional provisions for impairment testing of our assets in the near future arising from a scenario of demand constraints.

See “Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry—Global or regional health pandemics or epidemics, including the novel coronavirus (COVID-19), could negatively impact our business, financial condition and results of operations.”

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our audited consolidated financial statements as of December 31, 2020 and 2019 and for each of the years ended December 31, 2020, 2019 and 2018 in accordance with IFRS, as issued by the IASB.

Operating Segments and Presentation of Segment Financial Data

We made changes to our organizational structure with a view to capturing synergies in all regions in which we operate for a more integrated operating performance. As a result of these changes, our management revised the structure of our internal reporting with a focus on our petrochemical operational expansion and internationalization with a view to simplifying and streamlining the work and decision-making processes, which led us to adopt a new structure for petrochemical reporting segments by region. As from January 1, 2020, our three reporting segments are as follows:

- our Brazil Segment includes:
 - our production and sale of chemicals at the chemical complex located in Camaçari, in the State of Bahia, or the Northeastern Complex, the chemical complex located in Triunfo, in the State of Rio Grande do Sul, or the Southern Complex, the chemical complex located in Capuava, in the State of São Paulo, or the São Paulo Complex and the chemical complex located in Duque de Caxias, in the State of Rio de Janeiro, or the Rio de Janeiro Complex, and our supply of electricity produced at these complexes to second generation producers, including producers owned or controlled by us;

- the production and sale of polyethylene, including the production of “green polyethylene” from renewable resources, and polypropylene produced by us in Brazil; and
- our production and sale of PVC and caustic soda.
- The Brazil Segment accounted for net revenue of R\$40,794.4 million, or 68.7% of our consolidated net revenue of all reportable segments, including net revenue to our other business units;
- our USA and Europe Segment, which includes our production, operations and sale of polypropylene in the United States and Germany. This segment accounted for net revenue of R\$14,638.7 million, or 24.6% of our consolidated net revenue of all reportable segments, including net revenue to our other business units; and
- our Mexico Segment, which includes our production, operations and sale of ethylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) in Mexico. This segment accounted for net revenue of R\$4,000.8 million, or 6.7% of our consolidated net revenue of all reportable segments, including net revenue to our other business units.

Significant Accounting Policies

The presentation of our financial condition and results of operations in conformity with IFRS requires us to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of our assets and liabilities. Actual results could differ from these estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to the following significant accounting policies under IFRS:

- *Impairment of property, plant and equipment and intangible assets.* Our goodwill balance as of December 31, 2020 was R\$2,058.9 million. The recoverable value of property, plant and equipment and intangible assets (other than goodwill based on expected future profitability) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable value of goodwill based on expected future profitability is reviewed for impairment on an annual basis. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (1) an asset's fair value less costs to sell; and (2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are cash-generating units (CGU). Property, plant and equipment and intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Our impairment tests of goodwill consider the operations at the (1) Southern Petrochemical Complex, (2) Northeastern Petrochemical Complex and (3) vinyls operations that are part of our Brazil Segment.

As of December 31, 2020, assets were grouped according to the following CGUs:

Brazil:

- CGU Northeastern petrochemical complex (NE): comprises assets of the ethylene and PE plants located in the Northeast region;
- CGU Vinyls: represented by assets of PVC and chloride soda plants located in Brazil;
- CGU Southern petrochemical complex (South): comprises assets of the ethylene, propylene, PE and PP plants, located in the South region;

- CGU Rio de Janeiro petrochemical complex (RJ): comprises assets of the ethylene, propylene, PE and PP plants, located in the state of Rio de Janeiro;
- CGU São Paulo petrochemical complex (SP): comprises assets of the ethylene and PE plants, located in the cities of Santo André and Cubatão, in the state of São Paulo;
- CGU Paulínia: comprises assets of the PP plant located in Paulínia, in the state of São Paulo;
- CGU ABC greater São Paulo region: comprises assets of the PP plant located in the state of São Paulo;

United States and Europe:

- CGU Polypropylene USA: there are five PP plants located in the United States, the assets of each plant represent a CGU;
- CGU Polypropylene Europe: there are two PP plants located in Germany, the assets of each plant represent a CGU;

Mexico:

- CGU Mexico: comprised of assets of the ethylene and PE plants located in Mexico.

On December 31, 2020, the Company tested the balances of goodwill shown in the table below for impairment:

	Goodwill
	<i>(in thousands of reais)</i>
CGU	
Southern petrochemical complex	1,390,741
Northeastern petrochemical complex	475,780
Vinyls operations	192,353

The determination of value in use involves judgments and assumptions to determine the discounted cash flow as described in note 3.2.2(b) to our audited consolidated financial statements. The WACC used was 9.99% p.a. and the inflation rate considered for perpetuity was 2.76%.

Given the potential impact on cash flows of the “discount rate” and “perpetuity,” the Company conducted a sensitivity analysis based on changes in these variables, considering +0.5% on discount rate and –0.5% on perpetuity. Based on the analyses conducted by our management, there was no need to record impairment losses for the balances of these assets in the year ended December 31, 2020.

	+0.5% on discount rate	–0.5% on perpetuity
	<i>(in thousands of reais)</i>	
CGU		
Southern petrochemical complex	30,218,367	31,168,593
Northeastern petrochemical complex	13,745,276	14,209,808
Vinyls operations	1,930,200	2,029,886

The main assumptions used for projecting cash flows are related to the projection of macroeconomic indicators, international prices and global and local demand in the countries where Braskem has operational production plants.

Macroeconomic indicators include items such as: exchange, inflation and interest rates, among others.

Prices for key petrochemical products are obtained from projections made by IHS. However, final prices take into consideration meetings of specific internal committees and the knowledge of our experts in preparing the benchmarks for each market. In most cases, for a projected period, the internally projected prices go through a review in relation to those originally projected by the international consulting firm.

Similar to prices, global demand also is contracted from a specific consulting firm and, in the markets where we operate more directly, they consider additional variables for the composition of local demand.

We did not record any impairment charges in the years ended December 31, 2020, 2019 and 2018.

- *Valuation of derivative instruments.* The volatility of the foreign exchange and interest rate markets in Brazil has led to significant changes in future rates and interest rates over short periods of time, prompting significant changes to the market value of swaps and other financial instruments. We use swaps, non-deliverable forwards and other derivative instruments to manage risks from changes in foreign exchange, interest rates and commodities prices. We record these instruments at their estimated fair market value based on market quotations for similar instruments, which take into account reliable market curves for interest rates, foreign exchange rates and commodities prices.
- *Deferred Income Tax and Social Contribution.* The recognition and the amount of deferred taxes assets depend on the generation of future taxable income, which requires the use of an estimate related to our future performance. These estimates are included in our business plan and the main variable projections are made based on the recommendation of specialized external consulting firms and on our historical performance and strategic planning. We recognize deferred income tax and social contribution assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using prevailing tax rates. We regularly review any deferred income tax and social contribution assets for recoverability and reduce their carrying value based on our historical taxable income, projected future taxable income and the expected timing of any reversals of existing temporary differences. If one of our subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to reduce partially or completely the carrying value of our deferred income tax and social contribution assets.
- *Provisions and contingencies.* We are currently involved in numerous judicial and administrative proceedings, as described under “Item 8. Financial Information—Legal Proceedings,” and in notes 24 and 25 to our audited consolidated financial statements.

Provisions are recorded when there is a present obligation (legal or constructive) as a result of a past event, and it is more likely than not that an outflow of resources will be required to settle the obligation. Contingent liabilities are mainly related to discussions in judicial and administrative proceedings arising primarily from labor, corporate, civil and tax claims.

Our management, based on its assessment and the opinion of external legal advisors, classifies these proceedings based on the probability of loss, as follows:

- probable loss: proceedings for which there is a higher probability of loss than of a favorable outcome;
- possible loss: proceedings for which the possibility of loss is greater than remote and lower than probable. For these claims, we do not recognize a provision and disclose the most significant matters in note 24.2 to our audited consolidated financial statements.

The provisions for labor, corporate, civil and tax lawsuits correspond to the value of the claims plus charges in the amount of the estimated value of probable losses. Pursuant to IFRS 3, on the acquisition date in business combination operations, a contingent liability is recorded when it represents a present obligation.

Our management believes that the estimates related to the outcome of the proceedings and the possibility of future disbursements may change in view of the following: (i) higher courts may decide a similar case involving another company, adopting a final interpretation of the matter and, consequently, advancing the termination of the proceeding involving us, without any disbursement or without the need for any financial settlement of the proceeding; and (ii) programs encouraging the payment of the debts in Brazil at the federal and state levels, in favorable conditions that may lead to a disbursement that is lower than the one that is recognized in the provision or lower than the value of the matter.

- *Useful life of long-lived assets.* We recognize the depreciation of long-lived assets based on their estimated useful life, which in turn is based on the information of manufacturers of machinery and equipment, level of the plants' operations, quality of preventive and corrective maintenance and prospects of technological assets obsolescence. However, the actual useful life can vary based on the current state of technologies at each unit. The useful life of the long-lived asset also affects the impairment testing. The determination of such impairment involves judgments and estimates as to whether the asset is providing an adequate return in relation to its book value. We do not believe that there are any indications of material change in the estimates and assumptions used in the calculation or the impairment losses of long-lived assets. However, if the actual results are not consistent with the estimates and assumptions used in the future cash flows estimating the fair value of the assets, we could be exposed to potentially significant losses.

New or revised pronouncements

New accounting standards currently in force:

- Rental concessions related to COVID-19 (amendments to IFRS 16);
- Definition of a Business (amendments to IFRS 3);
- Definition of Material (amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7).

There was no significant impacts on our financial statements due to such amendments.

A series of new standards are effective for annual periods beginning after January 1, 2020. We did not adopt these standards early in the preparation of our financial statements. The following new or amended standards are not expected to have a significant impact on our financial statements:

- Onerous Contracts: costs to perform a contract (amendments to IAS 37);
- Property, Plant and Equipment: revenue before the planned use (amendments to IAS 16);
- Reference to the Conceptual Structure (amendments to IFRS 3);
- Classification of Liabilities under Current or Non-Current (amendment to IAS 1);
- Annual improvements to IFRS Standards 2010-2020;
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The amendments address issues that might affect financial reporting as a result of the reform of an interbank offered rate (IBORs), including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief for certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 relating to: (i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities, and lease liabilities; and (ii) hedge accounting.

(i) change in the basis for determining contractual cash flows: The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. As of December 31, 2020, the Company had loans whose interest rates are based on LIBOR, as disclosed in Note 16 to our financial, and will be subject to IBOR reform. We expect that the benchmark interest rate of these loans will be changed to Security Overnight Financing Rate (SOFR) until 2023.

(ii) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect the changes required by the reform.

- When a hedged item in a cash flow hedge is amended to reflect the changes required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark interest rate applied to the hedged item.

As of December 31, 2020, we had cash flow hedges based on the LIBOR. We expect that indexation of the hedged items and hedging instruments to sterling LIBOR will be replaced by Sterling Overnight Interbank Average Rate (“SONIA”) in 2021 (please see to note 4.1 to our financial statements). Whenever the replacement occurs, we expect to apply the amendments relating to hedge accounting. However, there are uncertainties as to how and when a replacement may occur. We do not expect the amounts accumulated in the cash flow hedge reserve will be reclassified immediately to the profit or loss due to the transition to IBOR.

(iii) Disclosures

The amendments will require the Company us to disclose additional information on the entity’s exposure to risks arising from the interest rate benchmark reform and the related risk management activities.

(iv) Transition

We plan to apply the amendments from January 1, 2021. The adoption will not affect the amounts reported for 2020 or prior periods.

Principal Factors Affecting Our Results of Operations

Growth of the GDP of the Countries in which we Operate and Domestic Demand for Our Products in Brazil

Our sales in Brazil represented 55.3% of our net revenue, including inter-segment sales, in the year ended December 31, 2020. We are significantly affected by economic conditions in Brazil and in the other countries in which we operate, and our results of operations and financial condition have been, and will continue to be, affected by the growth rate of the GDP of Brazil, the United States, Europe and Mexico.

The following table sets forth the growth rates of Brazilian GDP and domestic apparent consumption for polyethylene, polypropylene and PVC for the periods presented.

	December 31,				
	2020	2019	2018	2017	2016
Brazilian GDP	(4.1)%	1.1%	1.1%	1.0%	(3.6)%
Brazilian apparent consumption of polyethylene	9.1%	2.5%	3.2%	4.8%	(1.3)%
Brazilian apparent consumption of polypropylene	7.5%	2.2%	1.9%	5.9%	1.1%
Brazilian apparent consumption of PVC	3.8%	1.4%	1.4%	(1.9)%	(2.3)%

Source: Brazilian government and Tendências Consultoria.

Brazilian GDP growth has fluctuated significantly, and we anticipate that it will likely continue to do so. Our management believes that the impact on growth in Brazil will affect our future net revenue and results of operations, and a continued recession or low growth in Brazil would likely reduce our future net revenue and have a negative effect on our results of operations.

In 2018, Brazil experienced a recovery in economic indicators and, as a result of stronger economic activity, Brazilian consumption volumes of thermoplastic resins increased by 1.9% for polypropylene and by 3.2% for polyethylene. The PVC market grew by 1.4% for the first time after four years of contraction.

In 2019, Brazil’s economy continued to recover and, as a result, Brazilian consumption volumes of thermoplastic resins increased by 2.2% for polypropylene and by 2.5% for polyethylene. The PVC market remained stable in relation to 2018.

In 2020, Brazil’s economy contracted because of the adverse effects of the COVID-19 pandemic. However the demand for certain products such as packaging, consumers goods and in the construction sector increased due to the restocking effect of the supply chains and, as a result, demand for Brazilian thermoplastic resins increased by 7.5% for polypropylene, 9.1% for polyethylene and 3.8% for PVC.

According to the IMF, because of the adverse effects of the COVID-19 pandemic on the economy of several countries, the world's GDP and the GDP of Brazil, the United States, Europe and Mexico shrank significantly in 2020, leading to an economic contraction and a recession in these countries or regions.

Brazil's Macroeconomic Environment

The following table shows data inflation, interest rates and the U.S. dollar exchange rate for and as of the periods indicated.

	December 31,				
	2020	2019	2018	2017	2016
GDP growth / Reduction ⁽¹⁾	(4.1)%	1.1%	1.1%	1.0%	(3.6)%
Inflation (IGP-M) ⁽²⁾	23.1%	7.3%	7.5%	(0.42)%	7.2%
Inflation (IPCA) ⁽³⁾	4.5%	4.3%	3.7%	2.9%	6.2%
CDI rate ⁽⁴⁾	1.9%	4.6%	6.40%	6.99%	13.6%
Appreciation (depreciation) of the <i>real</i> vs. U.S. dollar	28.9%	4.0%	17.1%	1.5%	4.3%
Period-end exchange rate—US\$1.00	R\$5.1967	R\$4.0307	R\$3.8748	R\$3.3080	R\$3.2591

Sources: Fundação Getúlio Vargas, the Central Bank and Bloomberg

(1) Brazilian GDP according to Sistema IBGE de Recuperação Automática–SIDRA.

(2) Inflation (IGP-M) is the general market price index measured by the Fundação Getúlio Vargas.

(3) Inflation (IPCA) is a broad consumer price index measured by the Instituto Brasileiro de Geografia e Estatística.

(4) The CDI rate is average of inter-bank overnight rates in Brazil (as of the last date of the respective period).

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because:

- a substantial portion of our net revenue is denominated in or linked to U.S. dollars;
- our costs for some of our raw materials, principally naphtha and certain catalysts required in our production processes, are incurred in U.S. dollars or are linked to U.S. dollars;
- we have operating expenses, and make other expenditures, that are denominated in or linked to U.S. dollars; and
- we have significant amounts of U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars.

Virtually all of our sales are of petrochemical products for which there are international market prices expressed in U.S. dollars. We generally attempt to set prices that take into account (1) the international market prices for our petrochemical products, and (2) in Brazil, variations in the *real*/U.S. dollar exchange rate. As a result, although a significant portion of our net revenue is denominated in *reais*, substantially all of our products are sold at prices that are based on international market prices that are quoted in U.S. dollars.

Fluctuations in the *real* will affect the cost of naphtha and other U.S. dollar-linked or imported raw materials. The price of naphtha is linked to the U.S. dollar. The pricing formula included in the contract with Petrobras under which we purchase naphtha for our basic petrochemical plants in the Northeastern Complex and in the Southern Complex includes a factor that adjusts the price to reflect the *real*/U.S. dollar exchange rate.

The depreciation of the *real* against the U.S. dollar generally increases the production cost for our products and we generally attempt to increase the Brazilian prices for our products in *reais* (to the extent possible in light of then-prevailing market conditions in Brazil), which may result in reduced sales volumes of our products. To the extent that our price increases are not sufficient to cover the increased costs for raw materials, our operating margin decreases. Conversely, the appreciation of the *real* against the U.S. dollar generally decreases the production cost for our products and we generally decrease the Brazilian prices for our products in *reais*, which may result in increased sales volumes of our products. In periods when the *real*/U.S. dollar exchange rate is highly volatile, there is usually a lag between the time when the U.S. dollar appreciates or depreciates and the time when we are able to pass on increased costs, or are required to pass on reduced costs, in *reais* to our customers in Brazil. These pricing discrepancies decrease when the *real*/U.S. dollar exchange rate is less volatile.

Braskem can enter into financial derivatives transactions to mitigate exchange rate risk associated with exposure to costs in *reais*. Those operations can include call and put options and related strategies. For example, Braskem may apply a hedging strategy referred to as collar, which is composed of the purchase of a put option associated with the simultaneous sale of a call option, where both options having the same maturity. In this case, if the *real* depreciates and the strike price of the call exceeds the exchange rate of the option's exercise date, we may incur significant financial losses. However, since those strategies will be implemented only for non-speculative purposes (in accordance with our financial policy), potential losses on derivatives transactions should be offset by more competitive fixed costs in *reais*.

Our consolidated U.S. dollar-denominated indebtedness represented 96.8% of our outstanding indebtedness as of December 31, 2020, including the secured debt related to our Mexico Complex. Without the latter, our U.S. dollar-denominated indebtedness represented 95.9% of our outstanding indebtedness.

As a result, when the *real* depreciates against the U.S. dollar:

- the interest costs on our U.S. dollar-denominated indebtedness increase in *reais*, which adversely affects our results of operations in *reais*;
- the amount of our U.S. dollar-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase; and
- our financial expenses tend to increase as a result of foreign exchange losses that we must record, mitigated by our decision to designate, on May 1, 2013, October 10, 2017, February 2, 2019, May 2, 2019, November 1, 2019, December 31, 2019, January 2, 2020, and March 31, 2020, as part of our U.S. dollar-denominated liabilities as a hedge for our future exports.

Appreciation of the *real* against the U.S. dollar has the converse effects.

Export sales and sales by our USA and Europe Segment, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them. To further mitigate our exposure to exchange rate risk, we try, where possible, to enter into trade finance loans for our working capital needs, which funding is generally available at a lower cost because it is linked to U.S. dollar exports.

The *real* depreciated against the U.S. dollar from mid-2011 to early 2016, and again from early 2018 to 2020. In particular, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* depreciated at a rate that was much higher than in previous years, and a similar trend occurred during 2018 and 2019. On March 31, 2020, the *real* fell to the lowest level since the introduction of the currency, at R\$5.1987 per US\$1.00. Overall, in 2016, the *real* fluctuated significantly, primarily as a result of Brazil's political instability, appreciating 16.5%, to R\$3.2591 per US\$1.00 on December 31, 2016. In 2017, the *real* depreciated 1.5% against the U.S. dollar, ending the year at an exchange rate of R\$3.3080 per US\$1.00. In 2018, the *real* depreciated 14.6% against the U.S. dollar, ending the year at an exchange rate of R\$3.8748 per US\$1.00, primarily as a result of lower interest rates in Brazil, which reduced the volume of foreign currency deposited in Brazil in the "carry trade," as well as uncertainty regarding the Brazilian presidential elections held in October 2018. As of December 31, 2019, the *real*/U.S. dollar exchange rate reported by the Central Bank was R\$4.0307 per US\$1.00 and, as of December 31, 2020, the *real*/U.S. dollar exchange rate reported by the Central Bank was R\$5.1967 per US\$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Effects of Brazilian Inflation

Brazilian inflation affects our financial performance by increasing some of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). A significant portion of our cost of products sold, however, are denominated in or linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. Some of our *real*-denominated debt is indexed to take into account the effects of inflation. Under this debt, the principal amount generally is adjusted with reference to the General Price Index—Market (*Índice Geral de Preços—Mercado*), an inflation index, so that inflation results in increases in our financial expenses and debt service obligations. In addition, a significant portion of our *real*-denominated debt bears interest at the TLP or the CDI rate, which are partially adjusted for inflation.

Effect of Sales outside Brazil on Our Financial Performance

We have significant production capacity located outside of Brazil from our plants located in the United States, Germany and Mexico.

During the year ended December 31, 2020, 44.7% of our net revenue was derived from sales of our products outside Brazil as compared to 45.5% during 2019 and 45.2% during 2018. Net revenue derived from sales outside Brazil increased by 10.0% during 2020, compared to 9.1% during 2019, and 13.4% during 2018.

During the year ended December 31, 2020, sales to customers in countries in the Americas (other than Brazil) accounted for 65.8% of our sales outside Brazil. During the year ended December 31, 2020, sales to customers in Europe accounted for 18.8% of our sales outside Brazil, and sales to customers in East Asia and Other accounted for 15.5% of our sales outside Brazil.

Sales outside Brazil are important to us for diversification purposes in relation to regional supply and demand balance, macroeconomic factors and the political environment. In line with our strategy, sales outside Brazil affect our financial performance by hedging our operations against risks linked to Brazil.

According to the IMF, because of the adverse effects of the COVID-19 pandemic on the economy of several countries, the world's GDP and the GDP of the United States, Europe and Mexico shrank significantly in 2020, leading to an economic contraction and a recession in these countries or regions. As a result, our sales outside Brazil are expected to be adversely affected.

Cyclicality Affecting the Petrochemical Industry

Global consumption of petrochemical products has increased significantly over the past 30 years. Due to this growth in consumption, producers have experienced periods of insufficient capacity for these products. Periods of insufficient capacity, including some due to raw material shortages, have usually resulted in increased capacity utilization rates and international market prices for our products, leading to increased domestic prices and operating margins. These periods have often been followed by periods of capacity additions, which have resulted in declining capacity utilization rates and international selling prices, leading to declining domestic prices and operating margins.

We expect that these cyclical trends in international selling prices and operating margins relating to global capacity shortfalls and additions will likely persist, principally due to the continuing impact of four general factors:

- cyclical trends in general business and economic activity produce swings in demand for petrochemicals;
- during periods of reduced demand, the high fixed cost structure of the capital intensive petrochemicals industry generally leads producers to compete aggressively on price in order to maximize capacity utilization;
- significant capacity additions, whether through plant expansion or construction, can take three to four years to implement and are therefore necessarily based upon estimates of future demand; and
- as competition in petrochemical products is, in most cases, focused on price, being a low-cost producer is critical to improved profitability. This favors producers with larger plants that maximize economies of scale, but construction of plants with high capacity may result in significant increases in capacity that can outstrip demand growth.

Several petrochemical companies have announced plans to build significant additional ethylene production capacity in the coming years, of which 62.6% is expected to be concentrated in Northeast Asia. According to external consulting firms such as IHS and other, 37.1 million tons of annual global ethylene capacity is scheduled to be commissioned between 2021 and 2025, including 18.9 million tons of annual capacity in China. According to IHS, the majority of the new capacity in China will be based on flexible feedstock, with naphtha as the main raw material but also with the option to crack natural gas liquids, gas oil and others. Additionally, expansions of ethylene capacity are frequently subject to delays, and we cannot predict when the planned additional capacity will be commissioned, if at all.

In 2020, the COVID-19 pandemic has significantly impacted economic activity and markets around the world, and its severity, magnitude and duration are highly uncertain, rapidly changing and difficult to predict. According to the IMF, because of the adverse effects of the COVID-19 pandemic on the economy of several countries, the world's GDP and the GDP of Brazil, the United States, Europe and Mexico shrank significantly in 2020, leading to an economic contraction and a recession in these countries or regions.

In the long-term, the trend is for the down cycle to soften and eventually revert into an upcycle again, as the industry waits to make decisions on new investments while global trade rebalances and the world absorbs new capacity. Additionally, projects that are announced to start up further into the future have a greater chance of being postponed or cancelled, as the scenario may change, feedstocks may become more or less advantaged, and cash cost curves may shift.

The year 2020 was marked by atypical uncertainties and volatilities and impacted mainly by extraordinary external factors, such as: the global spread of COVID-19, the lower global demand for fuels, impacting oil prices in the international market and the elections in the United States. Regarding the global petrochemical scenario, the dynamics observed were more positive than initially expected by external consultants in early 2020, with healthier spreads of thermoplastic resins in the international market in all regions where Braskem has productive capacity. In Brazil, the sharp drop in the price of naphtha during the months of March and April, influenced by the fall in the price of oil in the international market, was not accompanied by a similar decrease in resins prices, due to the rapid recovery of demand in the second half of 2020, driven mainly by demand from the packaging, construction, and hygiene and personal care sectors.

In 2019, the world economy slowed to its slowest pace since the financial crisis of 2008. During the year, the impact from the trade war between the United States and China; the slowdown in the Chinese economy; the contraction in Europe's automotive industry, especially in Germany; the uncertainties associated with Brexit; and the political instability in key emerging markets, such as Brazil and Mexico, adversely affected investment and demand for consumer goods, leading to slower growth in the industrial sector and in international trade. In this scenario, the growth in global demand for chemicals and thermoplastic resins in 2019 was below the initial expectations of petrochemical industry players and external consulting firms, such as IHS. Combined with this weaker demand, new shale gas-based integrated polyethylene capacities in the United States and new refineries in Asia expanded the global supply of polyolefins and chemicals, pressuring the international spreads of these products. The exception was the PP market in the United States, which still presented healthy spreads supported by U.S. economic growth and the high supply of the material.

In 2018, much of the capacity additions that had been delayed in prior years finally became available in the United States. The new plants benefit from a lower cost due to their use of ethane, and therefore have the ability to produce products at a lower price than most of their peers in the global market, which caused international price references to fall throughout the year. On the other hand, oil and naphtha prices were at high levels for most of the year, mainly due to OPEC production cuts and United States sanctions on Iran, which caused spreads to decrease. Additionally, trade disputes between the two largest economies in the world, China and the United States forced American companies to find new regions to market their products, therefore increasing the pressure on prices in these regions.

Effects of Fluctuations in Naphtha, Ethane, Propane and Propylene Prices

Fluctuations in the international market price of naphtha have significant effects on our costs of goods sold and the prices that we are able to charge our customers for our first and second generation products. Political instability in the Middle East or similar events that may occur in the future may lead to unpredictable effects on the global economy or the economies of the affected regions. These events have had and may continue to have negative effects on oil production and price volatility, consequently driving naphtha and petrochemical prices higher worldwide.

The price of ethane and propane in the Mont Belvieu region in Texas and Henry Hub in the United States is used as a reference for our costs of feedstock. Any future developments that affect the U.S. supply/demand balance for natural gas may adversely affect the Mont Belvieu and Henry Hub price of natural gas (including ethane, propane and butane) and increase our production costs or decrease the price of petrochemical products. External factors and natural disasters such as hurricanes, harsh winters or industry developments, such as shale gas exploration, may disrupt the supply of natural gas, thereby increasing the cost, which may materially adversely affect our cost of products sold and results of operations.

Effects on Cost of Products Sold

Naphtha is the principal raw material used by our chemicals operations that are part of our Brazil Segment. Naphtha and condensate accounted for 35.1% of our direct and indirect consolidated cost of products sold during 2020.

The cost of naphtha varies in accordance with international market prices, which fluctuate depending upon the supply and demand for oil and other refined petroleum products. We purchase naphtha under a long-term supply contract with Petrobras, and we import naphtha from other suppliers through our terminal at Aratú, in the State of Bahia and Petrobras' terminal at Osório, in the State of Rio Grande do Sul. The prices that we pay for naphtha under these arrangements, other than our supply contract with Petrobras, are based on the Amsterdam-Rotterdam-Antwerp (ARA) market price for naphtha. As a result, fluctuations in the ARA market price for naphtha have had a direct impact on the cost of our first generation products.

Our contracts with Petrobras provide for naphtha prices based on ARA quotations. The volatility of the quotation of this product in the international market, the *real*/U.S. dollar exchange rate, and the level of carbon disulfide, a contaminant of the naphtha that is delivered, also influence the price of naphtha that we purchase from Petrobras. We believe that these contracts have reduced the exposure of the cost of our first generation products to fluctuations in the ARA market price for naphtha.

The international price of naphtha has fluctuated significantly in the past, and we expect that it will continue to do so in the future. Significant increases in the price of naphtha and, consequently, the cost of producing our products, generally reduce our gross margins and our results of operations to the extent that we are unable to pass all of these increased costs on to our customers, and may result in reduced sales volumes of our products. Conversely, significant decreases in the price of naphtha and, consequently, the cost of producing our products, generally increase our gross margins and our results of operations and may result in increased sales volumes if this lower cost leads us to lower our prices. In periods of high volatility in the U.S. dollar price of naphtha, there is usually a lag between the time that the U.S. dollar price increases or decreases and the time that we are able to pass on increased, or required to pass on reduced, costs to our customers in Brazil. These pricing discrepancies decrease when the U.S. dollar price of naphtha is less volatile.

We do not currently hedge our exposure to changes in the prices of naphtha because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of naphtha and also because the prices of our polyethylene, polypropylene and PVC products sold in Brazil generally reflect changes in the international market prices of these products.

Effects on Prices of Our Products

The prices that we charge for many of our basic petrochemical products are determined by reference to the European contract prices for these products. Because European producers of basic petrochemical products primarily use naphtha as a raw material, changes in the European contract prices are strongly influenced by fluctuations in international market prices for naphtha. To the extent that our prices are based on the European contract prices for our products, the prices that we charge for these products are significantly influenced by international market prices for naphtha.

We negotiate the prices in *reais* for part of our products, principally polyethylene, polypropylene and PVC, on a monthly basis with our domestic customers. We attempt to revise our prices to reflect (1) changes in the international market prices of these products, which tend to fluctuate in tandem with naphtha prices, especially for polyethylene, and (2) the appreciation or depreciation of the *real* against the U.S. dollar. However, during periods of high volatility in international market prices or exchange rates, we are sometimes unable to fully reflect these changes in our prices in a prompt manner.

The international market prices of our petrochemical products have fluctuated significantly, and we believe that they will continue to do so. Volatility of the price of naphtha and the price of petroleum have effects on the price competitiveness of our naphtha-based crackers and our resins. Because pricing trends for naphtha and ethane have diverged in recent years to a greater extent than has been the case historically, producers of ethylene and resin products derived from ethane generally have experienced lower unit raw material costs than naphtha-based producers of these products. As a consequence, significant increases in the pricing differential between naphtha and gas, as a consequence of higher oil prices, increases the competitiveness of products derived from ethane and may result in an effect on our results of operations to the extent that we are able to maintain our operating margins and increased prices do not reduce pressure in the international markets.

Significant increases in the international market prices of our petrochemical products and, consequently, the prices that we are able to charge, generally increase our net revenue and our results of operations due to increased sales volumes of our products. Conversely, significant decreases in the international prices of our petrochemical products, and, consequently, the prices that we charge, generally reduce our net revenue and our results of operations if we are unable to increase our operating margins or these reduced prices do not result in increased sales volumes of our products.

Capacity Utilization

Our operations are capital intensive. Accordingly, to obtain lower unit production costs and maintain adequate operating margins, we seek to maintain a high capacity utilization rate at all of our production facilities.

The table below sets forth capacity utilization rates with respect to the production facilities for some of our principal products for the periods presented.

	Year Ended December 31,		
	2020	2019	2018
Ethylene	81%	85%	91%
Polyethylene	84%	85%	88%
Polypropylene	85%	89%	87%
PVC	63%	65%	76%
Polypropylene USA and Europe	89%	89%	87%
PE Mexico	74%	76%	77%

In 2020, average capacity utilization was affected by (i) lower utilization rate of the cracker in Rio Grande do Sul due to unscheduled shutdowns at the PE integrated unit in the first quarter of 2020; and (ii) weaker demand for resins and main chemicals as a result of the COVID-19 pandemic significantly impacted economic activity and markets around the world.

In 2019, average capacity utilization was affected by the: (i) lower ethylene utilization rate of the cracker in Bahia resulting from the shutdown of the chlor-alkali and dichloroethane plants in Alagoas; (ii) scheduled turnaround of one of our ethylene production lines at the Bahia cracker in the fourth quarter of 2019; (iii) lower ethylene utilization rate at the crackers in Rio Grande do Sul, due to logistics problems; and (iv) drop in the marginal profitability of our export of resins.

In 2018, average capacity utilization was affected by the truckers' strike that took place in Brazil in May of 2018; the incident involving the chlor-alkali plant in Alagoas; the blackout that affected Brazil's Northeast plants in March; and lower demand in the fourth quarter of 2018.

Effects of Brazilian Industrial Policy

The Brazilian government has a significant influence in some sectors of the domestic economy, including the petrochemical sector in which we operate. The Brazilian government has adopted, or is considering adopting, measures to boost the competitiveness of domestic companies, as described below.

SUDENE – Income Tax Reduction

Since 2015, Braskem obtained favorable decisions in administrative proceedings and lawsuits claiming the reduction of 75% of CIT on income from the following industrial units: (i) PVC and chlor-alkali (*cloro soda*) units, established in the state of Alagoas; and (ii) Chemicals, PE, PVC and chlor-alkali units, established in the city of Camaçari (BA). It benefits legal entities with projects for the implementation, modernization or expansion of industrial enterprises. The realization period is 10 years. In 2020, the operations in Brazil recorded tax losses, therefore it was not possible to claim any deductions as tax incentives.

PRODESIN – ICMS Tax Incentive

Braskem has ICMS tax incentives by the state of Alagoas, through the state of Alagoas Integrated Development Program, or PRODESIN, which aimed at implementing and expanding a plant in that state. This incentive is considered an offsetting entry to sales taxes. In 2020, the amount was R\$68.9 million (R\$67.8 million in 2019). As PRODESIN is considered an investment subsidy, it was allocated to our tax incentive reserve, pursuant to the Brazilian Corporate Law.

REIQ – PIS/COFINS Tax Incentive

The Brazilian chemical and petrochemical sector enjoyed an important achievement in 2013. The government, in response to one of the proposals elaborated by the Chemical Industry Competitiveness Council, approved the PIS and COFINS tax rates relief on raw material purchases by first and second generation producers, which serve various sectors of the economy. The measure aimed to restore some of the industry's competitiveness, which was weakened by factors related to infrastructure, productivity, feedstock and energy costs and the exchange rate that pressured the chemical industry's trade deficit, according to ABIQUIM, which ended 2020 at R\$158.0 billion (US\$30.4 billion). By 2020, we had a tax rebate of 3.65% (PIS and COFINS) on the acquisition of petrochemical raw materials.

Reintegra

In December 2011, the Brazilian government implemented the "Reintegra" program, which is designed to improve the competitiveness of Brazilian manufacturers in the export markets by refunding the federal taxes levied on their export sales. As a result of this incentive, exports of third generation products by Brazilian companies have increased. The original program ended on December 31, 2013. In August 2014, the Brazilian government permanently reinstated Reintegra on a permanent basis and with variable rates that could vary by up to 5% of the revenue of the companies with exports. The refund tax rate was set at 0.1% in August 2014. In October 2014, the Brazilian government restored the rate to 3.0% until the end of 2015. However, in March 2015, the Brazilian federal government again decreased the rate to 1.0% for 2015 and 2016. In October 2015, according to the Decree 8,543, the Brazilian federal government decreased the refund rate to 0.1% as of December 1, 2015, which remained in effect until December 31, 2016. On August 28, 2017, pursuant to Decree 9,148 that amended the Decree 8,543, the Reintegra rate increased to 2% effective, as of January 1, 2017 until December 31, 2018. However, on May 30, 2018, the Brazilian government issued Decree No. 9,393, decreasing the refund rate to 0.1%, effective June 1, 2018, for an undefined term.

Pricing and Tariffs

We set prices for ethylene, the principal first generation petrochemical product that we sell to third-party second generation producers, by reference to international market prices. See "Item 4. Information on the Company—Chemicals Operations that are Part of our Brazil Segment—Sales and Marketing of Our Chemicals Operations that are Part of our Brazil Segment." Prices paid by second generation producers for imported first generation petrochemical products partly reflect transportation and tariff costs. We establish the prices of ethylene by-products, such as butadiene, by reference to several market factors, including the prices paid by second generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

Second generation producers, including us, generally set prices for their petrochemical products by reference to several market factors, including the prices paid by third generation producers for imported products. Prices paid for such imports also reflect transportation and tariff costs.

The Brazilian government has used import tariffs to implement economic policies. As a result, import tariffs imposed on petrochemical products have varied in the past and may vary in the future. Tariffs on imports of first generation petrochemical products are between 0% and 4%, and tariffs on polyethylene, polypropylene and PVC resins are 14.0%. In December 2020, the Brazilian government temporarily reduced to 4%, for an initial period of three months, and a quota of 160,000 tons, the import tariffs levied on imports of PVC resins from countries that do not benefit from preferential import rates in Brazil.

Imports and exports within the free trade area in South America (Mercado Comum do Sul), or Mercosur, which is composed of Argentina, Brazil, Paraguay and Uruguay, have not been subject to tariffs since December 2001. Imports of suspension PVC from Bolivia, Chile, Colombia, Cuba, Ecuador, Israel, Peru and Venezuela are not subject to tariffs, due to a number of trade agreements. Imports of suspension PVC from Mexico and Egypt are subject to reduced tariffs of 11.2% and 7%, respectively, due to trade agreements.

Also, imports of suspension PVC from the United States and Mexico have been subject to anti-dumping duties of 16.0% and 18.0%, respectively, that were imposed by the Brazilian Foreign Trade Chamber (Câmara de Comércio Exterior), or CAMEX. Since 2008, imports of suspension PVC from China have also been subject to antidumping duties of 21.6%. Such duties have been temporarily suspended since August 2020. Imports of suspension PVC from South Korea were subject to antidumping duties ranging between 0% and 18.9%, depending on the producer, between 2008 and August 2020, when they were terminated. The duties imposed on imports from the United States and Mexico are scheduled to expire in November 2021, while the duties imposed on imports from China will expire in 2025.

Additionally, in December 2010, CAMEX imposed an anti-dumping duty of 10.6% on polypropylene imports from the United States, which was extended in November 2016. In August 2014, the Brazilian government imposed anti-dumping duties on polypropylene imports from South Africa, India and South Korea of 16.0%, 6.4% to 9.9%, and 2.4% to 6.3%, respectively. The duties imposed on imports of polypropylene from the United States are scheduled to expire in September 2021. In December 2020, the Brazilian government extended the anti-dumping duties imposed on polypropylene imports from India, reduced the anti-dumping duties for South Africa to a range from 4.6% to 16% and terminated the duties applied against South Korea. The current anti-dumping duties applied on imports from South Africa and India are set to expire in December 2025.

In 2018, 25% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected a 12.3% annual increase in the volume of resins imported, due to higher availability of products from plants that recently started to operate.

In 2019, 31% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected an 8.5% annual increase in the volume of resins imported.

In 2020, 32% of Brazilian polyethylene, polypropylene and PVC resins were imported products, which reflected an 11% annual increase in the volume of resins imported.

Effect of Level of Indebtedness and Interest Rates

As of December 31, 2020, our total outstanding consolidated indebtedness was R\$54,027.5 million (US\$10,396.5 million), including R\$12,059.2 million (US\$2,320.6 million) in connection with the secured debt related to our Mexico Complex. The level of our indebtedness results in significant financial expenses that are reflected in our statement of profit or loss. Financial expenses consist of interest expense, exchange variations of U.S. dollar and other foreign currency-denominated debt, foreign exchange losses or gains, and other items as set forth in note 33 to our audited consolidated financial statements. In the year ended December 31, 2020, we recorded total financial expenses, net of R\$9,611.9 million, of which R\$2,928.8 million consisted of interest expenses. In addition, we recorded a loss of R\$5,298.7 million in connection foreign exchange variation on our financial assets and liabilities. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and our risk assessments, our industry and the Brazilian economy made by our potential lenders, potential purchasers of our debt securities and the rating agencies that assess us and our debt securities.

Effect of Taxes on Our Income

We are subject to a variety of generally applicable federal and state taxes in multiple jurisdictions on our operations and results. We are generally subject to Brazilian federal income tax at 25% (including surtax), combined with Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido* – CSLL) at 9%, totalizing an effective rate of 34%, which is the standard corporate tax rate in Brazil.

We have available certain federal tax exemptions based upon federal law that offers tax incentives to companies that locate their manufacturing operations in the Brazilian states of Bahia and Alagoas. These exemptions represent a 75% reduction of our tax burden, and, as a result, we are entitled to pay 25% of the statutory income tax rate on the profits arising from the sale of:

- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex until 2026; and
- polyethylene manufactured at one of our polyethylene plants in the Northeastern Complex and caustic soda, chlorine, ethylene dichloride and PVC produced at our plants in the Northeastern Complex and Alagoas until 2024.

The exemption of 75% of income tax rate combined with CSLL at 9%, entitles us to pay only 44.9% of the 34% standard corporate tax rate on the profits arising from products manufactured at these plants.

Income tax loss carryforwards available for offset in Brazil do not expire. However, the annual offset is limited to 30% of our adjusted net profits. This limit also affects the social contribution on net profit, or CSLL. There is no outstanding balance to be used in 2020.

The consolidated amount includes the impact from the different tax rates in countries where foreign subsidiaries are located, as follows:

- Braskem Europe (Germany): 31.18%;
- Braskem America and Braskem America Finance (United States): 21.00%;
- Braskem Argentina (Argentina): 30.00%;
- Braskem Petroquímica Chile (Chile): 27.00%;
- Braskem Holanda, Braskem Holanda Finance and Braskem Holanda Inc Netherland (The Netherlands): 25.00%; and
- Braskem Idesa, Braskem Idesa Serviços, Braskem México, Braskem México Serviços and Braskem México Sofom (Mexico): 30.00%.

Our export sales are currently exempt from (1) PIS (2) COFINS, a federal value-added tax, (3) the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, a federal value-added tax on industrial products, and (4) ICMS.

Statement of Profit or Loss

The discussion of the results of our segments is based upon financial information reported for each of the segments of our business, as presented in the following tables, which set forth the results of each of our segments and the reconciliation of these results of our segments to our consolidated results of operations. This segment information was prepared on the same basis as the information that our Chief Operating Decision Maker uses to allocate resources among segments and evaluate their performance. We evaluate and manage the performance of our segments based on information generated from our accounting records maintained in accordance with IFRS, and reflected in our audited consolidated financial statements.

Year Ended December 31, 2020

	Net revenue	Cost of products sold	Gross profit	Selling, general and distribution expenses	Results from equity investments	Other operating income (expense), net	Operating (loss) profit
				(in millions of reais)			
Brazil	40,794.4	(32,498.0)	8,296.4	(1,471.7)	—	(7,082.6)	(257.9)
USA and Europe	14,638.7	(12,337.5)	2,301.2	(721.2)	—	(82.7)	1,497.3
Mexico	4,000.8	(3,075.0)	925.8	(436.9)	—	(364.3)	124.7
Total segments	59,433.9	(47,910.5)	11,523.4	(2,629.8)	—	(7,529.6)	1,364.1
Other segment ⁽¹⁾	302.4	(188.4)	114.0	63.9	(19.4)	(0.3)	158.2
Corporate unit ⁽²⁾	—	—	—	(1,493.5)	—	359.1	(1,134.4)
Reclassifications and eliminations ⁽³⁾	(1,192.7)	767.4	(425.3)	(17.3)	—	(17.1)	(459.7)
Consolidated	58,543.5	(47,331.4)	11,212.1	(4,076.7)	(19.4)	(7,187.9)	(71.9)

(1) Represents income (expenses) of Braskem that are not allocated to any particular segment.

(2) Includes the amount of R\$0.3 million related to PIS and COFINS tax credits – exclusion of ICMS from the calculation base (note 10(c) to our audited consolidated financial statements).

(3) Eliminations consist primarily of inter-segment sales, which are made in similar terms as arm's length transactions.

Year Ended December 31, 2019

	Net revenue	Cost of products sold	Gross profit	Selling, general and distribution expenses	Results from equity investments	Other operating income (expense), net	Operating (loss) profit
				(in millions of reais)			
Brazil	39,142.6	(35,245.9)	3,896.6	(1,852.9)	—	(4,151.9)	(2,108.2)
USA and Europe	10,044.3	(8,217.5)	1,826.7	(525.7)	—	(23.9)	1,277.2
Mexico	3,051.4	(2,504.0)	547.4	(351.2)	—	324.7	520.9
Total segments	52,238.3	(45,967.5)	6,270.8	(2,729.8)	—	(3,851.1)	(310.1)
Other segment ⁽¹⁾	296.3	(188.3)	108.0	40.3	10.2	4.2	162.6
Corporate unit ⁽²⁾	—	—	—	(1,533.6)	—	1,773.3	239.7
Reclassifications and eliminations ⁽³⁾	(211.0)	276.7	65.7	(39.3)	—	35.1	61.4
Consolidated	52,323.5	(45,879.1)	6,444.4	(4,262.4)	10.2	(2,038.5)	153.7

(1) Represents income (expenses) of Braskem that are not allocated to any particular segment.

(2) Includes the amount of R\$1,904.2 million related to PIS and COFINS tax credits – exclusion of ICMS tax from the calculation base (note 10(c) to our audited consolidated financial statements).

(3) Eliminations consist primarily of inter-segment sales, which are made in similar terms as arm's length transactions.

Year Ended December 31, 2018

	Net revenue	Cost of products sold	Gross profit	Selling, general and distribution expenses	Results from equity investments	Other operating income (expense), net	Operating (loss) profit
				(in millions of reais)			
Brazil	42,078.2	(35,271.2)	6,807.0	(996.8)	—	(78.9)	5,731.3
USA and Europe	11,725.6	(9,195.7)	2,529.9	(464.6)	—	68.7	2,134.0
Mexico	4,408.8	(2,958.3)	1,450.5	(337.4)	—	322.1	1,435.2
Total segments	58,212.6	(47,425.3)	10,787.3	(1,798.7)	—	311.9	9,300.5
Other segment ⁽¹⁾	292.4	(173.6)	118.8	(33.7)	(0.9)	(0.1)	84.1
Corporate unit ⁽²⁾	—	—	0.0	(1,807.0)	—	470.2	(1,336.8)
Reclassifications and eliminations ⁽³⁾	(505.2)	1,022.2	517.1	24.9	—	(309.5)	232.4
Consolidated	57,999.9	(46,576.7)	11,423.2	(3,614.6)	(0.9)	472.5	8,280.2

(1) Represents income (expenses) of Braskem that are not allocated to any particular segment.

(2) Includes the amount of R\$501.4 million (R\$265.4 million in "net revenue" and R\$236.0 million in "other operating income (expenses), net") related to PIS and COFINS tax credits – exclusion of ICMS from the calculation base.

(3) Eliminations consist primarily of inter-segment sales, which are made in similar terms as arm's length transactions.

In the following discussion, references to increases or declines in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

The following table sets forth our audited consolidated financial information for the years ended December 31, 2020 and 2019.

	Year Ended December 31,		% Change
	2020	2019	
	<i>(in millions of reais)</i>		
Net revenue	58,543.5	52,323.5	11.9%
Cost of products sold	(47,331.4)	(45,879.1)	3.2%
Gross profit	11,212.1	6,444.4	74.0%
Income (expenses):			
Selling and distribution	(1,852.1)	(1,783.5)	3.8%
(Loss) reversals for impairment of accounts receivable	(55.3)	(7.1)	n.m.
General and administrative	(1,917.9)	(2,224.2)	(13.7%)
Research and development	(250.6)	(247.7)	1.2%
Results from equity investments	(19.4)	10.2	n.m.
Other income	750.7	2,408.4	(68.8%)
Other expenses	(7,938.6)	(4,446.9)	78.5%
Operating profit (loss)	(71.9)	153.7	(146.8%)
Financial results:			
Financial expenses	(4,913.4)	(3,882.8)	26.5%
Financial income	600.2	850.6	(29.4%)
Exchange rate variations, net	(5,298.7)	(1,724.5)	207.3%
Financial expenses, net	(9,611.9)	(4,756.8)	102.1%
(Loss) profit before income tax and social contribution	(9,683.8)	(4,603.1)	110.4%
Current and deferred income tax and social contribution	2,668.5	1,962.7	36.0%
(Loss) profit for the year from continuing operations	(7,015.3)	(2,640.4)	165.7%

n.m.: Not meaningful.

Net revenue

Net revenue increased by 11.9% or R\$6,220.0 million, to R\$58,543.5 million in 2020, from R\$52,323.5 million in 2019, primarily as a result of: (1) a R\$1,651.8 million, or 4.2%, increase in net revenue from our Brazil Segment, (2) a R\$4,594.4 million, or 45.7%, increase in net revenue from our USA and Europe Segment, and (3) a R\$949.4 million, or 31.1%, increase in net revenue from our Mexico Segment.

In 2020 and 2019, we did not have any revenue arising from transactions with any single client that was equal to or greater than 10% of our total net revenue. In 2020, the most significant revenue from a single client accounted for 2.2% of our total net revenue.

Net Revenue of Brazil Segment

Net revenue of our Brazil Segment increased by R\$1,651.8 million, or 4.2%, to R\$40,794.4 million in 2020, from R\$39,142.6 million in 2019. Although resins and main chemicals sales volume decreased, as well as their international references (in US\$/ton), net revenue of our Brazil Segment increased in 2020 compared to 2019, primarily as a result of the depreciation of the Brazilian real against the U.S. dollar between periods.

The table below sets forth information regarding the weighted average international prices of main chemicals and resins that are generally used as a reference for our Brazil Segment for the periods indicated:

International References ¹	Year Ended December 31,		% Change
	2020	2019	
Main Chemicals ⁽²⁾	(in US\$/ton)		
Resins ⁽³⁾	617.4	827.9	(25.4)%
	880.4	917.3	(4.0)%

(1) Source: External consulting firm (spot price).

(2) Average prices weighted based on Braskem's capacity production: ethylene (20%), butadiene (10%), propylene (10%), cumene (5%), benzene (20%), paraxylene (5%), gasoline (25%) and toluene (5%).

(3) PE US (54%), PP Asia (33%) and PVC Asia (13%).

Net Revenue of USA and Europe Segment

Net revenue of our USA and Europe Segment, which includes our polypropylene assets in the United States and Europe, increased by 45.7%, or R\$4,594.4 million, to R\$14,638.7 million in 2020, from R\$10,044.3 million in 2019, primarily as a result of: (i) higher sales volume of PP by our United States and Europe Segment; and (ii) the impact of the depreciation of the Brazilian real against the U.S. dollar between periods.

International References ¹	Year Ended December 31,		% Change
	2020	2019	
PP US and Europe ²	(in US\$/ton)		
	1,324.4	1,449.3	(8.6)%

(1) Source: External consulting (spot price).

(2) Average prices weighted based on Braskem's capacity production: PP USA (72%) and PP Europe (28%).

Net Revenue of Mexico Segment

Net revenue of the Mexico Segment increased by 31.1%, or R\$949.4 million, to R\$4,000.8 million in 2020, from R\$3,051.4 million in 2019, primarily as a result of: (i) higher sales volumes of PE by our Mexico Segment; (ii) higher PE prices in North America due to strong demand, particularly for packaging applications; and (iii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods.

International References ¹	Year Ended December 31,		% Change
	2020	2019	
PE US	(in US\$/ton)		
	870.2	868.2	0.2%

(1) Source: External consulting (spot price).

Cost of Products Sold and Gross Profit

Cost of products sold increased by 3.2%, or R\$1,452.3 million, to R\$47,331.4 million in 2020, from R\$45,879.1 million in 2019, primarily as a result of: (i) higher sales volume of PP by our United States and Europe Segment; (ii) higher sales volume of PE by our Mexico Segment; and (iii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods.

Consolidated gross profit increased by 74.0%, or R\$4,767.7 million, to R\$11,212.1 million in 2020, from R\$6,444.4 million in 2019, primarily as a result of: (i) the higher international price spreads for resins in Brazil, PP in Europe and PE in North America, mainly impacted by lower international prices of feedstocks; and (ii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods. Gross margin (gross profit as a percentage of net revenue) increased to 19.2% during 2020, from 12.3% during 2019.

Cost of Products Sold of the Brazil Segment

Cost of products sold of the Brazil Segment decreased by 7.8%, or R\$2,747.9 million, to R\$32,498.0 million in 2020, from R\$35,245.9 million in 2019, primarily as a result of the lower international prices of key feedstocks in the international market. That drop in prices was influenced by the decline in oil and natural gas prices in the international market due to lower demand for fuels, which was partially offset by the impact of the depreciation of the Brazilian real against the U.S. dollar in the period.

International References ¹	Year Ended December 31,		% Change
	2020	2019	
	(in US\$/ton)		
Naphtha ARA	355.0	505.3	(29.7)%
Ethane U.S.	140.7	160.5	(12.3)%
Propane U.S.	241.5	278.9	(13.4)%
EDC U.S.	241.2	285.4	(15.5)%

(1) Source: External consulting (spot price).

Gross profit of the Brazil Segment increased by 112.9%, or R\$4,399.8 million, to R\$8,296.4 million in 2020, from R\$3,896.6 million during 2019, primarily as a result of: (i) the higher international price spreads for resins in Brazil; and (ii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods. Gross margin (gross profit as a percentage of net revenue) increased to 20.3% during 2020, from 10.0% during 2019.

Cost of Products Sold of USA and Europe Segment

Cost of products sold of the USA and Europe Segment increased by 50.1%, or R\$4,120.0 million, to R\$12,337.5 million in 2020, from R\$8,217.5 million in 2019, which was the result of: (1) higher sales volume by our Europe and United States Segment, due to better industrial performance resulting in a higher availability of polypropylene for sale during the year; and (2) the impact of the Brazilian *real* depreciation against the U.S. dollar between periods.

International References ¹	Year Ended December 31,		% Change
	2020	2019	
	(in US\$/ton)		
Propylene US and Europe ²	760.4	877.7	(13.4)%

(1) Source: External consulting (spot price).

(2) Average prices weighted based on Braskem's capacity production: Propylene USA (72%) and Propylene Europe (28%).

Gross profit of the USA and Europe Segment increased by 26.0%, or R\$474.4, to R\$2,301.2 million during 2020, from R\$1,826.7 million during 2019, primarily as a result of: (i) the higher international price spreads for PP in Europe; (ii) higher sales volume of PP by our United States and Europe Segment; and (iii) the Brazilian *real* depreciation against the U.S. dollar between periods. Gross margin (gross profit as a percentage of net revenue) decreased to 15.7% during 2020, from 18.2% during 2019.

Cost of Products Sold by Mexico Segment

Cost of products sold by the Mexico Segment increased by 22.8%, or R\$571.0 million, to R\$3,075.0 million in 2020, from R\$2,504.0 in 2019, primarily as a result of: (i) higher sales volumes of PE by our Mexico Segment; and (ii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods.

International References ¹	Year Ended December 31,		% Change
	2020	2019	
	(in US\$/ton)		
Ethane U.S.	140.7	160.5	(12.3)%

(1) Source: External consulting (spot price).

Gross profit of the Mexico Segment increased by 69.1%, or R\$378.4, to R\$925.8 million during 2020, from R\$547.4 million during 2019, primarily as a result of: (i) the higher international price spreads of PE in North America; (ii) higher sales volume of PE by our Mexico Segment; and (iii) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods. Gross margin (gross profit as a percentage of net revenue) increased to 23.1% during 2020, from 17.9% during 2019.

Selling and Distribution Expenses

Selling and distribution expenses increased by 3.8%, or R\$68.6 million, to R\$1,852.1 million in 2020, from R\$1,783.5 million in 2019, primarily as a result of: (1) higher sales volumes of PP by our USA and Europe Segment; (2) higher sales volumes by our Mexico Segment; and (3) the impact of the depreciation of the Brazilian *real* against the U.S. dollar between periods.

(Loss) reversals for impairment of accounts receivable

(Loss) reversals for impairment of accounts receivable increased to an expense of R\$55.3 million in 2020, from an expense of R\$7.1 million in 2019. For more information related to our loss for impairment of accounts receivable, see note 7(i) to our audited consolidated financial statements included elsewhere in this annual report.

General and Administrative Expenses

General and administrative expenses decreased by 13.7% or R\$305.4 million, to R\$1,918.7 million in 2020, from R\$2,224.2 million in 2019, primarily as a result of lower expenses with: (1) consulting and legal fees to support the external monitorship related to our Global Settlement, which was concluded on March, 11, 2020, as announced; and (2) third party services related to the geological event in Alagoas.

Research and Development Expenses

Research and development expenses increased by 1.2%, or R\$2.9 million, to R\$250.6 million in 2020, from R\$247.7 million in 2019, research and development expenses as a percentage of net revenue were 0.4% during 2020, as compared to 0.5% during 2019.

Results from Equity Investments

Results from equity investments decreased to a loss of R\$19.4 million in 2020, from a profit of R\$10.2 million in 2019, as a result of a decrease in the results of jointly-controlled investments, primarily Refinaria de Petróleo Rio-Grandense S.A., or RPR, and Borealis Brasil S.A., or Borealis. For more information related to our results of equity investments, see note 11(c) to our audited consolidated financial statements included elsewhere in this annual report.

Other Income

Other income decreased by 68.8%, or R\$1,657.7 million, to R\$750.7 million in 2020, from R\$2,408.4 million in 2019 due to lower tax credits related to the Federal Supreme Court (STF) decision that ICMS tax should not be included in the calculation base of PIS/COFINS. The effects of the new amount recognized in 2020 was R\$438.0 million, of which R\$310.6 million was recorded under "Other operating income (expenses)" and R\$127.5 million under "Financial income," compared to R\$2,048.8 million in 2019, of which R\$1,904.2 million was recorded under "Other operating income (expenses)" and R\$207.5 million under "Financial income." For more information related to the PIS/COFINS exclusion from the ICMS tax basis calculation, see note 10(c) to our audited consolidated financial statements included elsewhere in this annual report.

Other Expenses

Other expenses increased by R\$3,491.7 million, to R\$7,938.6 million in 2020, from R\$4,446.9 million in 2019, primarily as a result of provisions related to the geological event in Alagoas totaling R\$6,901.8 million in 2020 (R\$3,383.1 million in 2019). For more information related to the provision related to the geological event in Alagoas, see note 20 to our audited consolidated financial statements included elsewhere in this annual report.

Operating Profit (Loss)

As a result of the foregoing:

- operating profit on a consolidated basis decreased by 146.8%, or R\$225.6 million, to an operating loss of R\$71.9 million in 2020, from R\$153.7 million in 2019 and as a percentage of net revenue, operating profit decreased to (0.1%) in 2020, from 0.3% in 2019.

- operating loss of the Brazil Segment decreased by 87.8%, or R\$1,850.2, to an operating loss of R\$257.9 million during 2020, from R\$2,108.2 million of operating loss during 2019 and the operating margin of the Brazil Segment decreased to a negative operating margin of 0.6% during 2020, from negative operating margin of 5.4% during 2019.
- operating profit of the USA and Europe Segment increased by 17.2%, or R\$220.1 million, to an operating profit of R\$1,497.3 million during 2020, from R\$1,277.2 million during 2019 and the operating margin of the USA and Europe Segment increased to 12.7% during 2020, from 10.32% during 2019; and
- Operating profit of the Mexico Segment decreased by 76.1%, or R\$396.2 million, to and operating profit of R\$124.7 million during 2020, from R\$520.9 million during 2019, and the operating margin of the Mexico Segment decreased to 3.1% during 2020, from 17.1% during 2019.

Financial Results

Financial expenses, net increased by 102.1%, or R\$4,855.1 million, to R\$9,611.9 million in 2020, from R\$4,756.8 million in 2019.

Financial Expenses

Financial expenses increased by 26.5%, or R\$1,030.6 million, to R\$4,913.4 million in 2020, from R\$3,882.8 million in 2019 due to: (i) the increase in borrowings to R\$53,791.4 million in 2020, from R\$38,998.7 million in 2019, mainly impacted by the depreciation of the Brazilian *real* against the U.S. dollar between periods, resulting in higher interest expense; and (ii) the impact of derivatives related to feedstocks operation.

Financial Income

Financial income decreased by 29.4%, or R\$473.5 million, to R\$600.2 million in 2020, from R\$850.6 million in 2019, primarily as a result of the lower recognition of income related to PIS and COFINS claims originated in previous years ruled favorably by tax courts.

Exchange variations, net

Net exchange variations increased by 207.3%, or R\$3,574.2 million, to a loss of R\$5,298.7 million in 2020 from loss of R\$1,724.5 million in 2019, explained by: (i) the higher expenses on the transition of the export hedge accounting that was initially recognized in the net equity; and (ii) the effect of the depreciation of the Brazilian *real* against the U.S. dollars in the period on the net exposure of the financial result not designated for hedge accounting.

Current and deferred

Income Tax and Social Contribution

Our income tax and social contribution was a benefit of R\$2,668.5 million during 2020, as compared to a benefit of R\$1,962.7 million during 2019. The effective tax rate applicable to our profit before income tax and social contribution was a negative rate of 27.6% in 2020, as compared to an effective tax rate applicable to our profit before income tax and social contribution that was a negative rate of 42.6% in 2019.

(Loss) profit for the year

As a result of the foregoing, we recorded a loss of R\$7,015.3 million during 2020, as compared to a loss of R\$2,640.4 million during 2019.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

The following table sets forth our audited consolidated financial information for the years ended December 31, 2019 and 2018.

	Year Ended December 31,		
	2019	2018	% Change
	<i>(in millions of reais)</i>		
Net revenue	52,323.5	57,999.9	(9.8)%
Cost of products sold	(45,879.1)	(46,576.7)	(1.5)%
Gross profit	6,444.4	11,423.2	(43.6)%
Income (expenses):			
Selling and distribution	(1,783.5)	(1,689.2)	5.6%
(Loss) reversals for impairment of accounts receivable	(7.1)	87.0	n.m.
General and administrative	(2,224.2)	(1,793.2)	24.0%
Research and development	(247.7)	(219.3)	13.0%
Results from equity investments	10.2	(0.9)	n.m.
Other income	2,408.4	1,027.2	134.5%
Other expenses	(4,446.9)	(554.7)	701.7%
Operating profit (loss)	153.6	8,280.2	(98.1)%
Financial results:			
Financial expenses	(3,882.8)	(3,007.6)	29.1%
Financial income	850.6	589.1	44.4%
Exchange rate variations, net	(1,724.5)	(2,257.0)	(23.6)%
Financial expenses, net	(4,756.8)	(4,675.5)	1.7%
(Loss) profit before income tax and social contribution	(4,603.1)	3,604.7	n.m.
Current and deferred income tax and social contribution	1,962.7	(736.6)	n.m.
(Loss) profit for the year from continuing operations	(2,640.4)	2,868.2	n.m.

n.m.: Not meaningful

Net revenue

Net revenue decreased by 9.8%, or R\$5,676.4 million, to R\$52,323.5 million in 2019, from R\$57,999.9 million in 2018, primarily as a result of (1) a R\$2,935.6 million, or 7.0%, decrease in net revenue of our Brazil Segment, to R\$39,142.6 million in 2019, from R\$42,078.2 million in 2018; (2) a R\$1,681.4 million, or 14.3%, decrease in net revenue of our USA and Europe Segment, to R\$10,044.3 million in 2019, from R\$11,725.6 million in 2018; and (3) a R\$1,357.4 million, or 30.8%, decrease in net revenue of our Mexico Segment, to R\$3,051.4 million in 2019, from R\$4,408.8 million in 2018. Reclassifications and eliminations of net revenue of our segments in consolidation, decreased by 58.2%, or R\$294.2 million, to R\$211.0 million in 2019, from R\$505.2 million in 2018.

In 2019 and 2018, we did not have any revenue arising from transactions with any single client that was equal to or greater than 10% of our total net revenue. In 2019, the most significant revenue from a single client accounted for 6.5% of our total net revenue.

Net Revenue of Brazil Segment

Net revenue of our Brazil Segment decreased by R\$2,935.6 million, or 7.0%, to R\$39,142.6 million in 2019, from R\$42,078.2 million in 2018.

The table below sets forth information regarding the weighted average international prices of main chemicals and resins that are generally used as a reference for our Brazil Segment for the periods indicated:

International References ¹	Year Ended December 31,		
	2019	2018	% Change
	<i>(in US\$/ton)</i>		
Main Chemicals ⁽²⁾	827.9	1,014.9	(18.4)%
Resins ⁽³⁾	880.4	1,159.6	(20.9)%

(1) Source: External consulting firm (spot price).

(2) Average prices weighted based on Braskem's capacity production: ethylene (20%), butadiene (10%), propylene (10%), cumene (5%), benzene (20%), paraxylene (5%), gasoline (25%) and toluene (5%).

(3) PE US (54%), PP Asia (33%) and PVC Asia (13%).

Net Revenue of USA and Europe Segment

Net revenue of our USA and Europe Segment decreased by 14.3%, or R\$1,681.4 million, to R\$10,044.3 million in 2019, from R\$11,725.6 million in 2018, primarily as a result of lower availability of polypropylene for sale in Europe caused by lower utilization of the plants due to operational problems affecting the propylene supplier and the consequent shortage of feedstock at one of our plants.

International References ¹	Year Ended December 31,		% Change
	2019	2018	
	(in US\$/ton)		
PP US and Europe ²	1,449.3	1,763.1	(17.8)%

(1) Source: External consulting (spot price).

(2) Average prices weighted based on Braskem's capacity production: PP USA (72%) and PP Europe (28%).

Net Revenue of Mexico Segment

Net revenue of the Mexico Segment decreased by 30.8%, or R\$1,357.4 million, to R\$3,051.4 million in 2019, from R\$4,408.8 million in 2018, due to lower polyethylene prices in the international market, which was the result of the decline in global demand associated with the startup of new shale-gas-based integrated polyethylene capacity in the United States.

International References ¹	Year Ended December 31,		% Change
	2019	2018	
	(in US\$/ton)		
PE US	868.2	1,220.8	(28.9)%

(1) Source: External consulting (spot price).

Cost of Products Sold and Gross Profit

Cost of products sold decreased by 1.5%, or R\$697.5 million, to R\$45,879.1 million in 2019, from R\$46,576.7 million in 2018, primarily as a result of a 10.6% decrease in the cost of products sold by our USA and Europe Segment. Reclassifications and eliminations of cost of products sold by our units calculated as part of our consolidation, decreased by 72.9% in 2019.

Consolidated gross profit decreased by 43.6%, or R\$4,978.8 million, to R\$6,444.4 million in 2019, from R\$11,423.2 million in 2018. Gross margin (gross profit as a percentage of net revenue) decreased to 12.3% during 2019, from 19.7% during 2018.

Cost of Products Sold of Brazil Segment

Cost of products sold of our Brazil Segment decreased by 0.1%, or R\$25.3 million, to R\$35,245.9 million in 2019, from R\$35,271.2 million in 2018, primarily as a result of a decrease in the international prices of the raw materials used by the Brazil Segment.

International References ¹	Year Ended December 31,		% Change
	2019	2018	
	(in US\$/ton)		
Naphtha ARA	505.3	601.7	(16.0)%
Ethane U.S.	160.5	243.4	(34.1)%
Propane U.S.	278.9	548.1	(39.1)%
EDC U.S.	285.4	238.4	19.7%

(1) Source: External consulting (spot price).

Gross profit of the Brazil Segment decreased by 42.8%, or R\$2,910.4 million, to R\$3,896.6 million in 2019, from R\$6,807.0 million during 2018, and gross margin (gross profit as a percentage of net revenue) decreased to 10.0% during 2019, from 16.2% during 2018.

Cost of Products Sold of USA and Europe Segment

Cost of products sold of the USA and Europe Segment decreased by 10.6%, or R\$918.8 million, to R\$8,217.5 million in 2019, from R\$9,195.7 million in 2018, which was the result of: (1) the increased availability of propylene in the United States due to the high utilization rates of PDH plants and the higher use of natural gas liquids in crackers, and (2) the normalization of logistics constraints on propylene in Europe, which affected the region in the previous year due to low river levels.

International References ¹	Year Ended December 31,		% Change
	2019	2018	
PP US and Europe ²		(in US\$/ton)	
	877.7	1,183.1	(25.8)%

(1) Source: External consulting (spot price).

(2) Average prices weighted based on Braskem's capacity production: PP USA (72%) and PP Europe (28%).

Gross profit of the USA and Europe Segment decreased by 27.8%, to R\$1,826.7 million during 2019, from R\$2,529.9 million during 2018, and gross margin (gross profit as a percentage of net revenue) decreased to 18.2% during 2019, from 21.6% during 2018.

Cost of Products Sold by Mexico Segment

Cost of products sold by the Mexico Segment decreased by 15.4%, or R\$170.2 million, to R\$2,504.0 in 2019, from R\$2,958.3 million in 2018, due to the drop in U.S. ethane prices due to higher supply associated with the startup of new gas fractionators and pipelines for transportation and with the delays in the startup of new petrochemical complexes in the United States.

International References ¹	Year Ended December 31,		% Change
	2019	2018	
Ethane U.S.		(in US\$/ton)	
	160.5	243.4	(34.1)%

(1) Source: External consulting (spot price).

During 2019, the Mexico Segment recorded a gross profit of R\$547.4 million and gross margin (gross profit as a percentage of net revenue) of 17.9%. During 2018, the Mexico Segment recorded a gross profit of R\$1,450.5 million and gross margin of 32.9%.

Selling and Distribution Expenses

Selling and distribution expenses increased by 5.6%, or R\$94.3 million, to R\$1,783.5 million in 2019, from R\$1,689.2 million in 2018, primarily as a result of: (1) higher exports sales of resins and main chemicals of our Brazil Segment, (2) higher sales volumes of our USA and Europe Segment, and (3) higher exports sales from our Mexico Segment.

(Loss) reversals for impairment of accounts receivable

(Loss) reversals for impairment of accounts receivable decreased to a loss of R\$7.1 million in 2019, from a reversal of R\$87.0 million in 2018. For more information related to our (loss) reversals for impairment of accounts receivable, see note 7(i) to our audited consolidated financial statements included elsewhere in this annual report.

General and Administrative Expenses

General and administrative expenses increased by 24.0%, or R\$431.0 million, to R\$2,224.2 million in 2019, from R\$1,793.2 million in 2018, primarily as a result of higher expenses with: (1) consulting and legal fees to support the external monitorship related to our Global Settlement with certain authorities; (2) auditing firms; and (3) the cooperation with relevant authorities and the local community in relation to the geological event in certain neighborhoods of the city of Maceió, in the state of Alagoas, Brazil, that are located adjacent to and above the area where our salt mining activities were located.

Research and Development Expenses

Research and development expenses increased by 13.0%, or R\$28.5 million, to R\$247.7 in 2019, from R\$219.3 million in 2018. Research and development expenses as a percentage of net revenue were 0.5% during 2019, as compared to 0.4% during 2018.

Results from Equity Investments

Results from equity investments increased to an income of R\$10.2 million in 2019, from a loss of R\$0.9 million in 2018, as a result of an increase in the results of jointly-controlled investments, primarily Refinaria de Petróleo Rio-Grandense S.A., or RPR, and Borealis Brasil S.A., or Borealis. For more information related to our results of equity investments, see note 11(c) to our audited consolidated financial statements included elsewhere in this annual report.

Other Income

Other income increased by 134.5%, or R\$1,381.2 million, to R\$2,408.4 million in 2019 from R\$1,027.2 million in 2018, which was the result of an increase of R\$1,667.8 million in the provision related to the Federal Supreme Court (STF) decision that ICMS tax should not be included in the calculation base of PIS/COFINS. For more information related to the PIS/COFINS exclusion from the ICMS tax basis calculation, see note 10(c) to our audited consolidated financial statements included elsewhere in this annual report.

Other Expenses

Other expenses increased by R\$3,892.2 million, to R\$4,446.9 million in 2019 from R\$554.7 million in 2018, due to: (1) provisions related to the Financial Compensation and Support for Relocation Program, Business Recovery and Promotion of Educational Activities Program and the actions required to close certain of our salt wells totaling R\$3,383.1 million; (2) the provision related to the leniency agreement with the Office of the Federal Controller General (CGU) and the Office of the Attorney General (AGU) (the “CGU/AGU Agreement”) in the amount of R\$409.9 million; (3) the provision to permanently close our chlor-alkali production facility located in Camaçari, in the State of Bahia, Brazil, in the amount of R\$172.9 million; and (4) an increase of R\$52.1 million, or 58.3%, in the provision for remediation of environmental damage.

Operating Profit (Loss)

As a result of the foregoing:

- operating profit on a consolidated basis decreased by 98.1%, or R\$8,126.5 million, to an operating profit of R\$153.7 million in 2019, from R\$8,280.2 million in 2018, and as a percentage of net revenue, operating profit decreased to 0.3% in 2019, from 14.3% during 2018;
- operating profit of the Brazil Segment decreased to a loss of R\$2,108.2 million during 2019 from operating profit of R\$5,731.3 million during 2018, and the operating margin of the Brazil Segment decreased to negative margin of 5.4% during 2019 from a positive operating margin of 13.6% during 2018;
- operating profit of the USA and Europe Segment decreased by 40.2%, to R\$1,277.2 million during 2019, from R\$2,134.0 million during 2018, and the operating margin of the USA and Europe Segment decreased to 12.7% during 2019, from 18.2% during 2018; and
- Operating profit of the Mexico Segment decreased by 63.7%, to R\$520.9 million during 2019, from R\$1,435.2 million during 2018, and the operating margin of the Mexico Segment decreased to 17.1% during 2019, from 32.6% during 2018.

Financial Results

Financial expenses, net increased by 1.7%, or R\$81.3 million, to R\$4,756.8 million in 2019, from R\$4,675.5 million in 2018.

Financial Expenses

Financial expenses increased by 29.1%, or R\$875.2 million, to R\$3,882.8 million in 2019, from R\$3,007.6 million in 2018 due to: (1) the interest linked to the adoption of the new IFRS 16 standard as from January 1, 2019; (2) the adjustment to present value of the leniency agreement as a result of a change in the index of monetary correction applicable to the installments payable to the Federal Public Ministry, from IPCA to Selic, in the amount of R\$117.9 million; and (3) the payment of costs related to the full redemption of notes maturing in 2020 and 2021 and the partial redemption of notes maturing in 2022 and 2023.

Financial Income

Financial income increased by 44.4%, or R\$261.5 million, to R\$850.6 million in 2019, from R\$589.1 million in 2018, mainly due to the recognition of revenue related to PIS and COFINS claims originated in previous years ruled favorably by tax courts.

Exchange variations, net

Net exchange variations decreased by 23.6%, or R\$532.5 million, to R\$1,724.5 million in 2019, from R\$2,257.0 million in 2018, explained by the effect of a lower depreciation of the Brazilian *real* against the U.S. dollars in the period on the net exposure of the financial result not designated for hedge accounting, and by the expense with the transition to hedge accounting of exports of Braskem and Braskem Idesa, which were previously recorded under shareholders' equity, in the amount of R\$1,652.3 million during 2019, compared to R\$1,259.4 million during 2018.

Current and deferred

Income Tax and Social Contribution

Our income tax and social contribution was a benefit of R\$1,962.7 million during 2019, as compared to an expense of R\$736.6 million during 2018. The effective tax rate applicable to our profit before income tax and social contribution was a negative rate of 42.6% in 2019, as compared to an effective tax rate applicable to our profit before income tax and social contribution of 20.4% in 2018.

(Loss) profit for the year

As a result of the foregoing, we recorded a loss of R\$2,640.4 million during 2019, compared to a profit of R\$2,868.2 million, or 4.9% of net revenue, during 2018.

Liquidity and Capital Resources

Our principal cash requirements for 2020 consisted of the following:

- servicing our indebtedness;
- working capital requirements;
- capital expenditures related to investments in operations, construction of new plant facilities, and maintenance of plant facilities; and
- dividends on our shares, including in the form of interest attributable to shareholders' equity, and
- payments under the Global Settlement.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term borrowings; and

- sales of debt securities in domestic and international capital markets.

During 2020, cash flow provided by operating activities was used primarily for investing activities, working capital requirements, to service our outstanding debt obligations and tax payments. Considering that the Company had net loss in the fiscal year ended December 31, 2020 and pursuant to article 201 of the Brazilian Corporations Law, no dividends or other results will be distributed to the shareholders.

As of December 31, 2020, our consolidated cash and cash equivalents amounted to R\$13,862.9 million, including the aggregate amount of R\$904.4 million of Braskem Idesa's cash and cash equivalents.

As of December 31, 2020, we had positive net working capital (defined as (1) current assets minus (2) current liabilities) of R\$5,803.1 million, including total assets in the amount of R\$2,158.7 million and total liabilities in the amount of R\$8,385.9 million of Braskem Idesa.

Projected Sources and Uses of Cash

Considering our short-term financial contractual obligations and commitments as of December 31, 2020 and budgeted capital expenditures for 2021, we anticipate that we will be required to spend R\$19,157.3 million during 2021 to meet our short-term contractual obligations and commitments and budgeted capital expenditures. We expect that we will meet these cash requirements for (1) our operations through sales of our products, and (2) our debt service through new financing activities, including new debt financings and the refinancing of our existing short-term indebtedness as it becomes due. We have commitments from several financial institutions to provide us with financing in the future, subject to conditions precedent and the payment of commitment fees.

In May 2018, in line with our commitment to maintain financial liquidity, we and several of our subsidiaries entered into an international revolving credit facility with several international financial institutions for a principal amount of R\$5,196.7 million (US\$1,000.0 million), which matures in May 2023. This line of credit may be used without restrictions to improve our credit quality or in the event of a deterioration in the macroeconomic scenario. We borrowed the amount of R\$5,196.7 million (US\$1,000.0 million) under this credit line in April 2020 and repaid it in full in July 2020.

In July 2018, Braskem America entered into a credit facility with Euler Hermes, a German export credit agency, in the aggregate principal amount of up to R\$1,169.3 million (US\$225.0 million) to finance a portion of the investments in our new PP plant in the United States. The facility, which matures on December 30, 2028, bears interest at a rate equivalent to LIBOR plus 0.65% per year, payable semi-annually to maturity. The principal amount is amortized semi-annually as from December 30, 2020. The funds are disbursed in accordance with the progress of the construction project, and the remaining amount is expected to be disbursed in the first half of 2021. As of December 31, 2020, R\$1,058.8 million (US\$203.7 million) had been disbursed in principal amount, and the amount of principal plus interest outstanding under the credit facility was R\$996.5 million (US\$191.8 million).

In December 2018, we entered into a new credit facility with BNDES, in the aggregate principal amount of R\$476.0 million, maturing in January 2031, with proceeds used to finance our capital expenditures in Brazil. On January 30, 2019, we drew the first installment under this facility in the aggregate principal amount of R\$266.0 million. On August 11, 2020 we drew the remaining available amount under this facility in the aggregate principal amount of R\$210.0 million. This facility bears interest at a rate equivalent to IPCA plus 6.04% per year, payable quarterly after an initial grace period, from the first installment until January 2021, and afterwards monthly to maturity until January 2031. The principal amount is payable in 120 successive monthly installments beginning in February 2021. As of December 31, 2020, the outstanding amount under this facility was R\$491.0 million (US\$94.5 million).

Cash Flows

The following table sets forth certain consolidated cash flow information for the periods indicated:

	As of December 31,		
	2020	2019	2018
		<i>(in millions of reais)</i>	
Net cash provided by (used in) operating activities	6,293.0	2,265.3	9,250.4
Net cash provided by (used in) investing activities	(2,721.8)	(2,666.4)	(2,488.3)
Net cash provided by (used in) financing activities	2,173.2	1,636.8	(4,603.4)
Effect of exchange rate changes on cash and cash equivalents	1,314.6	20.6	(386.1)
Increase (decrease) in cash and cash equivalents	7,059.0	1,256.3	1,772.6

Cash Flows generated by Operating Activities

Net cash provided by operating activities was R\$6,293.0 million during 2020, R\$2,265.3 million during 2019 and R\$9,250.4 million during 2018. Net cash provided by operating activities increased by R\$4,027.7 million during 2020, as compared to 2019, which was the result of the:

- lower cost of raw material, mainly naphtha, which is the main feedstock of our Brazil Segment, and higher sales volume in the United States, Europe and Mexico Segments;
- positive impact relating to the transfer of the amount of R\$3,746.1 million from judicial deposit account in connection with the public interest civil lawsuit filed by the Alagoas State Prosecutors' Office and the Alagoas State Public Defender's Office to our bank accounts;
- monetization of R\$1,786.4 million of the PIS/COFINS balance (excluded from the ICMS calculation base); and
- lower tax payments during 2020, the total amount paid was R\$257.2 million.

During 2020, the effects of these factors were partially offset by the:

- purchase of larger volumes of naphtha with shorter payment terms;
- the payment under Global Settlement of (i) R\$257.3 million to the Brazilian federal government, on January 30, 2020; and (ii) CHF16.1 million (R\$92.6 million) to the OAG, on June 30, 2020;
- negative impact of R\$1,860.8 relating to the increase in financial investments during 2020, primarily as a result of the amount increased in restricted funds that is used in the program for relocation of residents in Alagoas.
- negative impact of R\$2,187.8 million relating to the increase in trade accounts receivable during 2020, primarily as a result of the: (i) higher sales volume; (ii) increase in account receivable days; and (iii) depreciation of reais against the US dollar; and
- negative impact of R\$252.5 million relating to the increase in inventories during 2020, primarily as a result of higher prices of resins in the international market.

Net cash provided by operating activities decreased by R\$6,985.1 million during 2019, as compared to 2018, which was the result of the

- negative impact relating to the transfer of the amount of R\$3,680.5 million from our bank accounts to a judicial deposit account in connection with the public interest civil lawsuit filed by the Alagoas State Prosecutors' Office and the Alagoas State Public Defender's Office;
- reductions in sales volume and in the average international prices references for both chemicals and resins; and
- the payment under Global Settlement of (i) R\$278.0 million to the MPF, on January 30, 2019 and (ii) CHF16.1 million (R\$58.0 million) to the OAG, on June 27, 2019.

During 2019, the effects of these factors were partially offset by the:

- lower inventories of raw materials and finished products in the amount of R\$867.8 million; and
- purchase of larger volumes of imported naphtha with extended payment terms.
- monetization of R\$280.8 million of the PIS/COFINS balance (excluded from the ICMS calculation base);
- receipt of advances from customers related to the future sale of chemical products in the Brazilian market and the future export of PE and PP in the amount of R\$36.4 million; and
- lower tax payments in the amount of R\$412.5 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities was R\$2,721.8 million during 2020, R\$2,666.4 million during 2019 and R\$2,488.3 million during 2018.

During 2020, investing activities for which we used cash on a consolidated basis primarily consisted of: (1) acquisitions to property, plant and equipment of R\$1,635.7 million, in Brazil Segment, which were allocated primarily to industrial operations, including the investments related to operating efficiency, health, environmental and safety, or HES, productivity and modernization, (2) acquisitions to property, plant and equipment of R\$1,163.0 million in the USA and Europe Segment, allocated both to industrial operations and strategic projects, such as the new polypropylene plant, and (3) acquisitions to property, plant and equipment of R\$103.3 million in Mexico.

During 2019, investing activities for which we used cash on a consolidated basis primarily consisted of: (1) acquisitions to property, plant and equipment of R\$1,749.3 million, in Brazil Segment, which were allocated primarily to industrial operations, including the investments related to operating efficiency, health, environmental and safety, or HES, productivity and modernization, (2) acquisitions to property, plant and equipment of R\$1,026.9 million in the USA and Europe Segment, allocated both to industrial operations and strategic projects, such as the new polypropylene plant, and (3) acquisitions to property, plant and equipment of R\$104.5 million in Mexico.

During 2018, investing activities for which we used cash on a consolidated basis primarily consisted of: (1) acquisitions to property, plant and equipment of R\$1,777.7 million, in Brazil Segment, which were allocated primarily to industrial operations, including the investments related to HES, productivity and modernization (such as diversification of the feedstock profile of the cracker in Bahia), (2) acquisitions to property, plant and equipment of R\$992.6 million in the USA and Europe Segment, allocated both to industrial operations and strategic projects, such as our new polypropylene plant, and (3) acquisitions to property, plant and equipment of R\$55.2 million in Mexico.

Cash Flows Used in Financing Activities

Net cash provided by financing activities was R\$2,173.2 million during 2020, as compared to a net cash used in financing activities of R\$1,636.8 million during 2019.

During 2020:

- we issued subordinated resettable fixed rate notes maturing in January 2081 for an aggregate principal amount of R\$3,098.8 million (US\$600.0 million) in the third quarter of 2020;
- we drew down in the amount of R\$5,240.4 million under our revolving credit facility and R\$1,603.1 million under others credit facility agreements;
- we entered into certain agreements for advance on exchange contracts (adiantamentos sobre contratos de câmbio), or ACCs, with International Commercial Banks under which we borrowed an aggregate principal amount of R\$2,427.2 million;
- we entered into export prepayment agreements in the aggregate amount of R\$311.1 million;
- we received under a financing agreement with certain governmental entities in the aggregate amount of R\$209.5 million;

During 2020, we used cash to pay:

- R\$138.3 million, representing aggregate interest expenses of our lease agreements;
- R\$2,494.1 million, representing ACCs with commercial banks;
- R\$960.5 related to the partial amortization of the Braskem Idesa project finance facility;
- R\$348.9 million, representing corporate loans (advance exports contracts, credit facilities, promissory notes and others), with local and international institutions;
- R\$415.9 million, representing export prepayments which local and international institutions;

- R\$70.3 million, representing aggregate principal under a financing agreement with BNDES and certain governmental entities; and
- R\$5,203.4 million, representing payments related to a revolving credit line.

During 2019:

- we entered into a contract with international financial institutions under which we borrowed an aggregate principal amount of R\$550.0 million from the Italian export credit agency SACE;
- we drew funds under a revolving credit line in the amount of R\$7,851.2 million;
- we entered into certain agreements for advance on exchange contracts (*adiantamentos sobre contratos de câmbio*), or ACCs, with local financial institutions in Brazil under which we borrowed an aggregate principal amount of R\$1,172.7 million;
- we entered into export prepayment agreements in the aggregate amount of R\$601.8 million;
- we received disbursements under a financing agreement with certain governmental entities in the aggregate amount of R\$266.4 million;
- we issued notes maturing in 2030 and 2050 for an aggregate principal amount of R\$9,966.0 million (US\$2,250.0 million) in the fourth quarter of 2019;
- our subsidiary Braskem Idesa issued notes maturing in 2029 for an aggregate principal amount of R\$3,497.6 million (US\$900.0 million) in the fourth quarter of 2019; and
- we received R\$277.4 million from a leaseback operation for machinery and equipment at some of our plants, with a term of seven years.

During 2019, we used cash to pay:

- R\$128.4 million, representing aggregate interest expenses of our lease agreements;
- R\$1,204.6 million, representing ACCs with local financial institutions in Brazil;
- R\$141.5 million, representing corporate loans (advance exports contracts, credit facilities, promissory notes and others), with local and international institutions;
- R\$7,405.4 million, representing a full redemption of notes maturing in 2020 and 2021 and a partial redemption of our perpetual bonds;
- R\$599.9 million, representing export prepayments which local and international institutions;
- R\$4,414.5 million, related to the partial amortization of the Braskem Idesa project finance facility;
- R\$188.2 million, representing aggregate principal under a financing agreement with BNDES and certain governmental entities; and
- R\$7,829.0 million, representing payments related to a revolving credit line.

In addition, in 2019 we used cash to pay dividends in the aggregate amount of R\$667.4 million.

During 2018:

- Braskem America entered into a contract with international financial institutions under which we borrowed an aggregate principal amount of R\$610.5 million (US\$158.1 million) from Euler Hermes, a German export credit agency, and R\$1,117.3 million (US\$295.1 million) from the Italian export credit agency SACE; and
- we entered into certain agreements for ACCs with local financial institutions in Brazil under which we borrowed an aggregate principal amount of R\$1,931.7 million (US\$536.8 million); and
- we entered into a credit export note facility in the amount of R\$406.3 million.

During 2018, we used cash to pay:

- R\$1,916.8 million, representing aggregate interest expenses;

- R\$1,649.7 million, representing ACCs with local financial institutions in Brazil;
- R\$2,487.8 million, representing corporate loans (advance exports contracts, credit facilities, promissory notes and others), with local and international institutions;
- R\$1,958.4 million, representing amortization of principal of notes maturing in 2018, 2020 and 2021 and a partial redemption of our perpetual bonds;
- R\$105.9 million, representing export prepayments with local and international institutions;
- R\$805.0 million, representing amortization of principal of the Braskem Idesa project finance facility; and
- R\$368.6 million, representing aggregate principal under a financing agreement with BNDES and certain governmental entities.

In addition, in 2018 we used cash to pay dividends in the aggregate amount of R\$1,499.8 million.

Unless our board of directors deems it inconsistent with our financial position and the decision of our board of directors is ratified by our shareholders, payment of dividends is mandatory under Brazilian Corporate Law and our by-laws and also is required under agreements with two of our shareholders and, consequently, may give rise to significant cash requirements in future periods.

Contractual Commitments

The following table summarizes significant contractual obligations and commitments as of December 31, 2020 that have an impact on our liquidity.

We have adopted a calculation methodology to determine minimum cash needs for a 30-day timeframe (the “monthly vision”) and minimum cash needs for a 12-month timeframe (the “yearly vision”) for the purpose, respectively, of: (i) ensuring the liquidity needed to meet obligations coming due in the following month; and (ii) ensuring that we maintain liquidity during potential crises. Minimum cash needed for our “yearly vision” is calculated mainly based on the projected operating cash generation, less short-term debts and working capital needs. Minimum cash needed for our “monthly vision” considers the projected operating cash disbursements, debt service and contributions to projects, as well as the planned disbursement for derivatives maturing in the following month, among other items. For our financial policy, we adopt the greater of these two references to determine the amount of minimum cash needed.

In May 2018, in line with our commitment to maintaining our financial liquidity, we entered into a revolving credit facility in the amount of R\$5,196.7 million (US\$1,000.0 million), which expires in 2023. This line of credit may be used without restrictions to improve our credit quality or in the event of deterioration in the macroeconomic scenario. As of December 31, 2020, this new credit line had not been used.

On December 31, 2020, due to the breach of certain covenants provided for in its financing agreement, our subsidiary Braskem Idesa recorded under current liabilities its financial obligations with original long-term maturities. Note that Braskem Idesa has been settling all its obligations in accordance with the original maturity schedule and no creditor required or indicated the intention of requiring immediate reimbursement of these obligations or early debt payment.

Considering that the group of creditors of Braskem Idesa will continue not requiring prepayment of the debt, our financial liabilities by maturity, including the amounts due under the Leniency Agreement, are shown in the table below. These amounts are calculated based on cash flows not discounted and may not be reconciled with the amounts disclosed in the balance sheet.

	Maturity as of December 31, 2020				Total
	Within one year	Between one and two years	Between two and five years	More than five years	
			(in millions of reais)		
Trade payables	9,978.6	7.2	—	—	9,985.8
Borrowings	1,439.1	4,365.5	7,953.2	71,000.4	84,758.2
Debentures	57.0	125.3	97.1	-	279.4
Braskem Idesa borrowings	1,194.8	2,340.1	2,911.8	10,212.7	16,659.4
Derivatives	1,314.7	223.8	354.5	—	1,893.0
Loan to non-controlling shareholder of Braskem Idesa	—	—	—	4,747.6	4,747.6
Leniency agreement (note 25 to our audited consolidated financial statements)	399.0	313.6	852.8	—	1,565.4
Leases	870.6	641.3	898.1	1,070.8	3,480.8
Total	15,253.8	8,016.8	13,067.5	87,031.5	123,369.6

If Braskem Idesa's group of creditors choose to accelerate this debt, our liabilities by maturity date, including the amounts due under the leniency agreement (see Note 25 to our financial statements), are shown in the table below. These amounts are gross and undiscounted and include contractual interest payments, therefore may not be reconciled with the balance sheet.

	Maturity as of December 31, 2020				Total
	Within one year	Between one and two years	Between two and five years (in millions of reais)	More than five years	
Trade payables	9,978.6	7.2	—	—	9,985.8
Borrowings	1,439.1	4,365.5	7,953.2	71,000.4	84,758.2
Debentures	57.0	125.3	97.1	—	279.4
Braskem Idesa borrowings	8,064.4	—	—	7,785.8	15,850.2
Derivatives	1,314.7	223.8	354.5	—	1,893.0
Loan to non-controlling shareholder of Braskem Idesa	—	—	—	4,747.6	4,747.6
Leniency agreement (note 25 to our audited consolidated financial statements)	399.0	313.6	852.8	—	1,565.4
Leases	870.6	641.3	898.1	1,070.8	3,480.8
Total	22,123.4	5,676.7	10,155.7	84,604.6	122,560.4

Indebtedness and Financing Strategy

As of December 31, 2020, our total outstanding consolidated indebtedness was R\$54,027.5 million (US\$10,396.5 million), including R\$12,059.2 million (US\$2,320.6 million) in connection with the secured debt related to our Mexico Complex. As of December 31, 2020, we had R\$3,222.5 million in outstanding indebtedness relating to a loan payable to the non-controlling shareholder of Braskem Idesa, maturing in December 2029 and accruing interest at 7% p.a., whose proceeds were used by Braskem Idesa to fund its construction project.

Our short-term indebtedness outstanding as of December 31, 2020 was R\$9,033.5 million, including the current portion of long-term indebtedness (16.7% of our total indebtedness) and the amount of R\$7,660.1 million in connection with the secured debt related to our Mexico Complex.

Our long-term indebtedness outstanding as of December 31, 2020 was R\$44,994.0 million (83.3% of our total indebtedness), including the amount of R\$4,399.1 million in connection with the secured debt related to our Mexico Complex.

On a consolidated basis, our *real*-denominated indebtedness as of December 31, 2020, was R\$1,733.9 million (3.2% of our total indebtedness), and our foreign currency-denominated indebtedness was R\$52,293.6 million (96.8% of our total indebtedness).

The following table presents information relating to our debt maturity profile as of December 31, 2020:

	2021	2022	2023	2024	2025	2026	Thereafter	Total
	(in millions of reais)							
Indebtedness	645.8	671.5	876.1	1,397.5	1,172.9	609.8	1,518.2	6,892.0
Capital Markets	727.6	1,468.4	1,001.8	4,309.3	(29.8)	(29.8)	27,628.8	35,076.2
Debt related to our Mexico Complex (Braskem Idesa Financing)	7,660.1	(36.2)	(36.2)	(36.2)	(36.2)	(36.2)	4,580.3	12,059.2
Total	9,033.5	2,103.7	1,841.7	5,670.6	1,106.9	543.8	33,727.3	54,027.4

Short-Term Indebtedness

Our consolidated short-term debt, including current portion of long-term debt, was R\$9,033.5 million, including the amount of R\$7,660.1 million in connection with the secured debt related to our Mexico Complex.

Long-Term Indebtedness

Our long-term indebtedness outstanding as of December 31, 2020 was R\$44,994.0 million (83.3% of our total indebtedness), including the amount of R\$4,399.1 million in connection with the secured debt related to our Mexico Complex.

Our principal sources of long-term debt are:

- fixed-rate notes issued in the international market;
- export credit notes;
- credit facilities with BNDES;
- bank credit facilities;
- project financing; and
- export prepayment facilities.
- Some of these instruments contain other covenants that could restrict, among other things, our and most of our subsidiaries ability to incur liens or merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets. In addition, certain instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of these instruments could trigger an event of default under other indebtedness or enable the creditors under other indebtedness to accelerate that indebtedness.
- As of December 31, 2020, R\$1.5 million of our real-denominated debt was secured. In order to secure this debt, we have pledged certain of our property and equipment and certain of our accounts receivable. The security arrangements for our secured debt vary depending on the transaction.
- In July 2020, our finance subsidiary Braskem Netherlands Finance B.V. issued R\$3,118.2 million (US\$600.0 million) in aggregate principal amount of 8.500% notes due 2081. The proceeds of the issuance were used primarily to repay certain of our outstanding debt.

In October 2019, our finance subsidiary Braskem Netherlands Finance B.V. issued R\$7,795.5million (US\$1,500.0 million) in aggregate principal amount of 4.500% notes due 2030 and R\$3,897.5 million (US\$750.0 million) in aggregate principal amount of 5.875% notes due 2050. The proceeds of the issuance were used primarily to repay certain of our outstanding debt. In November 2019, we issued R\$550.0 million in aggregate principal amount of promissory notes due 2024. The proceeds from the promissory notes issuance were used primarily to repay certain of our outstanding debt, including our notes maturing in 2020 and 2021, and for a partial repayment of our notes maturing in 2022 and 2023.

As of December 31, 2020, all of our project finance debt related to our Mexico Complex was secured. In order to secure this debt, we have pledged our shares in Braskem Idesa, some of our rights to repayment under subordinated loans that Braskem S.A. has made to Braskem Idesa, and all of the assets of Braskem Idesa.

Fixed-Rate Notes Denominated in U.S. Dollars

We have issued fixed-rate debt securities in the international market. All of these securities pay interest semi-annually in arrears, except for our perpetual bonds on which interest is payable quarterly in arrears.

The table below sets forth our outstanding fixed-rate debt securities, the outstanding amount of these securities and their maturity dates.

Security	Outstanding Principal plus Interest Amount as of December 31, 2020		Final Maturity
	(in millions of US\$)	(in millions of reais)	
5.375% Notes due 2022 ⁽¹⁾	288.7	1,500.3	May 2022
3.50% Notes due 2023 ⁽²⁾	199.0	1,034.2	January 2023
6.45% Notes due 2024 ⁽¹⁾	769.9	4,000.9	February 2024
4.50% Notes due 2028 ⁽²⁾	1,276.6	6,633.9	February 2028
4.500% Notes due 2030 ⁽²⁾	1,528.1	7,941.2	January 2030
7.125% Notes due 2041 ⁽³⁾	773.4	4,019.4	July 2041
5.875% Notes due 2050 ⁽²⁾	768.4	3,992.9	January 2050
Subordinated Resettable Fixed Rate Notes due 2081 ⁽²⁾	624.0	3,242.5	January 2081
7.375% Perpetual Bonds ^{(1)(*)}	500.0	2,598.4	—

(1) Represents notes issued by Braskem Finance Limited and guaranteed by Braskem.

(2) Represents notes issued by Braskem Netherlands Finance and guaranteed by Braskem.

(3) Represents notes issued by Braskem America Finance and guaranteed by Braskem.

(*) The 7.375% Perpetual Bonds were fully redeemed in March 2021

Floating-Rate Notes Denominated in Brazilian Reais

We have issued a series of floating-rate promissory notes in the Brazilian market, which pays interest in ten semi-annual installments to maturity in November 2024. The promissory notes constitute a non-amortizing transaction, and principal becomes due upon maturity. The table below sets forth the outstanding amount of this security and its maturity date.

Security	Outstanding Principal plus Interest Amount as of December 31, 2020		Final Maturity
	(in millions of US\$)	(in millions of reais)	
CDI + 0.85% Promissory Notes due 2024	104.9	545.2	November 2024

Credit Facilities with Governmental Agencies Denominated in U.S. Dollars

In March 2017, we entered into a credit facility secured by NEXI, a Japanese export credit agency, in an aggregate principal amount of R\$701.6 million (US\$135.0 million). This facility bears interest at a rate equivalent to LIBOR plus 1.61% per year, payable semi-annually to maturity in March 2027. The principal amount is amortized in 20 successive semi-annual installments beginning in September 2017. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$509.1 million (US\$98.0 million).

In July 2018, Braskem America entered into a credit facility with Euler Hermes, a German export credit agency, in the aggregate principal amount of up to R\$1,169.3 million (US\$225.0 million) to finance a portion of the investments in our new PP plant in the United States. The facility, which matures on December 30, 2028, bears interest at a rate equivalent to LIBOR plus 0.65% per year, payable semi-annually to maturity. The principal amount is amortized semi-annually as from December 30, 2020. The funds are disbursed in accordance with the progress of the construction project, and the remaining amount is expected to be disbursed in the first half of 2021. As of December 31, 2020, R\$1,058.8 million (US\$203.7 million) had been disbursed in principal amount, and the amount of principal plus interest outstanding under the credit facility was R\$996.5 million (US\$191.8 million).

In November 2018, we entered into a credit facility secured by SACE, an Italian export credit agency, in an aggregate principal amount of R\$1,533.7 million (US\$295.1 million). This facility bears interest at a rate equivalent to LIBOR plus 0.90% per year, payable semi-annually to maturity in November 2028. The principal amount is payable in 20 successive semi-annual installments beginning in May 2019. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$1,228.3 million (US\$236.4 million).

In December 2019, we entered into a credit facility secured by SACE, in an aggregate principal amount of R\$779.6 million (US\$150.0 million). This facility bears interest at a rate equivalent to LIBOR plus 0.90% per year, payable semi-annually to maturity in December 2029. The principal amount is payable in 20 successive semi-annual installments beginning in June 2020. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$702.0 million (US\$135.1 million).

In August 2020, we entered into a credit facility secured by NEXI, a Japanese export credit agency, in an aggregate principal amount of R\$1,169.3 million (US\$225.0 million). This facility bears interest at a rate equivalent to LIBOR plus 1.70% per year and payable semi-annually to maturity in February 2031. The principal amount is amortized semi-annually from August 4, 2021. As of December 31, 2020, the outstanding amount under this facility was R\$1,177.2 million (US\$226.5 million).

Issue Date	Outstanding Principal plus Interest Amount as of December 31, 2020		Interest Rate	Amortization Schedule	Final Maturity
	(in millions of US\$)	(in millions of reais)			
March 2017	98.0	509.1	LIBOR + 1.61% p.a.	Semi-annual ⁽¹⁾	March 2027
July 2018	191.8	996.5	LIBOR + 0.65% p.a.	Semi-annual ⁽²⁾	December 2028
November 2018	236.4	1,228.3	LIBOR + 0.90% p.a.	Semi-annual ⁽³⁾	November 2028
December 2019	135.1	702.0	LIBOR + 0.90% p.a.	Semi-annual ⁽⁴⁾	December 2029
August 2020	226.5	1,177.2	LIBOR + 1.70% p.a.	Semi-annual ⁽⁵⁾	February 2031

(1) Amortization on this facility commenced in September 2017.

(2) Amortization on this facility will commence in December 2020.

(3) Amortization on this facility commenced in May 2019.

(4) Amortization on this facility will commence in June 2020.

(5) Amortization on this facility will commence in August 2021.

Credit Facilities with Governmental Agencies Denominated in Brazilian Reais

In December 2018, we entered into a new credit facility with BNDES, in the aggregate principal amount of R\$476.0 million, maturing in January 2031, with proceeds used to finance our capital expenditures in Brazil. On January 30, 2019, we drew the first installment under this facility in the aggregate principal amount of R\$266.0 million. On August 11, 2020 we drew down the remaining available amount under this facility in the aggregate principal amount of R\$210.0 million. This facility bears interest at a rate equivalent to IPCA plus 6.04% per year, payable quarterly after an initial grace period, from the first installment until January 2021, and afterwards monthly to maturity until January 2031. The principal amount is payable in 120 successive monthly installments beginning in February 2021. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$491.0 million (US\$94.5 million).

The table below sets forth selected information with respect to our BNDES credit facilities as of December 31, 2020.

Facility	Outstanding Principal plus Interest Amount as of December 31, 2020		Weighted Average Interest Rate	Expiration of Commitment
	(in millions of US\$)	(in millions of reais)		
December 2009 ⁽¹⁾ — Fixed rate	0.3	1.5	4.0% p.a.	January 2021
January 2019 ⁽²⁾ — Fixed rate	94.5	491.0	IPCA + 6.04% p.a.	January 2031

(1) Amortization on this facility commenced in February 2016.

(2) Amortization on this facility will commence in February 2021.

The credit facility that matures in January 2021 is secured by mortgages on one of our plants located in our Southern Complex. The credit facility that matures in January 2031 is unsecured.

Revolving Credit Facility Agreement

In May 2018, we and certain of our subsidiaries entered into a revolving credit facility agreement with several international financial institutions for a principal amount of US\$1,000.0 million (R\$5,196.7 million), which matures in May 2023. We had no drawn amounts on this credit facility as of December 31, 2020. In April 2020, we borrowed the amount of R\$5,196.7 million (US\$1,000.0 million), on this credit facility and fully repaid this amount in July 2020.

Credit Facilities with Banks Denominated in Dollars

On April 8, 2019, we entered into a credit facility with international institutions in the aggregate principal amount of R\$417.8 million (US\$80.4 million) with a term of seven years. To consummate this facility, certain assets of the Company's plants were transferred to the financial institutions and, by the maturity date, Braskem has the option to repurchase them for a residual value. In accordance with IFRS15, this transfer is not considered a sale. This facility bears interest at a rate equivalent to LIBOR minus 1.00% per year, payable semi-annually to maturity in April 2026. The principal amount is payable in successive semi-annual installments beginning in September 30, 2019. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$300.4 million (US\$57.8 million).

In October 2019, we entered in an export pre-payment facility and received a disbursement in an aggregate principal amount of US\$ 100.0 million (R\$519.7 million). This facility bears interest at a rate of LIBOR plus 1.75% per year, payable semi-annually to maturity in October 2024. The principal amount is payable in a single installment at maturity. As of December 31, 2020, the outstanding principal plus interest amount under this facility was US\$100.4 million (R\$521.5 million).

In January 2020, we entered in a term-loan facility and received a disbursement in an aggregate principal amount of US\$100.0 million (R\$519.7 million). This facility bears interest at a rate of LIBOR plus 1.65% per year, payable semi-annually to maturity in January 2025. The principal amount is payable in a single installment at maturity. As of December 31, 2020, the outstanding principal plus interest amount under this facility was US\$100.9 million (R\$524.5 million).

Issue Date	Outstanding Principal plus Interest Amount as of December 31, 2020		Interest Rate		Amortization Schedule	Final Maturity
	(in millions of US\$)	(in millions of reais)				
April 2019	57.4	300.4	LIBOR – 1.00%		Semi-annual	April 2026
October 2019	100.4	521.5	LIBOR + 1.75%		Bullet	October 2024
January 2020	100.9	524.5	LIBOR + 1.65%		Bullet	January 2025

Credit Facilities with Banks Denominated in Reais

In April 2018, we entered into an export credit note facility in the aggregate principal amount of R\$400.0 million. This facility bears interest at a rate equivalent to CDI plus 0.70% per year, payable semi-annually to maturity in March 2024. The principal amount is payable in two installments, in March 2023 and March 2024. As of December 31, 2020, the outstanding principal plus interest amount under this facility was R\$402.7 million.

Issue Date	Outstanding Principal and Interest Amount as of December 31, 2020		Interest Rate	Amortization Schedule	Final Maturity
	(in millions of US\$)	(in millions of reais)			
April 2018	77.5	402.7	CDI + 0.70%	2023 and 2024	March 2024

Indebtedness of Braskem Idesa

In December 2012, Braskem Idesa entered into a common terms agreement with certain financial institutions to finance the development, design, construction and initial operation of the Mexico Complex. The Mexico Complex includes an ethane cracker with annual capacity of 1.05 million tons to produce ethylene, two high density polyethylene plants and a low density polyethylene plant. In connection with the common terms agreement, Braskem Idesa entered into eight separate financing agreements with international and Brazilian financial institutions and development banks in an aggregate principal amount of up to US\$3.2 billion, or the Braskem Idesa Financing. All amounts disbursed under these credit facilities are secured by our shares in Braskem Idesa. In addition, as a condition precedent to the initial disbursement and each subsequent disbursement, Braskem Idesa was required to have a maximum debt to base equity ratio of 70 to 30 after giving effect to such disbursement, as calculated pursuant to the common terms agreement. In September 2015, Braskem Idesa received the final disbursement pursuant to the common terms agreement, reaching an aggregate principal amount of R\$17.4 billion (US\$3.2 billion). The financing consists of fixed and floating tranches. The interest rates on the fixed tranche are within a range of 4.33% to 6.17%. The interest rates on the floating tranche are within a range of LIBOR plus 2.73% to LIBOR plus 4.65%. To reduce the interest rate risk, the second tranche is hedged through several swap agreements. Interest on both tranches is payable quarterly in arrears and principal is amortized quarterly. The final maturity date of these loans is February 15, 2029 with amortizations beginning in May 2016.

On November 25, 2019, Braskem Idesa issued R\$4,667.0 million (US\$900.0 million) in aggregate principal amount of 7.450% senior secured notes due 2029. The notes are senior secured obligations of Braskem Idesa and rank *pari passu* with the existing Braskem Idesa project finance debt until the full repayment of the outstanding amount of the Braskem Idesa project finance facility. After the full amortization of the outstanding amount of the Braskem Idesa project finance facility, Braskem Idesa's notes will convert into senior unsecured notes. Interest on the notes is payable semi-annually, and the principal amount becomes due at maturity. The proceeds of the notes were used to partially refinance Braskem Idesa's existing secured project finance indebtedness incurred in 2012 to construct a plant in Mexico. Excess proceeds of the issuance were used to prepay certain other indebtedness of Braskem Idesa.

Security ⁽¹⁾	Outstanding Principal plus Interest Amount as of December 31, 2020		Final Maturity
	(in millions of US\$)	(in millions of reais)	
7.45% Notes due 2029	910.1	4,729.6	November 2029

(1) Represents notes issued by Braskem Idesa.

Capital Expenditures

During 2020, investing activities for which we used cash on a consolidated basis primarily consisted of: (1) acquisitions to property, plant and equipment of R\$1,635.7 million, in Brazil Segment, which were allocated primarily to industrial operations including the investments related to HES, productivity and modernization, (2) acquisitions to property, plant and equipment of R\$1,163.0 million invested in the USA and Europe Segment, allocated both to industrial operations and strategic projects, such as our new polypropylene plant; and (3) acquisitions to property, plant and equipment of R\$103.3 million in Mexico.

Capital Expenditure Budget

We plan to invest R\$3,903.5 million in 2021, of which R\$545.0 million is pegged to the U.S. dollar, related to investments in the United States and Europe Segment.

Of the total investment, R\$3,358.5 million will be allocated to Health, Environment & Safety (HES) projects, as well as maintenance, productivity and operating efficiency projects, including the investment to be made in the scheduled shutdown of the cracker in São Paulo and a brief stop in Rio Grande do Sul, and also the expansion of the biopolymer business and the recycled resin production capacity.

Braskem Idesa plans to invest approximately R\$175.0 million (US\$34.0 million) in projects related to maintenance, productivity, HES and operating efficiency.

Joint Venture

Mexico Complex

Braskem and Idesa formed Braskem Idesa in April 2010 to develop, construct and operate the Mexico Complex, located in the Mexican state of Veracruz. The Mexico Complex includes an ethylene cracker that produces 1.05 million tons of ethylene per year from ethane based on technology licensed from Technip Italy S.p.A, or Technip, two high density polyethylene plants based on Innovene S technology licensed from Ineos Commercial Services UK Limited (as successor to Ineos Europe Limited) and a low density polyethylene plant based on Lupotech T technology licensed from Basell Polyolefin GmbH. The three polyethylene plants have a combined annual production capacity of 1.0 million tons of HDPE and LDPE.

Braskem Idesa is party to an ethane supply agreement with Pemex TRI dated February 19, 2010, pursuant to which Pemex TRI is obligated to provide, and Braskem Idesa to purchase, 66,000 barrels per day of ethane to the Mexico Complex for a period of 20 years at prices based on the U.S. dollar-based international reference price of these feedstocks. Under this agreement, any daily volume rejected by Braskem Idesa must be purchased in installments in subsequent deliveries until the deficit has been resolved and, If Pemex delivers to Braskem Idesa less than the volumes established under the Ethane Supply Agreement, it needs to pay shortfall penalties to Braskem Idesa. This contract will expire in 2035 and is renewable for three five-year periods, with prior notice by each party at least two years prior to the expiration of the agreement that it intends to renew this agreement.

If Pemex TRI (i) delivers less than an average of 70% of the 66,000 barrels of ethane per day over a six-month period, (ii) reaches the annual limit in respect of shortfall penalties owed by Pemex TRI to us and such limit is not waived by Pemex TRI, or (iii) materially breaches any of its obligations related to the supply of ethane thereunder; Braskem Idesa has the right to notify Pemex TRI through a notice of breach and if such breach continues for more than six months after notice, or an extended period if the parties agree, Braskem Idesa has the right to terminate the ethane supply agreement and require Pemex TRI to repay certain outstanding debt and compensate Braskem and Idesa according to an agreed valuation formula including the repayment of certain of our debt.

The ethane supply agreement contains a volume delivery long-term performance covenant that requires Pemex TRI to meet a volume delivery of ethane over a six-month period averaging 70% of the agreed-upon volume under the ethane supply agreement (the “Long-Term Performance Test”). As of November 2020, Pemex TRI volume deliveries under the Long-Term Performance Test remained close but above the threshold. In the event that Pemex TRI fails to meet the Long-Term Performance Test, in addition to the direct negative impact on the production volumes of our Mexico Complex, it may (i) render us unable to generate sufficient cash to service our indebtedness with creditors under the Braskem Idesa Financing, (ii) cause such creditors to accelerate this indebtedness, and/or (iii) require Braskem Idesa to exercise a termination and put option against Pemex TRI that would force Pemex TRI to purchase the Mexico Complex from us. In the event any such termination and put option is exercised by us, there can be no assurance that Pemex TRI will not challenge the exercise of this termination and put option or otherwise attempt to avoid purchasing the Mexico Complex from us. See “Item 3. Key Information—Risks Relating to Us and the Petrochemical Industry—We depend on ethane supplied by Pemex TRI in Mexico.”

In February 2010, we and Idesa entered into the Braskem Idesa shareholders’ agreement to govern our relationship with respect to Braskem Idesa, which was amended in November 2012, December 2012, April 2015, and April 2017. The Braskem Idesa shareholders’ agreement, as amended, sets forth the understanding of the parties regarding the implementation of this project and the relationship of Braskem and Idesa as shareholders of Braskem Idesa. Under the Braskem Idesa shareholders’ agreement, as amended:

- the parties agree to use their best efforts to use Braskem Idesa as their commercialization vehicle for polyethylene in Mexico;
- the parties agree that the polyethylene production of Braskem Idesa shall be strategically focused on supplying the Mexican market;
- we have the right to appoint five members and Idesa has the right to appoint two members of Braskem Idesa’s board of directors; decisions considered at Braskem Idesa’s general shareholders’ meetings require the approval of at least 50% plus one of the voting shares of Braskem Idesa. Decisions considered by Braskem Idesa’s board of directors require the approval by a simple majority of votes of its members;
- upon the failure of Braskem and Idesa to agree to vote in favor of certain matters requiring a supermajority vote in an extraordinary shareholders’ meeting, (1) we will have the right to seek approval of such matters by a simple majority vote of Braskem Idesa’s shareholders, (2) in the event that such matters are approved by a simple majority vote of Braskem Idesa’s shareholders, we will have the option to purchase all of the shares then held by Idesa, and (3) in the event that we do not exercise this right, Idesa will have the option to sell all of its shares of Braskem Idesa to us; and
- any disputes between Braskem and Idesa arising out of or in connection with the Braskem Idesa shareholders’ agreement will be resolved through arbitration.

The Braskem Idesa shareholders’ agreement also contains rights of first refusal, tag along rights and drag along rights in connection with the disposition of Braskem Idesa shares.

The original estimated total cost of the Mexico Complex of US\$4.5 billion, including financial costs during construction and initial working capital requirements, was revised in 2015 to US\$5.2 billion primarily as a result of (1) a change in the scope of the power generating unit in order to ensure the self-sufficiency of the complex and improve the reliability of energy supply, with the possibility of selling any surplus energy to the grid; and (2) additional costs arising from infrastructure and local services.

We and Idesa contributed an aggregate of 38% of the total costs as equity in proportion to our ownership interests in Braskem Idesa, and the remainder was borrowed by Braskem Idesa under project finance facilities secured by the assets of this project, with multilateral credit agencies, export credit agencies, development banks and private banks.

Construction of the Mexico Complex began in 2012 and it commenced operations with the production of the first batch of polyethylene in April 2016.

Although our Mexico Complex is operational and Braskem Idesa has satisfied and continues to satisfy its debt service requirements and all other payment obligations under its R\$7,646.4 million (US\$1,471.4 million) senior secured syndicated facility on a timely basis, certain defaults not related to payment obligations occurred in 2016. However, in October 2019, a waivers and consent package was approved by the intercreditor agent on behalf of the lenders, thereby extending the date for achieving the guaranteed physical completion date from November 30, 2016 to December 31, 2020 and the guaranteed financial completion date from December 31, 2016 to December 31, 2020.

As of December 31, 2020, certain non-monetary obligation established in the financing agreements remained unfulfilled. As a result, the entire balance of non-current liabilities, in the amount of R\$6,538.6 million was reclassified to current liabilities, in accordance with IAS 1 (Presentation of Financial Statements). These defaults give the creditors thereunder the right to vote to accelerate their debt under this facility and exercise their remedies in respect of the collateral for the facility, including the Mexico Complex and the outstanding shares of Braskem Idesa.

In accordance with the aforementioned accounting standards, reclassification is required in situations in which the breach of certain contractual obligations entitles creditors to accelerate the indebtedness. None of the creditors requested said prepayment of obligations and Braskem Idesa has been settling its debt service obligations in accordance with their original maturity schedule.

Furthermore, Braskem Idesa intends to negotiate a waiver of such breaches with its creditors to reclassify the entire amount reclassified from current liabilities back to non-current liabilities.

On November 25, 2019, Braskem Idesa issued R\$4,667.3 million (US\$900.0 million) in aggregate principal amount of 7.450% senior secured notes due 2029. The notes are senior secured obligations of Braskem Idesa and rank *pari passu* with the existing Braskem Idesa project finance debt until the full repayment of the outstanding amount of the Braskem Idesa project finance facility. After the full amortization of the outstanding amount of the Braskem Idesa project finance facility, Braskem Idesa's notes will convert into senior unsecured notes.

In December 2020, we received a notification from Cenagas (*Centro Nacional de Control del Gas Natural*), a Mexican state-owned agency solely responsible for the natural gas pipelines and transportation in Mexico, related to the unilateral non-renewal of the service of natural gas transportation, an essential energy input for the production of PE in our Mexico Segment. As a result, in compliance with safety protocols, Braskem Idesa initiated procedures for the immediate interruption of its operating activities, which may have a material adverse effect on our operating or financial results, depending on the timing of the stoppage. Later in January 2021, Braskem Idesa partially resumed its operating activities based on an experimental business model to produce polyethylene. Braskem Idesa also initiated legal measures to enforce its legal and contractual rights. For additional information, see "Risk Factor - Political and economic conditions and government policies in Mexico, including political interferences in state-owned companies such as Pemex TRI and Cenagas, and elsewhere may have a material impact on our operations."

In December 2012, we, Braskem Idesa, Etileno XXI, S.A. de C.V., and Idesa entered into an equity support agreement pursuant to which Braskem Idesa's shareholders agreed to make and guarantee payment of certain equity contributions to Braskem Idesa. This contract was amended and restated in April 2015. Pursuant to the amended and restated equity support agreement, the parties assumed a base equity commitment of US\$2.0 billion in proportion to their percentage ownership, direct or indirect, in Braskem Idesa (Braskem 75% and Idesa 25%), which has been fully contributed into Braskem Idesa. The shareholders have also assumed the obligation of making certain contingent equity contributions to cover any additional amounts necessary to complete the project. Our contingent equity commitment that remains available is in the amount of up to US\$208 million, and such commitment will be available until the occurrence of the contingent equity release date in accordance with the amended and restated equity support agreement; provided that the same will be reduced to the lesser of the amount then available and US\$100 million upon the achievement of financial completion of the project. Currently, we have not provided credit support for any of our obligations to fund base equity or primary or secondary contingent equity, but in the event that we cease to have an investment grade rating prior to the release of our base and contingent equity obligations, we will be required to provide cash collateral or in an amount equal to any such equity contributions that we may be required to make under the agreement.

To develop our Mexico Complex, Braskem Idesa required significant capital expenditure and incurred significant debt. The ability of Braskem Idesa's shareholders to comply with the obligation to make certain contingent equity contributions to cover additional amounts necessary to complete the project, as agreed in the equity support agreement in connection with the project finance facility, could affect the operation of the Mexican Complex. See "Risk Factors—Risks Relating to Us and the Petrochemical Industry—We may face unforeseen challenges in the operation of our Mexico Complex, which could result in this business unit failing to provide expected benefits to us."

Amendments to Braskem Idesa Shareholders' Agreement Relating to Project Ethylene XXI

In February 2010, Braskem and Idesa entered into a shareholders' agreement, which we refer to as the Braskem Idesa shareholders' agreement, to govern our relationship with respect to Braskem Idesa. In November 2012, Braskem and Idesa entered into the first amendment to the Braskem Idesa shareholders' agreement, under which our ownership interest in Braskem Idesa was increased to 75% minus one share of the equity interest in Braskem Idesa and Idesa's ownership interest in Braskem Idesa was reduced to 25% plus one share of the equity interest. In December 2012, we and Idesa entered into the second amendment to the Braskem Idesa shareholders' agreement to include the commitment of both Sponsors to fund certain primary and secondary contingent equity to the project. In April 2015, we and Idesa entered into the third amendment to the Braskem Idesa shareholders' agreement to include additional base equity contribution and reaffirm the new commitments of contingent equity, under which we agreed to fund up to 100% of the contingent equity commitment under the equity support agreement up to start-up date. The primary contingent equity commitment is US\$208 million. Finally, in April 2017, we and Idesa amended and restated the Braskem Idesa shareholders' agreement to update the terms to reflect the progress of the enterprise since the original signing in 2010 and to reflect the understanding among the shareholders as to the shareholders' rights and obligations in connection with the payment of fees and interest by Idesa related to any funding by Braskem of Idesa's portion of contingent equity or the working capital needs of Braskem Idesa, and the eventual dilution of Idesa's equity interests in Braskem Idesa as a result of the same.

Other Investments

New PP plant in the United States

Aligned with the strategy to diversify the raw materials matrix and geographic expansion in the Americas, reinforcing the leadership in the PP production in the United States, our Board of Directors approved, on June 21, 2017, the project to build a new PP plant of 450,000 tons at the La Porte site, in the American state of Texas. After completing the commissioning phase in accordance with the applicable safety standards, we have started the commercial production of PP at our new plant in the United States in September 2020.

With an approved investment of up to US\$758 million, as of December 31, 2020, we had already invested R\$3,764.5 million (US\$724.5 million) in the project. In 2020, the project had an 100% completion rate: 100% of the construction was completed, and 100% of the engineering detailing and equipment and material acquisitions were completed. Linde Group was hired to lead the EPC (engineering, procurement and construction) of the project and the choice of Grace's UNIPOL[®] technology.

Braskem America entered into a credit facility in the amount of up to R\$1,169.3 million (US\$225.0 million) with Euler Hermes, a German export credit agency, which will be used to finance a portion of the investments in the new PP plant. The transaction, which matures on December 30, 2028, has a interest at a rate equivalent to LIBOR plus 0.65% per year, payable semi-annually to maturity. The principal amount is amortized semi-annually as from December 30, 2020. The funds are disbursed in accordance with the progress of the construction project, and the remaining amount is expected to be disbursed in the first semester of 2021. As of December 31, 2020, R\$996.5 million (US\$191.8 million) had been disbursed in principal amount, and the amount outstanding under the credit facility was R\$996.5 million (US\$191.8 million).

Energy efficiency project in our cracker at the São Paulo Complex

To improve energy efficiency and competitiveness of the cracker at the São Paulo Complex, Braskem Siemens will invest approximately R\$600 million to improve the thermoelectric system of the unit at the complex by replacing some of the steam-powered turbines with high-efficiency electric engines supported by a new co-generation plant that will consume the residual gas from the unit's own production process. To enable the investment by Siemens in the new co-generation plant, Braskem signed an agreement with Siemens for a term of 15 years under a build, own and operate model. With startup expected in 2021, the project will not only reduce the site's energy consumption, but also reduces the cracker's water consumption by 11.4% and its greenhouse gas emissions by 6.3%.

As of December 31, 2020, R\$180 million (US\$34 million) was already invested and the project was approximately 86% complete.

Technology change at our chlor-alkali facility in Alagoas

We are investing R\$67.7 million in a project at our chlor-alkali facility located in the district of Pontal da Barra, in Maceió, in the state of Alagoas, which aims to change the raw material processing from brine to sea salt.

With this project, we were able to resume operations of our chlor-alkali and dichloroethane plants in the region that have been suspended since May 2019 following the developments stemming from the publication of Report no. 1 by the Brazilian Geological Service (CPRM). See "Item 3. Key Information—Risk Factors—Our business and operations are inherently subject to environmental, health and safety hazards. As a result, our business is also subject to stringent environmental and other regulations."

The new technology consists of sourcing salt from third parties. Salt could be sourced from the Northeast region of Brazil by road or imported from other regions using the port of Maceió, which is located near the chlor-alkali facility. Salt sourced from third parties will be initially stored, dissolved into water to produce brine, treated and then sent to be processed in the chlor-alkali facility.

As of December 31, 2020, R\$65.1 million (US\$12.5 million) had already been invested.

Solution to import ethane for the Braskem Idesa facility in Mexico

Braskem Idesa has been investing in logistics infrastructure to import ethane from the United States to maintain and increase the capacity utilization rate of its cracker. Concerning to ethane supply, Braskem Idesa has entered into a long-term agreement to acquire ethane and could also import in the spot market.

To ensure the Fast-Track Solution's feasibility, Braskem Idesa executed agreements with Smart Pass, a logistics operator, and with Enestas, a company specialized in cryogenic gas transportation. Smart Pass will be responsible for receiving liquefied ethane at the Port of Coatzacoalcas docks and unloading it from the vessels in cryogenic tanks. Enestas will transport the ethane by truck to the Braskem Idesa petrochemical complex, where the ethane will be stored in existing tanks and regasified for use in the production process.

With an approximate investment of R\$49.9 million (US\$9.6 million), this complementary solution for acquiring feedstock had made it possible to import up to 12,800 barrels per day of ethane to the Petrochemical Complex in Mexico, which represents 19% of its ethane needs. In February 2020, Braskem Idesa started its operation to import ethane, the "Fast Track" solution, and imported its first shipment of ethane.

The total investment of the Fast Track, considering expansion, is approximate a total investment of R\$62.9 million (US\$12.1 million), with approximately R\$51.7 million (US\$9.9 million) spent by the end of 2020. The expansion of this complementary solution for acquiring feedstock will make it possible to import up to 28,000 barrels per day of ethane to the Petrochemical Complex in Mexico, which represents 40% of its ethane needs. In December 2020, Braskem Idesa concluded the first phase of expansion of the "Fast-Track" to 20 kbpd and, is expected to be concluded in April, 2021, the second phase of expansion to a total capacity of 28 kbpd.

Besides, Braskem Idesa continues to assess a complementary solution for larger-scale ethane imports whose scope consists of building a terminal for importing ethane and a pipeline to transport it to its petrochemical complex. For additional information, particularly relating to the risks associated with this project, please see "Item 3. Key Information—Risk Factors—Risks Relating to Mexico—If the company fails to develop an alternative source of ethane, it may have a negative impact on our business because we cannot operate our Mexico Complex at full capacity."

Off-Balance Sheet Arrangements

We do not currently have any transactions involving off-balance sheet arrangements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

Our board of directors ("*conselho de administração*") and our board of executive officers ("*diretoria*") are responsible for operating our business.

Board of Directors of Braskem

Our by-laws provide for a board of directors of eleven members and its alternate directors. During periods of absence or temporary unavailability of a regular member of our board of directors, the corresponding alternate member substitutes for the absent or unavailable regular member. Our board of directors is a decision-making body responsible for, among other things, determining policies and guidelines for our business and our wholly owned subsidiaries and controlled companies. Our board of directors also supervises our board of executive officers and monitors its implementation of the policies and guidelines that are established from time to time by the board of directors. Under the Brazilian Corporate Law, our board of directors is also responsible for hiring independent accountants.

The members of our board of directors are elected at general meetings of shareholders for two-year terms and are eligible for reelection. The terms of all current members expire at our annual shareholders' meeting scheduled for 2022. Members of our board of directors are subject to removal at any time at a general shareholders' meeting. Our by-laws do not contain any citizenship or residency requirements for members of our board of directors and the members of our board of directors need not be our shareholder. Our board of directors is presided over by the chairman of the board of directors, and, in his absence or temporary unavailability, by the vice-chairman of the board of directors. The chairman and the vice-chairman of our board of directors are elected at a general shareholders' meeting from among the members of our board of directors, serve for two-year terms and are eligible for reelection.

Our board of directors ordinarily meets at least six and up to 12 times a year every and extraordinarily whenever called by the chairman, the vice-chairman or any two other members of our board of directors. Decisions of our board of directors require a quorum of a majority of the current directors and are taken by majority vote, other than certain actions which require the consensus of the nominees of Novonor, formerly called Odebrecht S.A., and Petrobras under the Braskem S.A. Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements—Braskem S.A. Shareholders' Agreement."

The following table sets forth certain information with respect to the current members of our board of directors and their alternates as of the date of this annual report:

Name	Member Since	Position Held	Age
José Mauro Mettrau Carneiro da Cunha	December 20, 2019	Chairman of the Board	71
João Cox Neto	June 8, 2016	Vice-Chairman of the Board	57
Roberto Lopes Pontes Simões	May 22, 2019	Board Member	64
Gesner José de Oliveira Filho ⁽¹⁾	June 27, 2017	Board Member	64
Paulo Roberto Vales de Souza ⁽¹⁾	August 24, 2020	Board Member	72
Roberto Faldini	May 22, 2019	Board Member	72
João Pinheiro Nogueira Batista	April 16, 2019	Board Member	64
Julio Soares de Moura Neto ⁽¹⁾	April 16, 2019	Board Member	78
Rogério Bautista da Nova Moreira	November 12, 2019	Board Member	44
Andrea da Motta Chamma ⁽¹⁾	May 29, 2020	Board Member	55
Marcelo Klusza	August 24, 2020	Board Member	58
Maria Isabel de Faria Perez	May 29, 2020	Alternate	39
André Amaro da Silveira	June 8, 2016	Alternate	57
Marcelo Rossini de Oliveira	April 16, 2019	Alternate	42
Marcelo Mancini Stella	June 8, 2016	Alternate	58
Daniel Pereira de Albuquerque Ennes	May 29, 2020	Alternate	41
José Marcelo Lima Pontes	May 22, 2019	Alternate	74
Laura Maniero Gadelho	April 13, 2021	Alternate	37
Guilherme Simões de Abreu	May 29, 2020	Alternate	69

(1) Independent director.

The following is a summary of the business experience, areas of expertise and principal outside business interests of our current directors and their alternates.

Directors

José Mauro Mettrau Carneiro da Cunha. Mr. José Mauro Mettrau Carneiro da Cunha has been elected as an effective member and Chairman of the Company's Board of Directors by shareholder Novonor S.A. José Mauro is a member of the Board of Directors of Novonor S.A. since October 2019, and he was a member of the Board of Directors of Oi S.A. from September 2018 to September 2020. He was previously the Chairman of the Board of Directors of Oi S.A. since 2009. Mr. José Mauro started his career as a BNDES employee, exercising several duties and occupying several executive positions (from 1974 to 1990), also being appointed Officer (from 1991 to 1998) and Vice-President, responsible for the Industrial Operations, Legal and Fiscal Matters areas (from 1998 to 2002). His main professional experiences include: (i) Effective member of the Board of Directors of Telemar Participações S.A. (from 2008 to the merger of Telemar Participações S.A., in September 2015); (ii) Effective member of the Board of Directors of Vale S.A. (from 2010 to April 2015); (iii) Acting Chief Executive Officer of Oi S.A., in 2013; (iv) Chairman of the Board of Directors of the following companies: Tele Norte Leste Participações S.A. (from 1999 to 2003 and from 2007 to 2012), where he also acted as Alternate Member of the Board of Directors, in 2006; Telemar Norte Leste S.A. (from 2007 to 2012); TNL PCS S.A. (from 2007 to 2012); Tele Norte Celular Participações S.A. (from 2008 to 2012); Coari Participações S.A. (from 2007 to 2012); Dommo Empreendimentos Imobiliários S.A., former Calais Participações S.A. (from 2007 to December 2016); (v) Effective Member of the Board of Directors of Log-In Logística Intermodal S.A. (from 2007 to 2011); (vi) Effective Member of the Board of Directors of Lupatech S.A. (from 2006 to 2012); (vii) Effective Member of the Board of Directors of Santo Antonio Energia S.A. (from 2008 to 2016); (viii) Effective Member of the Board of Directors of the following Companies: (a) Braskem S.A. (from 2007 to 2010), where he previously held the position of Vice-President of Strategic Planning (from 2003 to 2005); (b) LIGHT Serviços de Eletricidade S.A. (from 1997 to 2000); (c) Aracruz Celulose S.A. (from 1997 to 2002); (d) Politeño Indústria e Comércio S.A. (from 2003 to 2004); (e) BANESTES S.A. – Banco do Estado do Espírito Santo (from 2008 to 2009); and (f) Pharol, SGPS, S.A. (from 2015 to 2017). Mr. José Mauro earned a graduate degree in mechanical engineering from Universidade Católica de Petrópolis, in Rio de Janeiro, in 1971. He concluded the Executive Program in Management at Anderson School, University of California, in December 2002.

João Cox Neto. Mr. Cox currently serves as Chairman of the board of directors of Vivara S.A., vice-Chairman of Braskem S.A. and also as a member of the board of directors of Embraer S.A. He is the founding partner and managing director of Cox Investments & Advisory. Between 2006 and 2010, Cox served as CEO and vice-chairman of Claro. In 2005, he was the vice-chairman of the board of directors of Cellcom Israel. He served as CFO and investor relations of Telemig Celular Participações and Tele Norte Celular Participações from April 1999 to August 2004 and also as CEO of Telemig Celular and Amazonia Celular from August 2002 to August 2004. In addition, Mr. Cox has served as a member of the boards of directors of certain companies in Brazil, Argentina, The Netherlands and Israel. He also served as a board member of the CRSFN—National Financial System Resources Council, ABRASCA (Brazilian Association of Publicly Held Companies) and IBRI (Brazilian Institute of Investors' Relations). Cox holds a bachelor's degree in economics from Universidade Federal da Bahia and attended to post graduation in economics at Université du Québec à Montreal and at the College of Petroleum Studies of Oxford University. Mr. Cox is member of the Board of Directors of Embraer, as a nominee of the shareholder Petróleo Brasileiro - Petrobras.

Roberto Lopes Pontes Simões. Mr. Roberto Simões is the current Chief Executive Officer of Braskem, in addition to being an effective member of the Company's Board of Directors. Mr. Roberto Simões has acted as Chairman or member of the Board of Directors of large companies or institutions, such as: IBP (Instituto Brasileiro de Petróleo), ABIQUIM, Odebrecht Engenharia e Construção, Consorcio Baía de Sepetiba, Itaguaí Construções Navais, Petroquímica Paulínia, Ipiranga Química, Ipiranga Petroquímica, Refinaria Ipiranga, COPESUL, Petroflex and CETREL. He was CEO of Ocyan S.A. (2012-2019), Odebrecht Defesa e Tecnologia (2010-2012), President of Santo Antônio Energia (2008-2010) and Executive Vice-President of Braskem (2004-2008). From 2000 to 2004, he held the position of COO and CEO of iG-Internet Group. He was the President of Opportrans Concessão Metroviária - Metro Rio, from 1999 to 2000. His career at Odebrecht Organization began in 1994, as Tenenge and CNO Agreements Officer, holding such office until 1999. Mr. Simões earned a graduate degree in Mechanical Engineering from Universidade Federal da Bahia (UFBA) in 1978. He has also attended the Petrochemical Projects and Maintenance Engineering Course - Cemant (a cooperation between Petrobras and UFBA). He is a member of Assembleia das Obras Sociais de Irmã Dulce.

Gesner José de Oliveira Filho (independent member). Mr. Gesner José de Oliveira Filho has been elected an effective member of the Company's Board of Directors by shareholder Novonor S.A. Mr. Gesner Oliveira is an independent director certified by the Brazilian Institute for Corporate Governance - IBGC. In addition to being a Director at Braskem, he is also a member of the Boards of Directors, of the ESG Committee and Coordinator of the Audit Committee at TIM BRASIL; Chairman of the Board of Directors of Estre Ambiental, member of the Board of Directors of Iguá Saneamento and of Instituto Iguá de Sustentabilidade, member of the Advisory Board of ETCO, member of the Advisory Board of CIEE and member of the Self-Regulation Board of FEBRABAN. His experience in Boards of Directors includes public and private companies, such as SABESP, CESP, Nossa Caixa, VARIG and USIMINAS. He is a Partner at GO Associados, Professor of the Getúlio Vargas Foundation (FGV), where he coordinates the Center for Infrastructure & Environmental Solutions Studies. Between 2007 and 2011, he was the President of Sabesp – Sanitation Company of the State of São Paulo (Companhia de Saneamento do Estado de São Paulo). He has also acted as Advisor in a project for the World Bank regarding the institutional analysis of a sanitation company in Dhaka, Bangladesh, in 2012. Mr. Gesner Oliveira holds a graduate degree in Economics from the School of Economics and Administration of Universidade de São Paulo – FEA/USP, and a Master's degree in Economics from the Economics Institute of Universidade Estadual de Campinas (UNICAMP) and Ph.D. in Economics from University of California, Berkeley.

Paulo Roberto Vales de Souza. (independent member). Mr. Paulo Roberto Vales de Souza has been appointed as an effective member of the Company's Board of Directors by shareholder OdebrechtNovonor. Mr. Paulo Roberto Vales de Souza is an engineer, and he earned a graduate degree from Universidade Federal do Rio de Janeiro in 1972, and a graduate degree in Economic Engineering from Pontifícia Universidade Católica do Rio de Janeiro in 1979. Mr. Paulo Roberto Vales de Souza worked as an engineer approved in a public examination at the Brazilian Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico* - BNDES), from January 1974 to January 2001, having occupied executive positions (from Manager to Superintendent) since 1979, in the areas of infrastructure, agroindustry, consumer goods, planning and credit refund. Mr. Paulo Roberto Vales de Souza was Chairman of the Board of Directors and Chief Executive Officer of the Retirement Fund of BNDES - FAPES from July 1991 to January 2001, Chairman of the Decision-making Council of the Brazilian Association of Private Pension Funds - Abrapp from 1995 to 1998, Planning Officer of the National Social Security Institute from 1994 to 1997, Chairman of the Ethics Commission of Abrapp/National Union of Private Pension Funds (Sindapp) from 2001 to 2004, 2004 to 2007, 2007 to 2010 and 2011 to 2013, member of the Audit Committee of the Board of Directors of BNDES from 2008 to 2018, member of the Committee of Best Market Practices of ANBIMA, member of the Credit Committee of Fund JBVC I, managed by Jardim Botânico Investimentos, in 2001, member of the Advisory Board of OCROMA Investimentos, member of the Audit Committee of VALIQ, Pension Fund of Vale do Rio Doce, since January 2019, and Governance and Risk Management consultant at Fundação Atlântico, Pension Fund of Oi.

Roberto Faldini. Mr. Roberto Faldini has been appointed as effective member of the Company's Board of Directors as a nominee of Novonor S.A. He holds a degree in Business Administration from Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) (1972). He also holds specialization degrees in (i) Advanced Management from Dom Cabral Foundation (*Fundação Dom Cabral*) and INSEAD (1991); (ii) Entrepreneurship from Babson College (2004) and (iii) Corporate Governance (IFC and IBGC - 2009, 2011, 2013 and 2016). Mr. Faldini is President and partner of Faldini Participações Administração e Investimentos Ltda. and Chief Executive Officer of MBF Administração e Serviços. In addition to the Board of Braskem SA Board, he is currently a member of the Boards of Irani Papel e Embalagens SA, Cia. Habitassul de Participações and Novonor S.A. He is a voluntary member of the Curator Board of Dorina Nowill Foundation for the Blind, of Crespi Prado Foundation and of Norberto Odebrecht Foundation. He is an officer of Ema Gordon Klabin Cultural Foundation. Mr. Roberto Faldini is an invited professor from Dom Cabral Foundation and an arbitrator of Arbitration Chamber of B3 Market. He has participated as a member of Boards of Directors and Advisory Boards of several companies in Brazil and abroad, including BOVESPA, Metal Leve, Marau, Livrarias Siciliano, CPFL, Inpar, Klicknet, Sadia, BRF, Banco BMG, Vulcabras and Marfrig. Mr. Faldini is a co-founder of IBCG - Brazilian Institute for Corporate Governance (*Instituto Brasileiro de Governança Corporativa*) (in 1995, and nowadays he remains active in many of its committees. He is an associated member of IBEF - Brazilian Institute for Financial Executives (*Instituto Brasileiro dos Executivos Financeiros*), and FBN - Family Business Network. For more than 20 years he was CEO, shareholder and member of the Board of Directors of Metal Leve S.A., and he held the position of President of CVM in 1992. He was the coordinator in the State of São Paulo, of the Family Business Center - PDA, of Dom Cabral Foundation, for 5 years (from 2002 to 2007).

João Pinheiro Nogueira Batista. Mr. João Pinheiro Nogueira Batista has been elected an effective member of the Company's Board of Directors by shareholder Novonor S.A. Mr. João Nogueira Batista holds a graduate degree in economics from PUC-RJ and an MBA in Economic Engineering - Universidade Gama Filho, Rio de Janeiro. He has acted for more than 10 years in Boards of Directors in companies in Brazil and abroad. In the Novonor Group, he was an independent member of the Boards of Directors of Odebrecht Engenharia e Construção starting June 2017 and of Ocyan starting April 2018, where he remained until January 2019, when he joined the Board of Directors of Novonor S.A. Mr. João Nogueira Batista is currently the CEO of Evoltz Participações S.A. In his wide executive career developed in the public and private sectors, he has been the CEO of Swiss Re, Bertin S.A. and Suzano Petroquímica, also holding the position of officer in companies like Petrobras, Dresdner Bank, Citibank, Radiobras and Siderbras. Mr. João Nogueira Batista is a director in two non-governmental organizations: Associação Maria Helen Drexel and Instituto de Reciclagem do Adolescente- Recicla.

Julio Soares de Moura Neto (independent member). Mr. Julio Soares de Moura Neto was appointed as an effective member of the Company's Board of Directors by shareholder Petróleo Brasileiro S.A. – Petrobras. Mr. Moura Neto is Fleet Admiral, Bachelor in Naval Sciences by the Navy School, Master in Naval Sciences by the Navy War School (Military Command and Staff Course), Doctor in Naval Sciences by the Navy War School (Maritime Politics and Strategy Course), and also attending the Higher Education Navy War Course of the Higher Navy War Institute - Portugal. He has off-Navy experience in the Strategic Advisory Board of the Foundation (EZUTE-SP) and in the Advisory Board of Cia Brasileira de Cartuchos (CBC-SP).

Rogério Bautista da Nova Moreira. Mr. Rogério Bautista da Nova Moreira is currently also a member of the Board of Directors of OEC S.A., of OR Empreendimentos Imobiliários S.A., of Santo Antonio Energia S.A., of Ocyan S.A. and of Odebrecht Transport S.A., and works as a general counsel at Novonor S.A. He was previously a member of the Board of Directors of Lagoa da Barra S.A., between 2018 and 2020, of Santo Antonio Energia S.A. and of Odebrecht Comercializadora de Energia S.A., between 2014 and 2015. He also worked as a general counsel of OR Empreendimentos Imobiliários S.A., between 2016 and 2019, and of Odebrecht Energia S.A., between 2012 and 2016, and as an attorney of Odebrecht Energia S.A., between 2008 and 2012, of Braskem S.A., between 2002 and 2008, of law firm Veirano Advogados, between 2000 and 2001, and of Deloitte, between 1999 and 2000. Mr. Rogério Bautista has a degree in Law from the Catholic University of Salvador, having graduated in 1999, and he has a specialization in Tax Law from the Brazilian Institute of Tax Law (IBDT) and an MBA in business management from the Getulio Vargas Foundation.

Andrea da Motta Chamma. (independent member). Ms. Andrea Chamma has been appointed as an effective member of the Company's Board of Directors by shareholder Petróleo Brasileiro S.A. – Petrobras. She is currently an effective member of the Board of Directors and leader of the Persons Committee of Grupo Fleury, effective member of the Board of Directors of Banco Votorantim and Advisor and Consulting Director in startups Fintechs/Blockchain by 3C Advisors. Previously, she acted as Vice-Chairwoman and Head of Equity Sales of Bank of America Merrill Lynch, and Officer of brokerage and equity sales at ABN Amro. Ms. Andrea Chamma holds a graduate degree in Business Administration from the Getúlio Vargas Foundation (FGV) and attended specialization courses at the universities of Harvard and Columbia.

Marcelo Klusza. Mr. Marcelo Klusza has been appointed as an effective member of the Company's Board of Directors by shareholder Petróleo Brasileiro S.A. - Petrobras. He holds a graduate degree in Mechanical Engineering from Pontifícia Universidade Católica do Rio de Janeiro, and a Master's Degree in Geosciences/Geology from Universidade Federal do Rio de Janeiro, having a professional career for approximately 35 years. He has held several offices in the Senior Management in consulting companies - CEO at Metal Data S.A. and Vice President at Alexander Proudfoot Consulting - in addition to working as a consultant at his own company - Metakarp Value Consulting, providing support to the management and to the board of directors of companies, particularly in the mineral and metallurgy sectors. He has also held technical, management and Senior Management offices in the companies Vale, Rio Paracatu Mineração, Rio Tinto Brasil, IBM Brasil and Grupo Solmucci Entretenimento. He was Assistant to Petrobras' Board of Directors from June 2015 to November 2015, and served as CEO's Advisor at Petrobras from December 2018 to April 2021. He held office as Chairman of the Board of Directors of Liquigás Distribuidora S.A. from June 2019 to December 2020.

Alternate Directors

Maria Isabel de Faria Perez. Ms. Maria Isabel de Faria Perez is an alternate member of the Company's Board of Directors as a nominee of the shareholder Petróleo Brasileiro S.A. – Petrobras. Currently, she acts as General Manager in the area of Business Integration and Interest at Petrobras, having previously acted as Manager in Petrobras' Legal Department. Ms. Maria Isabel holds a graduate degree in Law from Universidade do Estado do Rio de Janeiro (UERJ), and a Postgraduate degree in Oil and Gas Exploitation and Production Business Management from the Brazilian Oil Institute (*Instituto Brasileiro de Petróleo* - IBP), a Business Acumen for the Energy Executive certification from McCombs School of Business University (University of Texas) and extension courses in Anticorruption Compliance for the Energy Sector (IBP) and in National and International Commercial Arbitration at IBMEC.

André Amaro da Silveira. Mr. André Amaro is an alternate member of the Company's Board of Directors as a nominee of Novonor S.A. Mr. Amaro worked with Novonor Group from 1988 to 2018. In addition to the aforementioned office at the Company, Mr. Amaro works as a member of the Personnel and Organization Committee of the Company's Board of Directors, is an effective member of the Board of Directors of the company Ocyan, working also as coordinator of the Culture, Communication, Personnel and Sustainability Committee, he is an effective member of the Board of Directors of the company Odebrecht Transport, and also acts as coordinator of the Personnel and Organization Committee and as member of the Finance and Investment Committee, and is the chairman of the Board of Directors of Redram Construtora de Obras S.A. He began his career in heavy infrastructure projects and led Odebrecht investments in the concession of public services in Brazil, Argentina and Portugal. During this period, he was also Director of Project Finance and Export at Construtora Norberto Odebrecht, Vice President of Planning and People at Braskem, Director of Human Resources at Novonor S.A., President of Odebrecht Properties and of Odebrecht Defesa e Tecnologia. He holds a graduate degree in Civil Engineering from Universidade Federal de Minas Gerais and a Master's degree in Business Administration from IMD.

Marcelo Rossini de Oliveira. Mr. Marcelo Rossini de Oliveira is an alternate member of the Company's Board of Directors as a nominee of shareholder Novonor S.A. He is currently a Treasury and IR Officer of Novonor S.A. From 2005 to 2018, he worked as a financial analyst, Capital Market and Transaction Structuring Manager, Treasury Manager at Braskem S.A. He previously worked as Senior Auditor and Financial Analyst of Deloitte - Auditores e Consultores.

Marcelo Mancini Stella. Mr. Marcelo Mancini is an alternate member of the Company's Board of Directors as a nominee of shareholder Novonor S.A. He works as Vice-President in charge for the Sale of Ethanol, Sugar and Power, and for the Planning, Logistics and Business Development Areas of Atvos since 2010. Previously, he occupied several positions at Braskem from 2002 to 2010, leading the executive boards of Polyethylene, Vinyls and Polypropylene. He worked for Pilkington Brasil Ltd. as sales and marketing director of Brazil from 1990 to 2002. Mr. Mancini holds a graduate degree in production engineering from the Polytechnic School of the Universidade de São Paulo and an MBA from the Universidade de São Paulo—FIA. He has further attended the Finance Programs of INSEAD, Marketing Program of Cranfield University and the Program for Directors of IBGC.

Daniel Pereira de Albuquerque Ennes. Mr. Daniel Pereira de Albuquerque Ennes is an alternate member of the Company's Board of Directors as a nominee of shareholder Petróleo Brasileiro S.A. – Petrobras. He is currently the Bank and Structured Finance Manager of Petrobras. He was previously an effective member of the Board of Directors of Liquigás Distribuidora S.A. and Bank Market Coordinator, Domestic Capital Market Coordinator and Export Credit Agency Coordinator of Petrobras. Mr. Daniel Pereira holds a graduate degree in Economics from Universidade Federal do Rio de Janeiro (UFRJ), a bachelor's degree in Law from Universidade do Estado do Rio de Janeiro (UERJ) and a Master's degree in Industrial Economics from Universidade Federal do Rio de Janeiro (UFRJ).

José Marcelo Lima Pontes. Mr. José Marcelo Pontes has been appointed for the position of alternate member of the Company's Board of Directors as a nominee of Novonor S.A. Mr. José Marcelo Pontes is a professional journalist, with 34 years of experience, acting in some of the main media outlets of the country (including Jornal do Brasil, O Globo and Veja) and 23 years of experience in corporate communication, eight of which at Novonor.

Laura Maniero Gadelho. Ms. Gadelho has been appointed for the position of alternate member of the Company's Board of Directors as a nominee of Novonor S.A. Ms. Laura Maniero Gadelho is currently a lawyer at the corporate department of Novonor S.A., a position she has held since 2016, having previously worked at Odebrecht Properties (from January/2013 to April/2016) as a lawyer at the corporate and business departments, as senior lawyer at the litigation and arbitration department of law firm Lefosse Advogados and Linklaters, in São Paulo and New York (from October/2007 to January/2013) and a lawyer at the litigation and arbitration department of law firm Dourado Fialdini Penna Tilkian Advogados Associados (from November/2005 to October/2007). Ms. Gadelho holds a Law degree from the University of São Paulo (USP), a LL.M. (Master of Laws) degree from the Law School of Columbia University, and is been a member of the International Commercial Arbitration Association and of the Latin American Association of Corporate Law.

Guilherme Simões de Abreu. Mr. Guilherme Simões de Abreu is an alternate member of the Board of Directors of Braskem, appointed by Novonor S.A. He currently holds office as Responsible Person for Persons, Communication and Organization of Novonor S.A., since January 2020. From June 2018 to December 2019, he held office as Executive Secretary of the Board of Directors of Novonor S.A. From 2013 to March 2017, he was Manager of Odebrecht S.A., for Persons and Organization matters.

Board of Executive Officers of Braskem

Our board of executive officers is our executive management body. Our executive officers are our legal representatives and are responsible for our internal organization, day-to-day operations and the implementation of the general policies and guidelines established from time to time by our board of directors.

Our by-laws require that the board of executive officers consist of a chief executive officer and between three and nine additional members, each responsible for business areas that our board of directors assigns to them. The members of our board of executive officers, other than our chief executive officer and the general counsel, have no formal titles (other than the title of executive officer or director) but have the informal titles set forth in the table below.

The members of our board of executive officers are elected by our board of directors for three-year terms and are eligible for reelection. The current term of all of our executive officers ends at the first board of directors meeting held immediately after our annual shareholders' meeting to be held in 2021. Our board of directors may remove any executive officer from office at any time with or without cause. According to the Brazilian Corporate Law, executive officers must be residents of Brazil but don't need to be our shareholders. Our board of executive officers holds meetings when called by our chief executive officer.

The following table lists the current members of our board of executive officers as of the date of this annual report:

Name	Year of First Appointment	Position Held	Age
Roberto Lopes Pontes Simões	2019	Chief Executive Officer	64
Pedro van Langendonck Teixeira de Freitas	2016	Chief Financial Officer and Head of Procurement and Institutional Relation	45
Edison Terra Filho	2017	Executive Officer and Head of the Olefins & Polyolefins South America	49
Marcelo Arantes de Carvalho	2015	Executive Officer and Head of People, Communication, Marketing and Sustainable Development	52
Marcelo de Oliveira Cerqueira	2013	Executive Officer and Head of Brazil Manufacturing and Global Industrial Operations	55
Daniel Sales Corrêa	2020	Executive Officer and Head of Investments & Digital Technologies	53

Summarized below is information regarding the business experience, areas of expertise and principal outside business interests of our current executive officers:

Pedro Van Langendonck Teixeira de Freitas. Mr. Freitas is currently Braskem's Responsible Person for Finance, Investor Relations, Suppliers and Institutional Relations. In this office, he globally leads the financial and supplies areas and the strategic planning, and coordinates the institutional relations in Brazil. In this context, he is responsible for the Company's management and financial health, for the innovation in the search for efficiency in the management processes and for the motivation of a high-performance team. From 2011 to 2016, he was in charge of Braskem's Corporate Strategy Management, preparing the business plan and evaluating investments and M&A opportunities. Prior to this, he was a strategy consultant, having participated in the definition of business and M&A strategies in various industries, including in the petrochemical, agribusiness, consumer goods and pharmaceutical industries. Mr. Freitas holds a Production Engineering degree from the Polytechnic School of Universidade de São Paulo (USP), and an MBA from INSEAD.

Edison Terra Filho. Edison Terra is currently responsible for the South America Olefinas & Poliolefinas Unit. Mr. Terra joined Braskem in 2002, and he worked in the Marketing, Supply Chain, Export areas, as leader of the Polyethylene Business and President of quantiQ. Before working for Braskem, he worked nine years for Rhodia. Mr. Terra holds a graduate degree in Production Engineering from the Polytechnic School of Universidade de São Paulo and a Masters degree in Business Administration from EAESP-FGV/SP. He has also attended continuing education courses in Global Leadership in Wharton Business School and in Disruptive Technologies in Singularity University.

Marcelo Cerqueira. Mr. Cerqueira is currently the Executive Vice-President of Manufatura Brasil e Operações Globais. Mr. Cerqueira has more than 30 years of experience in the chemical and petrochemical industry. He initiated his career in 1987 at Companhia Alcoolquímica Nacional and COPERBO (currently Lanxess). In 1989 he joined Companhia Petroquímica Camaçari, where he worked as a Production, Logistics, Health, Safety and Environment – SSMA (*Saúde, Segurança e Meio Ambiente*) and Supplies Engineer. At Braskem, he has already worked as Responsible Person for the Vinyls Unit, Industrial Vinyls Officer and Production Manager of the PVC Unit of Alagoas and Bahia and responsible for the Chemicals Unit at Braskem. Mr. Cerqueira holds a degree in Chemical Engineering from Universidade de Pernambuco and an MBA in business management from FGV, and he has attended the Global Leadership Program at Wharton Business School - University of Pennsylvania.

Marcelo Arantes de Carvalho. Mr. Arantes is currently the Responsible Person for People, Communication, Marketing and Sustainable Development, with 29 years of professional experience. He has acted in various large-sized companies and in several offices related to Human Resources. He commenced his career as an intern in Fiat Group in 1988, and then he worked at Celite S.A. from 1989 to 1991, in the Remuneration and Union Relations area. From 1991 to 1998, he worked as Human Resources Manager at Asea Brown Boveri Ltda., and then he joined Unilever to work as Human Resources Development Manager. In 2000 he became Human and Organizational Development Officer of Intelig Telecomunicações. Later, in 2005, he joined Reckitt Benckiser, where he remained until 2008 as Human Resources Officer. Between 2008 and 2010 he was the Human Resources Officer for Latin America at Fiat Group, after which he came to Braskem. Mr. Arantes holds a degree in Business Administration from Faculdade de Ciências Gerenciais (UNA) and an Executive MBA from Dom Cabral Foundation (*Fundação Dom Cabral*), and he has attended the Global Leadership Program at Wharton Business School - University of Pennsylvania.

Daniel Sales Corrêa. Mr. Daniel Sales Corrêa is a professional who holds a graduate degree in Electrical Engineering from Universidade Federal do Amazonas (UFAM), a postgraduate degree in Equipment Engineering and in Oil Refining Engineering from Universidade Petrobras, and in Quality and Productivity Management from FUCAP/UFRGS. In addition, he holds an Executive MBA in Strategic Business Management from FIA/USP. During the 26 years he worked for Petrobras, he worked in various refineries, and held offices in Engineering, Production, Process Optimization and Commercialization. At the company's principal place of business, he has been operational efficiency general manager, encompassing all refineries, and more recently he was the general manager of the company's refining, transport and commercialization business restructuring programs, where he led initiative to reposition Petrobras in the "Downstream" – "Ddownstream," segment, focused on the "carved" – "carve out" of the refineries and terminals to be divested. During the period from 2019 to July 2020, he was also a member of the board of directors of Refinaria de Petróleo Riogranense S.A. – RPR. He is currently the Executive Vice-President of BRASKEM and is responsible for the implementation of the investments and for the global IT, Automation, Digital Technologies and Knowledge Management operations.

Fiscal Council

The Brazilian Corporate Law requires us to establish a permanent or non-permanent fiscal council (“*conselho fiscal*”), with a minimum of 3 and up to 5 members. Our by-laws provide for a permanent fiscal council composed of up to five members and their respective alternate members. The fiscal council is a separate corporate body, independent of our management and our independent directors.

The members of our fiscal council are elected by our shareholders at the annual general shareholders’ meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders’ meeting, which will be held in 2021. Under the Brazilian Corporate Law, the fiscal council may not contain members who are members of our board of directors or of our board of executive officers or be employees or spouses or relatives of any member of our management. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either be a university graduate or have been an officer or fiscal council member of another Brazilian Company for at least three years prior to election to our fiscal council. Holders of (1) preferred shares without voting rights, or with restricted vote, and (2) non-controlling common shareholders that together hold at least 10.0% of our voting share capital are each entitled to elect one member and his or her respective alternate to the fiscal council.

The responsibilities of a fiscal council are established by the Brazilian Corporate Law. In accordance with the Brazilian Corporate Law, our fiscal council has the right and obligation to, among other things:

- supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;
- give an opinion on the annual report of our management, including the supplementary information deemed necessary or useful for deliberation at a general meeting;
- at least every three months examine the trial balance sheet and other financial statements periodically prepared by the company;
- examine the accounts and financial statements for the financial year and give an opinion on them;
- opine on any management proposals to be submitted to a vote of our shareholders related to:
 - changes in our share capital;
 - issuances of debentures or rights offerings entitling the holder to subscribe for equity securities;
 - distributions of dividends; and
 - transformation of our corporate form and any corporate restructuring, such as takeovers, mergers and spin-offs;
- inform our management of any error, fraud or detected and suggest measures we should take in order to protect our primary interests. If our management fails to take the measures required to protect our interests, inform our shareholders at a shareholders’ meeting of these facts; and
- call general shareholders’ meetings if management delays the general shareholders’ meeting for more than one month and call special shareholders’ meetings in the event that important matters arise.

As described in “Item 16D. Exemptions from the Listing Standards for Audit Committees,” we are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act. In order to comply with the requirements of this exemption, our board of directors has delegated to our fiscal council certain additional responsibilities and our fiscal council adopted rules under which our fiscal council has the duties and responsibilities of a U.S. audit committee to the extent permitted under Brazilian Corporate Law. Because Brazilian Corporate Law does not permit the board of directors to delegate responsibility for the appointment, retention and compensation of the external auditors and does not provide our board of directors with the authority to resolve disagreements between management and our external auditors regarding financial reporting, our fiscal council cannot fulfill these functions. Our fiscal council may only make recommendations to our board of directors with respect to the appointment, retention and compensation of the external auditors, and with regard to resolution of disagreements between management and the independent auditors, our fiscal council may intermediate and opine, if necessary. Under the rules governing fiscal councils, our fiscal council has the following rights and obligations, among others, in addition to those established by the Brazilian Corporate Law:

- to follow and analyze the process of hiring independent auditors, observing applicable Brazilian rules and legislation, and considering the technical expertise, independence, efficiency, experience and costs of the independent auditors, and recommend to our board of directors the selection and remuneration for the work of independent auditors and their possible replacement;
- to approve the annual list of pre-approval services that may be provided in a given year by the independent auditors, which is included as an exhibit to the “Policy on the Pre-Approval of Services that may be provided by the Independent Auditors,” as well as ensure that the policy is observed by our management and independent auditors;
- to supervise the work of our independent auditors, as well as to discuss the scope of audit services to be performed by them;
- to analyze the recommendations report prepared by our independent auditors and the internal control over financial reporting, including items that may impact our financial statements;
- to request from our independent auditors, if necessary, any clarification or information that is deemed to be necessary for the verification of specific facts;
- to meet with our management and independent auditors, whenever required, for the analysis of adoption of significant accounting policies and practices, including analysis of alternative treatments of policies, practices and disclosures related to material items, giving preferential treatment to the guidelines of our independent auditors;
- to intermediate possible discussion and conflicts arising between our independent auditors and our management related to the draft of financial reports, providing, if necessary, opinions regarding such conflicts;
- to discuss the content of all material and relevant communication made in writing by our independent auditors to our management which come to its knowledge;
- to hire, as appropriate, in accordance with § 8 of Article 163 of the Brazilian Corporate Law, independent experts and advisers, including but not limited to legal counsel, to advise and give opinions on matters related to the performance of its duties;
- to meet when necessary and privately with the head of internal audit to discuss any issues and/or concerns; and
 - to establish specific procedures in the Company for the confidential receipt, retention and processing of complaints or reports, including anonymous ones, eventually made by Braskem members or third parties regarding practices accounting, internal controls or issues related to the Company's audit.

The following table lists the current members of our fiscal council and their alternates:

Name	Year of First Appointment
Ismael Campos de Abreu	2003
Gilberto Braga	2015
Marcilio José Ribeiro Junior	2021
Amós da Silva Cancio	2020
Heloisa Belotti Bedicks	2020
Ivan Silva Duarte (alternate)	2016
Tatiana Macedo Costa Rego Tourinho (alternate)	2014
Viviana Cardoso de Sá e Faria (alternate)	2021
Pedro Albuquerque Zappa (alternate)	2021
Reginaldo Ferreira Alexandre (alternate)	2020

The following is a summary of the business experience, areas of expertise and principal outside business interests of the current members of our fiscal council and their alternates.

Members of Fiscal Council

Ismael Campos de Abreu. Mr. Abreu served as Officer of Kieppe Participações e Administração Ltda. from April 2011 to May 2017. Between 1995 and March 2011, he worked as a Controller of Novonor S.A., which company indirectly holds interest in excess of 5% of a same kind or class of securities of the Company. He was Manager of the tax consulting division of PricewaterhouseCoopers (1978/1985) and of Arthur Andersen (1989/1991). He was a member of Performance Auditoria e Consultoria Empresarial (1992/1995). He was a member of the Board of Directors of Hospital Cardio Pulmonar and a member of the Fiscal Council of various companies that operate in the petrochemical industry. Mr. Abreu holds a degree in Accounting from Fundação Visconde de Cairú and a postgraduate degree in Economic Engineering from Centro Interamericano de Desenvolvimento.

Gilberto Braga. Mr. Braga was elected an effective member of the Company's Fiscal Council as a nominee of the shareholder Novonor S.A. Mr. Braga is a business consultant in the financial, capital markets, corporate, expert examination and court expert examination assistance areas, in addition to working as member of the fiscal, management and audit committees of listed companies and professional associations. He has been a member of the Advisory Committee on Accounting Standards for the Investment Funds of the CVM, teaches undergraduate and graduate corporate governance courses at Dom Cabral Foundation, IBMEC, PUC and FGV, and is a commentator of Radio CBN, FM 94 on RJ and a columnist for the newspaper O Dia. Mr. Braga holds degrees in Economics from UCAM Ipanema and Accounting from UGF, a Postgraduate degree from IAG-PUC Rio in Financial Management and an MBA (Finance and Capital Markets) from IBMEC- Rio. He is a member of IBGC.

Marcílio José Ribeiro Júnior. Mr. Ribeiro was appointed as effective member of the Company's Fiscal Council by shareholder Petróleo Brasileiro S.A. – Petrobras. Mr. Marcílio José Ribeiro Jr. is currently a Senior Accountant at Petróleo Brasileiro S.A. - PETROBRAS, having previously occupied other positions at the same company (since October 2, 2006). He is currently a Fiscal Councilor at METANOR – Metanol do Nordeste S.A. and Alternate Fiscal Councilor at IBIRITERMO S/A, having previously worked as Fiscal Councilor at Asfaltos S.A. He has also previously worked at Queiroz Galvão Óleo e Gás S/A, as a Controller; at Starfish Oil & Gas S.A., as Accounting Manager; at Gaspart Gás Participações Ltda. (currently MITSUI Gás do Brasil), as an Accountant; at ALTM S.A. Tecnologia e Serviços de Manutenção (Alstom Group), as Accounting Manager; at Terminal Garagem Menezes Côrtes S.A., as an Accountant; and at Erco Engenharia S.A., as an Accounting Analyst. He has a bachelor's degree in Accounting Sciences from the Federal University of Rio de Janeiro (February/1993 – August/1997); an MBA in Economic and Financial Engineering from the Federal University of the State of Rio de Janeiro (September/2000 – November/2001); and an LL.M. in Corporate Law by IBMEC (March/2014 – February/2016).

Amós da Silva Cancio. Mr. Amós da Silva Cancio was appointed as effective member of the Company's Fiscal Council by shareholder Petróleo Brasileiro S.A. – Petrobras. He is currently the E&P Partnership Accounting and Tax Management Manager at Petrobras, and he previously worked as Accounting General Manager of the Controlling Shareholder, Subsidiaries and of the Consolidated of Petrobras and as Accounting Planning and Guidance Manager. Mr. Amós Cancio holds a graduate degree in Accounting Sciences from Universidade Federal Fluminense (UFF), an MBA in Economic and Financial Engineering and a Master's degree in Production Engineering (emphasis in Corporate Strategy, Management and Finance) from the same institution, in addition to a Postgraduate degree in Oil and Gas Exploitation and Production Business Management from Instituto Brasileiro de Petróleo e Gás (IBP) and professional certification as North-American Public Accountant (CPA).

Heloisa Belotti Bedicks. Ms. Heloisa Bedicks was elected an effective member of the Company's Fiscal Council by minority shareholders. She is a Member of the Board of Directors of BNDES and of Mapfre Group, of the Audit Committee of Brasilseg, of the Fiscal Councils of Braskem and of Fundação Boticário and of the Advisory Board of Portas Abertas in Brazil (NGO). She was General Officer of IBGC - Brazilian Institute for Corporate Governance (*Instituto Brasileiro de Governança Corporativa*) from 2001 to 2020, Deputy Chairman of GNDI – Global Network of Director Institute and member of the Board of Governors of ICGN – International Corporate Governance Network. She has been a member of the Board of the Association of the Supporters of the Acquisition and Consolidation Committee – ACAF (B3, Anbima and IBGC), of the Advisory Boards of the Ethical Fund of ABN AMRO Asset Management, of the Center for Sustainability Studies of the Getúlio Vargas Foundation and of the Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial* - ISE) of BMF&Bovespa. Ms. Heloisa Bedicks holds a master's degree in Financial Administration from Universidade Presbiteriana Mackenzie, a graduate's degree in Economics from Unicamp and Accounting Sciences from PUC Campinas, specialization degree in Corporate Governance from Yale University and in Boards of Directors from the Chicago University.

Alternate Members of Fiscal Council

Ivan Duarte. Mr. Duarte is an alternate member of the Company's Fiscal Council as a nominee of shareholder Novonor S.A. Mr. Duarte is an officer of Kieppe Participações e Administração Ltda. since January 2016, which company is part of the same economic group of the issuer and indirectly holds more than 5% of its capital stock. Previously, Mr. Duarte acted as manager of KPMG - Auditores Independentes, from 1995 to 2001, when he became senior manager at PricewaterhouseCoopers Auditores Independentes until 2008. Between 2008 and 2015, Mr. Duarte was an officer of EAO Empreendimentos Agropecuários e Obras S.A., which company belongs to the Novonor Group, which operates in the Agricultural and Food and Drinks industries. Mr. Duarte holds a graduate degree in Accounting from Universidade de Salvador (UNIFACS) and an MBA in Corporate Finance from Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) and an MBA in Entrepreneurship from Babson College (Boston/USA).

Tatiana Macedo Costa Rego Tourinho. Ms. Macedo is an alternate member of the Company's Fiscal Council as a nominee of shareholder Novonor S.A. Ms. Macedo is currently responsible for the controllership of OEC (Odebrecht Engenharia e Construção). Ms. Macedo previously worked as Tax Planning Responsible Person of Construtora Norberto Odebrecht S.A. ("CNO"). In the period from 2000 to April 2007, Ms. Macedo worked in the tax area of VIVO S/A of the telephony industry, where she held office as Tax Planning Division Manager. She previously worked at Arthur Andersen for 2 years. Ms. Macedo holds a Public and Private Business Administration degree from Universidade Federal da Bahia and an MBA in Management from IBMEC. Ms. Macedo does not hold management office in any non-governmental organization.

Viviana Cardoso de Sá e Faria. Ms. Cardoso is an alternate Member of the Company's Fiscal Council as a nominee of the shareholder shareholder Petróleo Brasileiro S.A. – Petrobras. Ms. Viviana Cardoso de Sá e Faria is currently a Coordinator-Master Economist at Petróleo Brasileiro S.A. - Petrobras, having previously occupied other positions at the same company (since January 16, 2007). She has worked as Fiscal Councilor at Braskem S.A. and Petrocoque S.A. Indústria e Comércio – PETROCOQUE and as Alternate Fiscal Councilor at Petrobras Distribuidora S.A. and at Companhia de Gás do Estado de Mato Grosso do Sul - MS GÁS. She also previously worked at the Brazilian Association of Electricity Distributors (ABRADEE), as a Strategic Affairs Coordinator; at the Brazilian Center of Infrastructure (CBIE), as Head of the Energy Department; and at Banco Votorantim, as a Trainee in the Commercial Department (Companies and Pension Funds). She was a professor at Universidade Candido Mendes (UCAM), teaching courses Micro I and II (Economics) and Project Finance (Law) (August/2000 – December/2003) and Regulation Economy at MBP – Executive Graduate Degree in Oil and Natural Gas (January/2000 – December/2002). She has a degree in Economics by UFF - Universidade Federal Fluminense (August/1993 – December/1997); A master's degree in Strategic and Environmental Planning, with emphasis on Power Savings, Economic Regulations and Project Finance by PPE/COPPE/UF RJ (March/1999 – February/2003); A graduate degree in Tax Management by the Law Institute: PUC-Rio (March/2009 – June/2010); and an extension course on "Comparative Tax Policy and Administration" by the Harvard Kennedy School (August/2014).

Pedro Albuquerque Zappa. Mr. Zappa is an alternate member of the Company's Fiscal Council as a nominee of the shareholder Petróleo Brasileiro S.A. – Petrobras. Mr. Pedro Albuquerque Zappa is currently a Segment Manager - Senior Economist at Petróleo Brasileiro S.A. - PETROBRAS, having previously occupied other positions at the same company (since July 3, 2006). He is currently the Vice-President (Directorio) at Petrobras Frade Inversiones (PFISA), Managing Director A at Petrobras Global Trading BV (PGT), Managing Director A at Petrobras Middle East BV (PEMID) and Fiscal Councilor at Petrocoque S.A. Indústria e Comércio – PETROCOQUE, having previously worked as Fiscal Councilor at Petrobras Negócios Eletrônicos S.A. and Deten Química S.A., in addition to Alternate Fiscal Councilor at Muricy – Energética Camaçari Muricy I, Guarani S.A., Companhia de Gás do Amapá – GASAP and Suzano Petroquímica. He has also worked at ITAU as an Analyst. He has a degree in Economic Sciences by UFRJ (2001 – 2005) and a master's degree in Corporate Finance and Economy by FGV-RJ (2008 – 2010), having also undertaken training at IBGC (2009).

Reginaldo Ferreira Alexandre. Mr. Alexandre is an alternate member of the Company's Fiscal Council as a nominee of the minority shareholders. He holds a graduate degree in economics and has eighteen years of experience in the area of investment analysis, as analyst, organizer and officer of analysis teams, having held these offices, successfully, in Citibank, Unibanco, BBA (current Itaú-BBA) and Itaú Corretora de Valores. He has also worked as corporate credit analyst (Citibank) and as advisor in the strategy (Accenture) and corporate finance (Deloitte) areas. He also worked for ProxyCon Consultoria Empresarial, a company engaged in advisory and provision of services in the capital markets, finance and corporate governance areas between 2003 and 2017. He is a member of the Accounting Pronouncements Committee (CPC - *Comitê de Pronunciamentos Contábeis*) – which body formulates the Brazilian accounting standards – since its foundation, in 2005. Vice-Coordinator of Institutional Relations of the CPC. Certified investment analyst (CNPi). Securities manager authorized by the CVM. Fiscal Council Member Certified by the IBGC. Director of Mahle Metal Leve S.A. (he took office in June 2017 and was reelected in April 2018, April 2019 and May 2020). He is currently an effective member of the Fiscal Councils of the following publicly-held companies: Cia. de Saneamento do Paraná – Sanepar; Cia. Energética de Brasília – CEB; Rumo S.A.; Ser Educacional S.A.; Cia. Saneamento Básico do Estado de S. Paulo - Sabesp; and alternate member of the boards of directors of the following publicly-held companies: Bradesco S.A. ; CPFL Energia S.A.; Fras-Le S.A. He also worked as member of the Audit Committee of Parapanema S.A. (2017) and of the Fiscal Councils of the following companies: Petrobras S.A.; Iochpe Maxion S.A.; BRF S.A.; Aliance Shopping Centers S.A.; Cremer S.A.; Movida S.A.; Tecnisa S.A.; Paraná Banco S.A.; Tele Norte Celular Participações S.A.; Unipar Carbocloro S.A.; Bradespar S.A. (alternate member); Companhia Siderúrgica Belgo-Mineira, currently Arcelor Mittal (alternate member); Grendene S.A. (alternate member); Indústrias Romi (alternate member); Graziotin S.A. (alternate member); SLC Agrícola (alternate member). He is the former president of the Brazilian Association of Capital Market Analysts and Investment Professionals – APIMEC (*Associação Brasileira de Analistas e Profissionais de Investimento do Mercado de Capitais*), former president of the Brazilian Association of Capital Market Analysts and Investment Professionals – APIMEC (*Associação Brasileira de Analistas e Profissionais de Investimento do Mercado de Capitais*), São Paulo section. He was one of the authors of the Brazilian Corporate Governance Code - Publicly-Held Companies. He has been a member of the Governance Committee of State-Owned Companies of B3. He is a member of the Fiscal Council of the São Paulo Museum of Modern Art – MAM and former member of the Acquisitions and Mergers Committee – CAF.

Board Committees

On August 8, 2018 our board of directors approved its internal operating rules (which has been recently updated on October 14th, 2020), as well as the board committees' internal rules (which have been recently updated on March 19th, 2020). An English translation of the internal operating rules of our board of directors and its committees is available on our investor relations website at www.braskem-ri.com.br. Under these rules our bylaws and the shareholders' agreement, our board of directors has established four permanent committees and has the power to establish ad-hoc committees. Permanent committees must have at least three and no more than five members. Ad-hoc committees may be convened for a limited period to consider temporary issues and are dissolved when their purpose has been achieved or when the term established upon the creation of such committees expires. The number of members of the ad-hoc committees is defined upon the creation of such committees.

We currently have the following four permanent committees: (1) the Finance and Investment Committee, (2) the Personnel and Organization Committee, (3) the Strategy and Communication Committee and (4) the Compliance Committee. The duties of each permanent committee are established in their respective bylaws, all approved by our board of directors. The members of each permanent committee are appointed by the chairman of the board and approved by our board of directors, solely from among its members and alternate members, being the committee's coordinators appointed by the chairman of the board of directors. Our board of directors does not delegate the power to take actions on behalf of our Company to the permanent committees; rather the role of the permanent committees is to examine certain matters in order to assist in deliberations under the board of directors' responsibility.

Finance and Investment Committee

Our Finance and Investment Committee meets at least quarterly and has its duties fixed at its Internal Rules, such as: (1) to evaluate new policies relating to financial management, insurance and guarantees and analyze existing policies, (2) to evaluate new risk management policies and analyze existing policies, (3) to analyze opportunities related to financing and investment transactions that may improve our capital structure, (4) to propose to the chairman the criteria for the annual assessment of the board and its support committees, and of the board secretariat and (5) to analyze guidelines and protocols for our business planning execution cycle. Our Finance and Investment Committee is currently composed of Mrs. João Pinheiro Nogueira Batista (coordinator), Mrs. Rogério Bautista da Nova Moreira, Mrs. Marcelo Klusza, Mrs. Marcelo Rossini de Oliveira and Mrs. Daniel Pereira de Albuquerque Ennes.

Personnel and Organization Committee

Our Personnel and Organization Committee conducts work meetings at least five times per year and has the following duties: (1) to evaluate new policies and review existing policies relating to personnel matters and organizational issues, (2) to analyze processes relating to identification, training, development and succession of executives for or in strategic positions, (3) to analyze processes relating to the determination of fixed and variable compensation for executives in strategic positions, and (4) to evaluate new policies and review existing policies relating the maintenance and strengthening of our corporate culture. Our Personnel and Organization Committee is currently composed of Mrs. Andrea da Motta Chamma (coordinator), Mr. André Amaro da Silveira and Mr. Roberto Faldini.

Strategy and Communication Committee

Our Strategy and Communication Committee meets quarterly and has the following duties: (1) to evaluate determinations relating to the foundation of our business plan, (2) to evaluate the business direction being pursued to achieve objectives defined by our board of directors, (3) to evaluate new policies and review existing policies relating to the capital markets and social responsibility, (4) to evaluate our image projected to and perceived in the market and make recommendations to our board of directors to maintain or to redefine our social communications programs, and (5) to analyze guidelines and protocols for our business planning and execution cycle. Our Strategy and Communication Committee is currently composed of Mr. João Cox Neto (coordinator), Mr. José Mauro Mettrau Carneiro da Cunha and Mr. Roberto Lopes Pontes Simões.

Compliance Committee

On May 4, 2016, our board of directors approved the constitution of the Compliance Committee, to monitor internal controls and risk exposure and to supervise the preparation of financial reports, without prejudice to the legal duties designated to our fiscal council.

The Compliance Committee is a statutory committee which meets at least every two months and has at least three independent members of the Board of Directors, chosen by the Board itself pursuant to the nomination made by the chairman of the Board, being one of the nominees indicated as the coordinator of the Compliance Committee, and its main objectives are to (1) evaluate internal controls, risk exposure and compliance with applicable laws and regulations, (2) monitor investigations related to ethics complaints, (3) approve and periodically update the Compliance System Policy, the Anticorruption Policy and the Related Party Transactions Policy, and (4) develop training programs for board members, senior managers and certain employees. Our Compliance Committee is currently composed of Mr. Julio Soares de Moura Neto (coordinator), Mr. Gesner José de Oliveira Filho, and Mr. Paulo Roberto Vales de Sousa.

Our chief compliance officer, or CCO, has a full-line report directly to the Compliance Committee, and dotted-line report to the CEO of the company. Our CCO exercises independent judgment and acts in an impartial manner. Our CCO is responsible for developing a compliance system, assist the CEO in implementing the compliance system and continually monitor developments in this respect. Our CCO is also responsible the global activities: Internal Audit, Corporate Risk Management, Internal Controls, Compliance and Data Protection.

Everson Bassinello. Mr. Bassinello has served as our CCO since August 2016 and has led our global initiatives related to risk management, internal controls, compliance, data protection and internal audit. He served in leadership positions at Companies of the Votorantim Group, including VCP and Fibria between June 2000 and July 2016. Mr. Bassinello holds a degree in mechanical engineering from Universidade Federal de Itajubá (UNIFEI), a graduate degree in business administration from Fundação Getúlio Vargas (FGV), an MBA degree from the Business School São Paulo (BSP) and a specialization degree in corporate governance from the Kellogg School of Management.

Ethics Committee

Our Ethics Committee supports our Compliance Committee with matters involving the violation of the commitment to Ethics, Integrity and Transparency. Our Ethics Committee is formed by our Chief Compliance Officer, who is also its coordinator, and three additional members: vice-presidents in our Legal, People & Organization and Finance areas. The main objectives of our Ethics Committee are to (1) evaluate the results of internal investigations of ethics complaints, (2) submit to the Compliance Committee proposed revisions to Code of Conduct, and (3) provide guidance on questions of ethical conduct and ensure consistent evaluation and treatment of ethical matters.

Compensation

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our board of directors, our board of executive officers and our fiscal council. Our shareholders determine this aggregate compensation at the general shareholders' meeting each year. Once aggregate compensation is established, the members of the board of directors are responsible for distributing such aggregate compensation individually to the members of our board of directors, our board of executive officers and our fiscal council in compliance with our by-laws.

Compensation and Benefits

The aggregate compensation payable by us in connection with the year ended December 31, 2020 to all members of our board of directors, board of executive officers and our fiscal council for services in all capacities was R\$67.5 million in 2020, R\$63.3 million in 2019 and R\$53.8 million in 2018. On April 13, 2021, at our annual general shareholders' meeting, our shareholders established the compensation for our board of directors, our board of executive officers and the members of our fiscal council for the year 2021 of R\$73.5 million.

The members of the board of directors receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The coordinators and members of the committees, according to the responsibilities and participation in each committee receive differentiated monthly fees.

The members of the fiscal council receive a fixed monthly compensation, which is not affected by the numbers of meetings that take place each month. The alternate members of the board of directors and of the fiscal council do not receive any compensation.

Our executive officers receive a fixed monthly, an annual variable compensation and the same benefits generally provided to our employees, such as medical (including dental) assistance, private pension plan and meal voucher. Members of our board of directors and fiscal council are not entitled to these benefits.

Members of our board of directors, board of executive officers and fiscal council are not parties to contracts providing for benefits upon the termination of employment other than, in the case of executive officers, the benefits described above.

Long-Term Incentive Plan

At an extraordinary general meeting held on March 21, 2018, or the March 21 Meeting, our shareholders approved the Restricted Share Award Plan, or the Incentive Plan. The Incentive Plan establishes the general terms and conditions for the granting of certain restricted shares in our Company to eligible employees.

Eligibility

Persons who are legally employed by us or the companies controlled by us, including officers and non-officers approved by our board of directors, may participate in the Incentive Plan upon execution of an award agreement (such persons, the "participants").

Administration

Our board of directors administers the Incentive Plan. Our board of directors has, subject to the general conditions of the Incentive Plan and the yearly programs that may be created, approved and / or cancelled by our board of directors and by the governing bodies of the companies controlled by us, as applicable, in observance of the terms and conditions of the Incentive Plan (such programs, the "Programs"), and the guidelines fixed by the March 21 Meeting, and to the extent fully permitted by law and under our by-laws, full powers to take all measures required and convenient for management of the Incentive Plan and such Programs, including (i) approving the eligible persons, and authorizing the grant of Restricted Shares on such persons' behalf on the terms and conditions set forth in the corresponding award agreements; (ii) authorizing the disposal or grant of treasury shares to satisfy the delivery of the Restricted Shares under the Incentive Plan, the applicable award agreements and applicable laws and regulations, and (iii) approving objective criteria for the acquisition, by us or companies controlled by us of the Restricted Shares to be delivered to the participants. Our board of directors and the governing bodies of the companies controlled by us, as applicable, may annually approve the grant of Restricted Shares within the scope of each Program, and will determine the eligible persons on whose behalf the Restricted Shares may be granted under the Incentive Plan and such respective Program.

Restricted Shares

The grant of Restricted Shares will be made upon and subject to the execution of award agreements pursuant to the Incentive Plan. Participants may receive shares and/or depositary receipts representing shares issued by us negotiated abroad, representing at most one and a half percent (1.5%) of our entire share capital on the date of the Incentive Plan, subject to adjustment as set forth in the Incentive Plan.

The grant of Restricted Shares is contingent upon the (i) voluntary acquisition by the participants of shares or depositary receipts issued by us (the “Owned Shares”) at the participants’ own expense, from the stock exchanges where such shares are traded within a period of time set out in the applicable award agreements for the acquisition of such Owned Shares and (ii) participants’ continuous employment with us for three years and maintaining uninterrupted ownership of Owned Shares during such time (such three year period, the “Waiting Period”). The minimum investment amount is 10% of the planned gross amount of participants’ short-term income pursuant to our annual profit sharing program, and the maximum investment amount is 20% of such amount.

The target of the Incentive Plan is to award for each one (1) Owned Share two (2) Restricted Shares. However, our board of directors may define, in an exceptional and justified manner as set forth in the Incentive Plan and pursuant to the terms and conditions of the applicable award agreements, for each Program, a different number of Restricted Shares to be delivered for each Owned Share, in compliance with the minimum of one (1) Restricted Share and the maximum of three (3) Restricted Shares for each one (1) Owned Share, based on an analysis by our board of directors in its sole discretion.

Change of Control

In the event of (i) a Change of Control of our Company (as defined in the Incentive Plan), (ii) a holding of a public offer of closing of our capital (i.e., a “going private” transaction), or (iii) a corporate restructuring that results in a significant decrease of the liquidity of the Restricted Shares, in comparison with the average price and volume traded over the six (6) months prior to the corporate restructuring, the participants will be entitled to receive within sixty (60) days from the occurrence of any of the events set forth in clauses (i) through (iii): (a) all vested Restricted Shares whose rights have vested in the participants, even if the Restricted Shares have not been effectively transferred by us or companies controlled by us; and (b) all unvested Restricted Shares which will become fully vested as a result of automatic vesting acceleration.

Vesting

Under the Incentive Plan, full vesting of the Restricted Shares is contingent upon participants continuously remaining employed by us and maintaining uninterrupted ownership of Owned Shares, in each case, during the Waiting Period.

Termination from the Company

In the event of a termination of a participant for (i) dismissal by us and / or by the companies controlled by us without cause, (ii) removal from the manager position without violation of their duties and responsibilities, or (iii) transfer of the participant to occupy a position in a company in the same group as ours, which is not a participant in the Incentive Plan, the participant will be entitled to receive (a) the vested Restricted Shares, and (b) a pro rata number of unvested Restricted Shares, calculated based on the number of complete months in which such participant worked for us or a company controlled thereby relative to the number of months in the Waiting Period, with the remaining Restricted Shares being automatically terminated on such participant’s termination date, by operation of law, regardless of prior notice or warning, and with no right whatsoever of indemnification to such participant. The delivery of the Restricted Shares to such participant will be made on the original delivery dates (unless delivered earlier in our exclusive direction to the extent permitted under the applicable award agreement).

In the event of a termination of a participant (i) upon dismissal for cause or removal from office due to a violation of the duties and responsibilities of a manager, (ii) upon request from such participant (including redundancy / voluntary solicitation or resignation) or (iii) any event of retirement that is not a mutually agreed retirement, such participant will lose any and all rights connected to the Restricted Shares under the Incentive Plan or under any program or award agreement in connection therewith, which will be automatically terminated on the termination date of such participant.

In the event of a termination of a participant by reason of a retirement mutually agreed by such participant and us or companies controlled by us, such participant will be entitled to receive (a) the vested Restricted Shares; and (b) the entirety of the unvested Restricted Shares. The delivery of the Restricted Shares to such participant will be made on the original delivery dates (unless delivered earlier in our exclusive direction to the extent permitted under the applicable award agreement).

In the event of a termination of a participant due to (i) death or (ii) permanent disability, the legal heirs or successors or the legal representative will be entitled to receive, within sixty (60) days from such event: (a) the vested Restricted Shares of such participant; and (b) all unvested Restricted Shares.

Adjustments of Awards

In the event of change to the number, nature or class of our shares as a result of bonus, splitting, reverse split, or conversion of shares into other nature or class, or conversion of other securities issued by us into shares, our board of directors will assess the need to make adjustments to the Incentive Plan, the applicable and the award agreements in connection therewith, so that the relationship between the parties remains balanced without any material windfall or detriment to the participants.

Amendments and Termination

Our board of directors may propose any amendments to the Incentive Plan and, in case necessary, submit such amendments for approval in an extraordinary general meeting. The Incentive Plan will remain in force until the delivery of the Restricted Shares granted pursuant to award agreements executed in the fifth year of the - Plan.

The right to receive the Restricted Shares under the Incentive Plan and applicable program and award agreement in connection therewith will automatically terminate with no right to indemnification, ceasing all effects, if we are wound up, liquidated or adjudicated bankrupt.

Corporate Governance Practices

The significant differences between our corporate governance practices and the standards of the NYSE are described in "Item 16G. Corporate Governance."

Share Ownership of Directors and Officers

As of the date of this annual report, no member of Braskem's board of directors or executive officer owned more than 0.1% of Braskem's share capital. All shares owned by our directors and executive officers were purchased at market prices through the B3.

Employees

The following table sets forth the number of our employees by geographic location at the end of each year indicated.

Number of Employees by Geographic Location	2020	2019	2018
State of Bahia	1,593	1,637	1,692
State of Rio Grande do Sul	1,528	1,537	1,589
State of São Paulo	2,027	1,971	1,978
State of Alagoas	554	511	512
State of Rio de Janeiro	384	389	397
Other Brazilian states	2	5	5
Brazil	6,088	6,050	6,173
United States	764	759	754
Germany	151	202	188
Mexico	831	830	812
Other countries	159	99	81
Total	7,993	7,940	8,008

We do not employ a material number of temporary employees.

In March 2020, in view of the progression of the COVID-19 outbreak, we formed a crisis committee with the aim of establishing global procedures focusing on the health of our team members and the continuity of our operations. We have taken the following measures, among others: (i) recommended that all team members and contractors work remotely; (ii) established a minimum team in industrial areas to ensure safety and operational continuity matters; and (iii) prohibited all national and international business travel, apart from exceptional cases.

Employees in Brazil

In Brazil, both employees and employers have the right to organize into unions. Employees belong to a specific “professional category” and employers constitute a specific “economic category” and they may be represented by a single union in a particular geographic area. Individual unions generally belong to statewide union federations, which in turn belong to nationwide union confederations. Braskem is part of the Petrochemicals and Synthetic Resins Industries Union of the States of Bahia, Alagoas, Rio de Janeiro, Rio Grande do Sul and São Paulo, and our employees are organized within the Petrochemicals Industries Workers’ Unions in each of these states. As of December 31, 2020, 26,15% of our employees in Brazil were union members.

Braskem maintains a good relationship with the employee union. We have not experienced a strike in Brazil since Trikem was privatized in 1995. In general, our current collective bargaining agreements and conventions establish, with each trade union, clauses valid for up to two years, being able to negotiate economic clauses annually. The clauses of collective labor instruments signed with the unions cover all Members, whether they are union members or not.

Post-Employment Benefits

Vexty Defined Contribution Plan

The majority of our employees (91,5%) participate in the Vexty Pension Plan (former Odebrecht Previdência). We pay part of the monthly payments made by our employees to Vexty. This pension fund is a defined contribution plan that pays pension and retirement amounts that supplement those paid by the Brazilian government’s pension system and are intended to provide its members with income upon retirement. In 2020, we paid R\$45.7 million into this fund.

Other Benefits in Brazil

Our employees in Brazil and their dependents receive medical and dental assistance through a network of accredited doctors in an insurance company. We pay most of the costs for these services, with a small monthly portion being paid by our employees. A small fee is also charged to our employees according to the use of some medical services (copayment system). In 2020, we spent R\$105.4 million on this benefit.

Employees in the United States

The employees of Braskem America are not represented by any union, other than employees of Braskem America Neal, West Virginia plant. As of December 31, 2020, 30.5% of the employees of this plant were represented by the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy Allied-Industrial & Service Workers International Union. The collective bargaining agreement with this union expires on May 3, 2023.

Post-Employment Benefits in the United States

Braskem America administers a closed defined benefit pension plan and during 2020 there were 37 active participants, compared to 38 participants in 2019. Additionally, for 2020 there were 151 employees with deferred benefits along with 170 employees receiving benefits as stated within the current year actuarial report. Due to the current funding levels of the pension plan, Braskem America was not required to contribute to the plan during the 2020 plan year and, as a consequence, there were no additional cash contributions made in 2020. Additionally, there were no participant contributions in 2020.

We offer a 401(k) savings plan, which, as of December 31, 2020, had total assets of R\$880.3 million (US\$169.4 million), including R\$44.7 million (US\$8.6 million) in participant contributions made in 2020.

Other Benefits in the United States

Braskem America offers its employees the ability to participate in a variety of health and welfare benefit plans, including medical, dental vision, life and disability coverage.

Employees in Germany

Employees of Braskem Europe GmbH in Germany are not represented by any union. However, they are represented by local works councils (*Betriebsrat*).

Post-Employment Benefits in Germany

Pension Plan Germany

In October 2011, the obligations of Dow under German pension plans were assumed by Braskem Europe as a result of the Dow Polypropylene Acquisition. In 2013, Braskem Europe implemented a new defined contribution pension plan. As of the date of this annual report, we have 41 active participants in this new pension plan.

Other Benefits in Germany

Braskem GmbH offers its employees the ability to participate in benefit plans, including pension, life and disability coverage.

Pension plan Netherlands

In the Netherlands, Braskem started a pension plan in 2009 with Delta Lloyd in a defined contribution scheme. Participation is mandatory for locals that reside in NL. As of the date of this annual report, we have 95 active participants in the plan.

Other Benefits in the Netherlands

Braskem BV offers its employees the ability to participate in benefit plans, including pension, life and disability coverage, health insurance (by reimbursement).

Employees in Mexico

Post-Employment Benefits in Mexico

Braskem Idesa employees are granted a government retirement benefit plan when they retire or reach retirement age. On December 31, 2020, all of the 831 employees of Braskem Idesa were active participants in this government retirement plan. In May 2018, Braskem Idesa implemented a private pension plan (defined benefit obligation); by the end of 2019 we had the participation of 362 employees, and by the end of 2020, we had the participation of 381 out of 825 employees.

Other Benefits in Mexico

Braskem Idesa offers other benefits, including saving plans, food coupons, meals vouchers, canteen, and life and health insurance.

Performance-Based Employee Compensation Plan

We have adopted and applied a personnel management philosophy which emphasizes a performance related pay structure and a decentralized management structure. Employees in each of our business units participate in setting and achieving their business unit's annual objectives. As a result, employees in those business units that meet or exceed their goals share in our financial performance through performance-based employee compensation plans. During 2020 and 2019, we recorded expenses of R\$487 million and R\$320.5 million, respectively, related to this program with respect to 8,362 employees and former employees, including our executive officers. The members of our board of directors do not participate in this program.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

As of December 31, 2020, we had a total share capital of R\$8,043,222, equal to 797,218,554 total shares, consisting of 451,668,652 common shares, 345,049,672 class A preferred shares and 500,230 class B preferred shares. As of December 31, 2020, all of our authorized shares were issued and outstanding, other than 1,224,878 class A preferred shares held in treasury. All of our share capital is fully paid. All of our shares are without par value.

Generally, only our common shares have voting rights. Our preferred shares have voting rights only in exceptional circumstances.

As permitted by the Brazilian Corporate Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders' equity. Under our by-laws, our preferred shareholders are entitled to an annual non-cumulative preferential dividend, or the Minimum Preferred Dividend, equal to 6% of their *pro rata* share of our capital before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the Minimum Preferred Dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

The following table sets forth information concerning the ownership of our common shares and class A preferred shares as of January 31, 2021 by each person whom we know to be the owner of more than 5.0% of our common shares and our class A preferred shares, and by all of our directors and executive officers as a group. Our principal shareholders have the same voting rights with respect to each class of our shares that they own as other holders of shares of that class.

	Common Shares		Class A Preferred Shares		Total	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Novonor	226,334,623	50.1	79,182,498	22.9	305,517,121	38.3
Petrobras	212,426,952	47.0	75,761,739	22.0	288,188,691	36.1
Norges Bank	—	—	20,292,226	5.9	20,292,226	2.5
Alaska Investimentos Ltda .	—	—	18,464,800	5.4	18,464,800	2.3
All directors, fiscal council members, their alternates and executive officers as a group (35 persons)	722	*	237,767	*	238,489	*

(*) Less than 1%

We currently have no management or employee option plans or management or employee options outstanding, we have only the Long-Term Incentive Plan described above. See "Item 6. Directors, Senior Management and Employees—Compensation—Long-Term Incentive Plan."

Shareholders' Agreements

Braskem S.A. Shareholders' Agreement

Novonor, formerly called Odebrecht, OSP Inv., Petrobras and Petroquisa, with Braskem and BRK as intervening parties, entered into the Braskem S.A. Shareholders' Agreement, effective February 8, 2010, which has a term of 35 years. The Braskem S.A. shareholders' agreement superseded the Shareholders' Agreement that formerly governed the relationship between Petrobras, Petroquisa, Novonor and Norquisa regarding our shares.

Under the Braskem S.A. Shareholders' Agreement Petrobras has the right to designate:

- four members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital;
- three members of our board of directors and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital;
- two members of our fiscal council and their alternates, one of which will serve as president, for so long as they own, directly or indirectly, an aggregate of 30% or more of our voting share capital; and
- two members of our fiscal council and their alternates for so long as they own, directly or indirectly, an aggregate of 18%, but less than 30%, of our voting share capital and for so long as Novonor has the right to elect more than a majority of the members.

For as long as Petrobras has the right to designate three or four members of our board of directors, one of these designees will serve as vice president of our board of directors.

Under the Braskem S.A. Shareholders' Agreement, Novonor is entitled to nominate our chief executive officer. Our chief executive officer must choose our chief financial officer from among three nominees submitted by Novonor and the executive officer responsible for our investment and portfolio area from among three nominees submitted by Petrobras. Our chief executive officer has the power to nominate the other members of our board of executive officers. After these nominations, the officers will be elected at a board of directors' meeting.

Under the Braskem S.A. Shareholders' Agreement, Novonor has the sole power to approve our business plan. However, for so long as Petrobras owns, directly or indirectly, an aggregate of less than 30% and more than 18% of our voting share capital, we are prohibited from taking certain strategic actions unless a consensus regarding those actions is reached between Novonor and Petrobras, including, among others:

- actions affecting our share capitalization or the rights of holders of our shares;
- mergers, spin-offs or similar transactions;
- investments and purchases of non-current assets with a value in excess of 30% of our non-current assets;
- dispositions of non-current assets with a value in excess of 10% of our non-current assets;
- creation of liens on our non-current assets with a value in excess of the lesser of R\$350 million and 20% of our non-current assets; and
- actions that would result in our violating specified net debt to EBITDA and EBITDA to total interest ratios.

Under the Braskem S.A. Shareholders' Agreement, we have agreed that investments that we make to increase our capacity must be supported by an evaluation demonstrating profitability under standards such as net present value or internal rate of return. Petrobras has granted a right of first refusal to us with respect to development of any petrochemical project that Petrobras proposes to pursue. In the event that we decide not to participate in any such proposed project, Petrobras has agreed that we will have the right to market the products produced by the proposed project on conditions satisfactory to us and Petrobras.

Under the Braskem S.A. Shareholders' Agreement, Petrobras has the right to sell a pro rata portion of their common shares of us in connection with any direct or indirect sale of our common shares by the Novonor Group to a third party.

Under the Braskem S.A. Shareholders' Agreement, each of the parties has agreed:

- subject to certain exceptions, not to grant any liens on any of its Braskem shares held by each of them; to grant a right of first refusal and tag along rights to the other parties to the Braskem S.A. Shareholders' Agreement with respect to any sale of its Braskem shares;
- in the event that a party's interest in our voting share capital is diluted in a transaction involving one or more of the other parties to the Braskem S.A. Shareholders' Agreement, the diluted party will have the right to purchase shares of Braskem from the diluting parties in an amount that would, after giving effect to such purchase, result in the diluted party holding the same percentage interest in our voting share capital that it held immediately prior to the dilution event; and
- in the event that any party acquires or receives a right to acquire common shares of Braskem from a third party, to offer to sell to the other parties to the Braskem S.A. Shareholders' Agreement an amount of common shares of Braskem that would, after giving effect to such sale, result in each of the parties to the Braskem S.A. Shareholders' Agreement holding the same direct and/or indirect proportion of the common shares of Braskem that the parties held prior to the acquisition of common shares of Braskem from the third party.

In 2016, OSP Inv. entered into agreements with certain financial institutions, through which OSP Inv. granted all shares issued by Braskem and held thereby in guarantee.

On July 18, 2017, our shareholders, Petrobras and Novonor, have entered into negotiations to revise the terms and conditions of the Braskem S.A. Shareholders' Agreement to improve our corporate governance and the ownership relationship among the parties, with the goal of creating value for all our shareholders.

On May 25, 2018, we became aware that OSP Inv. gave all of the shares issued by Braskem and held by it as a guarantee in connection with financing operations, by means of a fiduciary assignment (*alienação fiduciária*).

On October 24, 2018, we were informed by OSP Inv. about the execution of an amendment to the shareholders' agreement of February 8, 2010, to extend tag along rights pursuant to clause 7.12 of such agreement to preferred shares held by Petrobras S.A.

On January 31, 2019, we were informed by Novonor S.A., then called Odebrecht S.A., our indirect controlling shareholder, of the corporate reorganization approved by the Novonor Group on December 31, 2018, with the main purpose of segregating its businesses, whereby all common and preferred shares issued by Braskem and held by OSP Inv., and all liabilities (comprised of the purchase and Sale agreement of debentures no. 16.2.0023.1, entered into on March 16, 2016 between BNDES Participações S.A. – BNDESPAR and OSP Inv., and other intervening parties, as amended) and the other operating activities of OSP Inv. have been merged into OSP Investimentos S.A. Considering that the corporate reorganization took place within the Novonor Group, Novonor S.A. continues to be Braskem's indirect controlling shareholder.

Related Party Transactions

As provided for in our bylaws, our board of directors has the exclusive power to decide on any contract with related parties that exceeds the amount of R\$20 million per transaction or R\$60 million in the aggregate, per fiscal year. This is valid for contracts between Braskem and its subsidiaries and: (i) direct or indirect subsidiaries of Braskem in whose capital an interest is held by the controlling shareholder, by any direct or any of their indirect subsidiaries or by key personnel of such entities; (ii) affiliates of Braskem and subsidiaries of such entities; and (iii) joint ventures in which Braskem participates and any of their subsidiaries.

Pursuant to the Brazilian Corporate Law, officers and directors are prohibited from: (i) entering into any transaction using the company's assets and in its detriment; (ii) intervening in any operations in which these officers and directors have a conflict of interest with the company or in resolutions in which they participate; and (iii) receiving, based on their position, any type of personal advantage from third parties, directly or indirectly, without first obtaining an authorization pursuant to our bylaws or at a shareholders' meeting.

As part of our controls to identify related parties, we require key personnel to annually inform whether they, or their close relatives, hold full or shared control of any company.

Under the Brazilian Corporate Law, each of our directors, their alternates and our executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair terms and conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties. In addition, pursuant to our Policy on Ethics, Compliance and Transparency none of our shareholders or any other individual with authority over our activities may participate in the negotiation and decision-making process of a transaction in which they have a conflict of interest.

We have engaged in extensive transactions with our principal shareholders and their affiliates and we expect to continue to do so in the future. We also have commercial relationships with some of our affiliates and, as a result, record trade accounts receivable and current and long-term liabilities mainly from purchases and sales of goods and services at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. In addition, we have entered into financial and other transactions with our principal shareholders and their affiliates, including, among others, as a party to three shareholders' agreements or memoranda of understanding with our shareholders. See “—Major Shareholders—Shareholders' Agreements.”

The following summarizes the material transactions that we have engaged in with our principal shareholders and their affiliates since January 1, 2020.

The Novonor Group (formerly called Odebrecht Group)

Alliance Agreement

In May 2014, we entered into an alliance agreement with CNO, or the Alliance Agreement, under which we have appointed CNO as a non-exclusive provider with respect to maintenance services and efficiency enhancement projects at each of our plants. This agreement was unanimously approved by our board of directors. The services are contracted through Specific Activity Agreements (*Termo de Atividade Específica*), or TAE, which are signed for each specific service or project. The amount of each TAE includes all costs to be incurred with the performance of the services to be rendered by CNO, including any costs with third parties that may be contracted to provide materials and services, as well as CNO's compensation. CNO's compensation for the execution of the TAE's under the Alliance Agreement is capped at R\$121 million, calculated as a percentage of the value of the agreement, subject to bonuses and discounts in accordance with certain metrics.

The aggregate amount of services we purchased under the Alliance Agreement was R\$0.18 million in 2020 and R\$2.8 million in 2019.

The Alliance Agreement was terminated in May 2018. Specific activity agreements entered into until this date will continue to produce effects until the fulfillment of their scope.

Industrial Maintenance, Operation and Loads Machines Maintenance Services

In December 2017, we entered into an industrial maintenance services agreement with CNO, assigned to Tenenge Montagem e Manutenção Ltda on July 2020, that encompassed boilers and the welding of tubing and static equipment, as well as operational and maintenance services on cargo machinery to be performed at the Braskem Units located in Rio Grande do Sul. The agreement has an estimated maximum amount of R\$120 million and is valid through December 2021.

The aggregate amount of services purchased under this agreement was R\$16.7 million in 2020.

Furnaces, Boilers and Tanks Maintenance

In 2019, we conducted a bid process that selected Tenenge Montagem e Manutenção Ltda as a non-exclusive provider of maintenance services and efficiency enhancement projects for furnaces, boilers and tanks at each of our industrial plants. Such agreement was unanimously approved by our board of directors in December 2019. Services to be provided under this agreement were contracted through pre-defined maintenance scopes and a list of unit prices per activity. TENENGE's compensation for the execution of the services under the agreement is capped at R\$669.0 million. The agreement became effective in February 2020 and is valid until January 2027.

The aggregate amount of services purchased under this agreement was R\$45.4 million in 2020.

Acquisition of Cetrel

In October 2012, we entered into an agreement with Cetrel for the purchase of 4 million cubic meters per year of recycled water by sites located in the Industrial Pole of Camaçari. The agreement expires in April 2028 and has a total value of R\$120.0 million. In July 2016, we entered into a services agreement with Cetrel under which we appointed Cetrel as an exclusive service provider for the treatment of liquid effluents produced in our industrial units located at the Camaçari petrochemical complex. Such agreement was initially limited to the maximum amount of R\$77 million and with a term until December 31, 2019, but it was amended in June 2020 to extend its to September 2020 and increase the maximum amount up to R\$78.5 million. The aggregate amount of services we purchased under this agreement was R\$15.3 million in 2019, and R\$15.4 million in 2020. In March 2013, we entered into an agreement for the supply of industrial water with Distribuidora de Águas de Camaçari S.A., incorporated by Cetrel, a subsidiary of Novonor, formerly called Odebrecht. This agreement expires in March 2043 and has an estimated total value of R\$2,250 million. The aggregate amount we purchased under this agreement was R\$92.7 million in 2020.

In December 2017, we entered into a services agreement with Cetrel as a service provider for incineration of hazardous industrial waste produced in our industrial units located at the Camaçari/BA petrochemical complex. Service expenses under the agreement are capped at R\$61 million, and the agreement expires in December 2020. The aggregate amount of services we purchased under this agreement was R\$21 million in 2020.

On January 27, 2017, our board of directors authorized the execution of a purchase agreement with Odebrecht Utilities S.A., through which Braskem undertook to purchase all shares held by the seller in Cetrel S.A., which represented 63.7% of its voting capital, for the aggregate amount of R\$610 million, to be paid upon the consummation of the transaction. The acquisition was approved by relevant shareholders, in accordance with Article 256 of Brazilian Corporate Law in the meeting held on September 29, 2017. This acquisition closed on October 2, 2017, when Braskem acquired 1,269,290 shares, or 63.7%, of the voting capital stock of Cetrel S.A.

Petrobras

Commercial Transactions with Petrobras

We have entered into the following supply contracts with Petrobras:

- An agreement for the purchase and sale of a chain of refinery off gas that Quattor Química S.A. which was merged into Quattor Participações S.A., formerly known as Braskem Qpar, before it merged into us on December 1, 2014 and Petrobras entered into in January 2005. See "Item 4—Information on the Company—Supply Contracts and Pricing of the Chemicals Operations that are Part of our Brazil Segment—Refinery Off Gas" for more information.
- A 20-year propylene supply contract we and Petrobras entered into in May 2008 for our Paulínia plant. See "Item 4—Information on the Company—Raw Materials of Our Polyolefins Operations that are Part of our Brazil Segment—Propylene Contracts with Petrobras and its Subsidiaries" for more information.
- Five propylene supply agreements that Braskem Petroquímica (formerly known as Quattor Petroquímica, which was merged into our Company in November 2017) and Petrobras signed between September 1997 and February 2006. See "Item 4—Information on the Company—Raw Materials of Our Polyolefins Operations that are Part of our Brazil Segment—Propylene Contracts with Petrobras and its Subsidiaries" for more information.

- Braskem S.A. entered into an agreement with Petrocoque S.A. Indústria e Comércio in 2008 for the supply of steam, which was amended in September 2020 to extend its term until March 2021. The amendment implies an additional amount of R\$16.6 million. The aggregate amount throughout the term of the agreement is R\$325.6 million. The aggregate amount we purchased under this agreement was R\$34.1 million in 2020.
- Braskem has handed down a contract from Petrobras and joint-venture Petroquímica Paulínia S.A. (PPSA) pursuant to which Petrobras will supply steam and provide services in connection with the treatment and transport of water, clarified water and hydrogen. This contract is for a term of 20 years and has no global value clause. The aggregate amount of services we purchased under this contract was R\$21.3 million in 2020.
- Braskem has handed down a contract from Petrobras and Rio Polímeros S.A. pursuant to which Petrobras will provide water transportation services. This contract is for a term of 30 years and has no global value clause. The aggregate amount of services we purchased under this contract was R\$5.8 million in 2020.
- A two-year contract, which a 1st Amendment was signed in June 2020, providing for the renewal of the contract for a further period of 44 months after its original term, i.e. until June 2024, for logistics services related to feedstock discharge, storage and transportation in the TEDUT (Terminal Almirante Dutra), part of Southern Complex, between Braskem and Transpetro, entered into in November 2018. The aggregate amount of services related to this contract was R\$53.7 million in 2020.
- A two-year contract, which a 1st Amendment was signed in November 2020 providing for the renewal of the contract for a further period of 44 months after its original term, i.e. until June 2024, for logistics services (pipeline operation and maintenance) related to feedstock in the Southern Complex between Braskem and Transpetro, entered into in November 2018. The aggregate amount of services related to this contract was R\$5.8 million in 2020.
- A two-year contract, which was amended, was signed in June 2020 providing for the renewal of the contract for a further period of 62 months after its original term, i.e. until December 2025, for logistics services related to feedstock storage in the REFAP (Refinaria Alberto Pasqualini), part of the Southern Complex between Braskem and Petrobras, entered into in November 2018. The aggregate amount of services related to this contract was R\$31.7 million in 2020.
- A two-year contract, which was amended, signed in June 2020, providing for the renewal of the present contract for a further period of 44 months after its original term, i.e. until June 2024, for storage tanks leasing and pipeline leasing related to feedstock storage in the Southern Complex between Transpetro and Braskem, entered into in November 2018. The aggregate amount of services related to this contract in 2020 for pipeline leasing was R\$13.9 million and storage tanks leasing was R\$5.6 million, for a total amount of R\$19.5 million.
- In December 2020, the Company entered into an agreement with Transpetro involving the provision of logistics services for the water terminals (management and operation) of the port terminals TERG (Rio Grande) and TESC (Santa Clara). This agreement is effective from January 4, 2021 to December 31, 2024. The estimated maximum amount under the agreement is R\$28.8 million.
- On July 3, 2019, Braskem S.A. and CDGN Logística S.A. entered into an agreement for the supply of compressed natural gas for a total period of five years. The estimated aggregate amount throughout the term of the agreement is R\$126.0 million. The aggregate amount of services we purchased under this contract was R\$14.9 million in 2020. In 2020, the process of selling CDGN by Petrobras was concluded, therefore, Petrobras is no longer the controlling shareholder of CDGN and, for this reason, CDGN is no longer a related party to Braskem.
- In September 2019, we signed an amendment to our agreement with Gás de Alagoas S.A. (Algás) for the supply of natural gas to Braskem to extend the agreement for two years until December 31, 2021. In December 2020, we signed an amendment to our natural gas purchase agreement with Algás to increase the amount of gas to be supplied ("QDC") from January to December 2021. The estimated aggregate amount throughout the term of the agreement, as amended, is R\$770.0 million. The aggregate amount we purchased under this agreement was R\$183.4 million in 2020.

- In December 2019, we signed an amendment to our natural gas purchase agreement with Companhia de Gás da Bahia (BahiaGás), with a term from January to December 2020 and an additional amount of R\$820.0 million relating to the amendment. On December 2020, we signed an amendment to our natural gas purchase agreement with BahiaGás, with a term from January to December 2021 and an additional amount of approximately R\$482.4 million relating to the amendment. The estimated aggregate amount to be paid throughout the term of the agreement, as amended, is R\$3.45 billion. The aggregate amount we purchased under this agreement was R\$592.0 million in 2020
- Braskem S.A. entered into two agreements with Companhia de Gás do Estado do Rio Grande do Sul (Sulgás) for the supply of natural gas. The aggregate amount of services we purchased under this contract was R\$181.4 million in 2020.
- In March 2020, the Company entered into a petroleum sales agreement with Petrobras, which is valid for 30 days after its execution. The agreement has an estimated maximum amount of R\$76.1 million and was fully received.
- In April 2020, the Company entered into an agreement for the purchase of up to 220 kton of naphtha with Petrobras, with additional volumes to those contracted for April 2020, to supply Braskem units in the states of Bahia, Rio Grande de Sul and São Paulo with Petrobras. The aggregate amount of services we purchased under this contract was R\$89.1 million in 2020.
- In June 2020, the Company entered into two naphtha supply agreements with Petrobras for 200 to 450 kton/y, respectively, from the Landulpho Alves Refinery ("RLAM"), with delivery to our industrial unit in the State of Bahia, and from the Alberto Pasqualini Refinery ("REFAP"), to our unit in the State of Rio Grande do Sul. The term of the agreements is from December 23, 2020 to December 31, 2025. The estimated amounts of the agreements are R\$5.0 billion and R\$2.5 billion, respectively. In the fiscal year ended December 31, 2020, transactions under the agreement amounted to R\$18.2 million.
- In June 2020, the Company entered into a sales option agreement for up to 2,850 kton/y of petrochemical naphtha to Petrobras with mandatory purchase by Braskem. The term of the agreement is from January 1, 2021 to December 31, 2025. The estimated amount of the agreement is R\$30 billion. No option to sell was exercised pursuant to this agreement in the year ended December 31, 2020
- In December 2020, the Company entered into a sale agreement with Petrobras for up to 2 million tons of petrochemical naphtha per year, for our industrial unit in the State of São Paulo. This term of the agreement is from December 23, 2020 to December 31, 2025. The estimated amount under the agreement is R\$25 billion. In the year ended December 31, 2020, transactions under the agreement amounted to R\$2.8 million.
- In December 2020, the Company entered into an agreement with Petrobras to purchase ethane and propane to produce up to 580,000 tons of ethylene equivalent and sell up to 58.4 million Nm³ of hydrogen. The term of the agreement is from January 1, 2021 to December 31, 2025. The estimated amount of the agreement is R\$9.2 billion. As of December 31, 2020, there was no outstanding balance under this agreement.

Braskem (i) purchased raw materials, finished goods services and utilities from Petrobras and its subsidiaries in the aggregate amount of R\$15,540.1 million in 2018, R\$12,584.2 million in 2019 and R\$14,566.8 million in 2020, and (ii) sold products to Petrobras and its subsidiaries in the aggregate amount of R\$1,225.4 million in 2018, R\$665.4 million in 2019 and R\$182.5 million in 2020.

Other Related Party Transactions

Our Jointly Controlled Company

Refinaria de Petróleo Rio-grandense S.A. ("RPR")

The revenue from the sale of gasoil, gasoline, blendstocks, fuel oil, BTE oil and solvents to RPR and from the purchase of turpentine from RPR was approved in 2020 for a total amount of R\$845.0 million per year. Purchase and sales prices are determined on a spot basis. Additionally, in 2020, Braskem provided an aggregate of R\$93.6 million of gasoline and gasoil to RPR.

Fábrica Carioca de Catalisadores S.A. ("FCC")

On August 1, 2019, Braskem and FCC entered into an agreement for the sale of caustic soda for a period of two years. The aggregate amount throughout the term of the agreement is approximately R\$50 million. Additionally, in 2020, Braskem provided an aggregate of R\$31.6 million of caustic soda to FCC.

Our Associated Companies

Borealis Brasil S.A.

We sell polypropylene and polyethylene to Borealis, in which we have a 20.0% interest. We recorded revenue to Borealis of R\$242.7 million in 2018, R\$175.9 million in 2019 and R\$213.8 million in 2020. We account for Borealis under the equity method of accounting.

On March 1, 2018, Braskem and Borealis entered in an agreement for the rendering by Braskem of certain services related to the set up and management of Borealis' energy portfolio. This agreement was subsequently amended on November 1, 2019 to extend it until February 28, 2021. This agreement was terminated on November 18, 2020, and the aggregate amount of the services provided under the agreement was R\$200.6 thousand.

Non-controlling shareholders of Braskem Idesa

As of December 31, 2020, we had R\$3,222.5 million in outstanding indebtedness relating to a loan payable to the non-controlling shareholder of Braskem Idesa, maturing in December 2029 and accruing interest at 7% p.a., whose proceeds were used by Braskem Idesa to fund its construction project.

Related Party Transactions Policy

In December 2018, we adopted a related party transactions policy, or the Related Party Transactions Policy, which lays out the procedures for approving transactions with our controlling shareholder and shareholder that has Material Influence over Braskem, controlled entities and certain other parties. Pursuant to our bylaws and the Related Party Transactions Policy, (i) our Board of Directors is responsible for approving certain related party transactions and revisions to the Related Party Transactions Policy, (ii) our Compliance Committee is responsible for evaluating related party transactions prior to submission for approval to our Board of Directors, if applicable, as well as ensuring that the provisions contained in the Related Party Transactions Policy are observed by our other areas, and (iii) our Ethics Committee is responsible for evaluating related party transactions that do not require approval by our Board of Directors. Pursuant to this policy, we have, and may in the future, engage in transactions with our controlling shareholder and shareholder that has Material Influence over Braskem or controlled entities with respect to our services or products, or other related party transactions, as defined in our Related Party Transactions Policy.

ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

Legal Proceedings

We are, and may be in the future, involved in numerous tax, civil and labor disputes, among others, involving monetary claims. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations or financial condition would be materially and adversely affected.

For some of these lawsuits, we have not established any provision on our balance sheet nor have we established provisions only for part of the amounts claimed, based on our judgments as to the outcomes of these lawsuits.

Tax Proceedings

We are engaged in several legal proceedings with tax authorities for which we have established provisions in an aggregate amount of R\$692.7 million as of December 31, 2020. In addition, there are currently certain legal proceedings pending in which we are involved for which we have not established provisions, since there is no trigger in accordance to IAS 37 to record such provisions. If any of these legal proceedings were decided adversely to us, we do not believe that our results of operations, cash flows or financial condition would be materially and adversely affected. The aggregate amount of tax contingency proceedings was R\$11,911.7 million as of December 31, 2020, with respect to which our management believes, based on the opinion of our outside legal counsel, that the risk of loss is possible.

IR/CSLL Tax Assessment Notices

In 2013, 2014 and 2017, we received tax assessment notices from the Federal Brazilian Revenue Service claiming that the amortization of the goodwill, from 2007 to 2013, recorded in 2002 in connection with the purchase of shares of certain companies related to the formation of Braskem was not deductible for purposes of calculating our income tax and social contribution. After definitive reductions at the administrative level, the amount claimed is R\$1.0 billion, including interest and fines. We challenged these assessment notices because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities (the equity interests were acquired with effective payment, business purpose and the participation of independent parties) and that the statute of limitations has expired. We believe that a loss of these claims is possible and our external legal counsel expect that the administrative discussions will end in 2022 and, the only case in the judicial level, 2030. As of December 31, 2020, we had made no provision with respect to these claims and there is no deposit or guarantee related to the administrative proceedings. We offered guarantee in the amount of the judicial litigation.

In 2009 and 2017, we received deficiency notices from the Brazilian federal tax authority claiming that the tax losses offset in the taxable year were in excess of the limitation of 30% of the taxable profits of a given year, as imposed by Brazilian tax law. The amount under discussion is R\$352.0 million, including interest and fines. We challenged these assessment notices because we believe that the 30% limitation is not applicable in the event of the merger of the taxpayer and that the statute of limitations for one of these claims has expired. We believe that the risk of loss is possible and our external legal counsel expect that the judicial discussions will end in 2030. As of December 31, 2020, we had made no provision with respect to these claims and there is no deposit related to the processes. We offered guarantee that supports the integrality of the amount charged and already in judicial litigation.

In 2017, we received a tax assessment notice from the Federal Brazilian Revenue Service claiming income tax and social contribution debts due to the following: (i) commissions paid by Braskem in 2011 were not considered deductible for purposes of calculating income tax and social contribution; (ii) commissions paid by Braskem INC in 2013 and 2014 were also not considered deductible for purposes of calculating income tax and social contribution; (iii) we did not withhold the income tax over the payments of the aforementioned commissions; and (iv) marketing expenses in 2013 were not considered deductible for purposes of calculating income tax and social contribution. We challenged this assessment notice in Administrative Court due to the following reasons: (i) the statute of limitations has expired for the year of 2011, and tax authorities are claiming the payment of income tax and social contribution without taking into consideration that the right to deduct some expenses for purposes of calculating income tax and social contribution is still under discussion in other tax proceedings; (ii) Braskem INC has already recalculated its income tax which only resulted in the decrease of its tax losses; (iii) the net interest paying company is non-resident in Brazil; and (iv) marketing expenses are related to our activities. The amount under discussion is R\$138.6 million, including interest and fines. We believe that a loss of this claim is possible and our external legal counsel expect that the administrative discussion will end in 2022. As of December 31, 2020, we had made no provision with respect to this claim and there is no deposit or guarantee related to it.

In December 2017 and in December 2020, we received tax assessment notices from the Federal Brazilian Revenue Service claiming unpaid income tax and social contribution in connection with exchange variation losses recorded by Braskem in the elapsed time between the due date of naphtha import invoices and their payments. The Federal Brazilian Revenue Service considered that these losses, recorded in 2012 and in 2015, respectively, were not deductible for purposes of calculating income tax and social contribution. In relation to the calendar-year of 2012, the assessment resulted in the recalculation of our tax losses and social contribution negative tax base. With respect to 2015, the tax credit was accompanied by a qualified fine corresponding to 150% of the assessment amount. The notice issued in December 2020 also resulted in partial disallowance of the cost of naphtha imported from its subsidiary abroad, in an amount corresponding to the profit margin earned by the subsidiary in the naphtha resale operations, in the years 2014 and 2015. We challenged this assessment notice in Administrative Court and for the following reasons the chances of loss are possible: (i) regular use of trading companies in import operations; (ii) exchange variation expense is ancillary to the principal and, therefore, deductible; (iii) the fluctuation of exchange rates is not predictable; and (iv) there are mistakes in determining the profit margin of the subsidiary. Our external legal counsel expect the administrative discussion to end by 2026. As of December 31, 2020, we had made no provision with respect to this claim and there is no deposit or guarantee related to it. The adjusted amount as of December 31, 2020 of said uncertain tax treatment was R\$997.3 million.

We are discussing the rejection by the Federal Brazilian Revenue Service of Clearing Statements that aimed at the discharge of federal taxes with credits arising from negative balance of income tax and social contribution. The amount under discussion, corresponding to taxes whose compensation was not ratified, is R\$182 million, including interest and fines. We challenged these debts because we believe that there are reasonable grounds on which we can successfully defend against these charges, based on favorable precedents and considering the documents provided. We believe that a loss of this case is possible and our external legal counsel expect the administrative discussion to end by 2024 and the judicial cases by 2023. As of December 31, 2020, we had made no provision with respect to this claim. There is no deposit or guarantee related to the processes that still are in administrative discussion phase. We presented a guarantee in the amount of the judicial litigations.

In July 2020, we received a tax assessment notice from the Federal Brazilian Revenue Service for failing to offer taxation the profit earned abroad by the subsidiary Braskem America Inc. for the year 2015, due to the disregard of tax credits collected by this subsidiary abroad. The assessment also involves the allegation of undue compensation for tax loss from the negative CSLL tax base for 2016, due to the lack of balances, due to disallowances arising from tax assessments and uses in special installments. We challenged this assessment notice in Administrative Court due to the following reasons: (i) there was enough payment to deduct the tax payable on profits obtained abroad; and (ii) the reported lack of tax loss balances arises from other administrative proceedings that are still under discussion. As of December 31, 2020, the updated amount of taxes levied and the tax consequences of the disallowance of tax losses and negative basis of calculation of CSL through said tax assessment notices represents the amount of R\$278.6 million. We believe that a loss of this claim is possible and our external legal counsel expect the administrative discussion to end by 2025. As of December 31, 2020, we had made no provision with respect to this claim and there is no deposit or guarantee related to it, as it is still under administrative discussion.

In November 2020, we received a notice from the Federal Revenue Service of Brazil related to the disagreement in the application of the Agreement to avoid double taxation signed between Brazil and the Netherlands, which establishes that profits of Dutch companies are not taxed in Brazil. The object of the assessment refers to the profits of the subsidiary in the Netherlands in the years 2015 and 2016. We challenged this assessment notice in Administrative Court considering that the profits earned by its subsidiary abroad are protected from taxation in Brazil under Article 7. of the aforementioned Agreement to avoid double taxation signed between Brazil and the Netherlands. We believe that a loss of this claim is possible and our external legal counsel expect the administrative discussion to end by 2025. As of December 31, 2020, we had made no provision with respect to this claim and there is no deposit or guarantee related to it. The adjusted amount as of December 31, 2020 of such uncertain tax treatment was R\$3.7 billion.

IOF

We were involved in judicial and administrative proceedings due to tax assessment notices issued by the Federal Brazilian Revenue Service claiming that the following operations are subject to Financial Operations Tax (IOF): (i) related to AFAC and current accounts made between Quattor Participações S.A and Quattor Química S.A and (ii) the transfers of financial resources under cash pooling and current account agreements made between Quattor Participações S/A, Quattor Química S/A and Braskem and between Braskem and CPN Incorporated from May 2002 to April 2004. In April 2020, an administrative decision became final that dismissed the assessment in which the characterization of the loan in AFAC and current accounts was discussed, which implied a reduction of this contingency by R\$108 million. The amount claimed is R\$59 million. We believe that these operations do not constitute loans under Brazilian legislation and, as such, are not subject to IOF. We believe that a loss in this claim is possible and our external legal counsel expect that the judicial discussion will end in 2027. We present a guarantee that supports the entire amount in judicial litigation.

From 1999 to 2020, the internal revenue department of the States of Bahia, Alagoas, Pernambuco, São Paulo, Rio Grande do Sul and Rio de Janeiro issued tax assessment notices against Braskem claiming unpaid ICMS taxes in the amount of R\$883 million, retrospectively revised by inflation and the benchmark rate, in connection with several alleged violations of certain provisions of the ICMS tax legislation, including, among others: (1) inappropriately claiming ICMS credits for the acquisition of goods that the internal revenue department considers for use and consumption; (2) inappropriately claiming ICMS credits for the acquisition of assets not related to production; (3) transfer of goods below the cost of production; (4) differences in stock of final products; (5) lack of evidence that we exported goods; (6) failure to pay taxes on the sale of products subject to tax substitution and inappropriately claiming ICMS tax credits on the purchase of products subject to tax substitution; (7) failure to register invoices; (8) unpaid ICMS taxes on charges for electricity transmission; and (9) for the use of a calculation base relating to ICMS tax lower than that required by law, in connection with internal transfers of the product crude dichloroethane to another unit in the State of Alagoas, from January 2013 to May 2016, which were not subject to deferral. We challenged these assessment notices in the administrative court because we believe that there are reasonable grounds on which we can successfully defend against these assessments. The administrative cases are expected to be resolved by 2025 and the judicial cases by 2030. There is no deposit or guarantee related to the processes that still are in administrative discussion phase. We presented guarantees in the amount under discussion. We believe that a loss of these claims is possible and, as of December 31, 2020, we had not recognized any provision with respect thereto.

In 2009, tax assessment notices were issued by the internal revenue department of the State of São Paulo against Braskem Qpar claiming unpaid ICMS taxes and related fines in connection with several alleged violations of certain provisions of the ICMS tax legislation, including:

- (1) Inappropriately claiming ICMS credits: (i) in the amount of R\$53.5 million from February 2004 to August 2005, November 2005 to February 2006, and September 2006 to January 2008, related to the acquisition of "acrylonitrile" sold by Acrinor Acrilonitrila do Nordeste S.A.; (ii) in the amount of R\$1.6 million from December 2004 to August 2005, related to credits informed in invoices issued by Proquigel Química S.A.; and (iii) in the amount of R\$3.1 million from August 2004 to November 2005, related to credits informed in invoices issued by Proquigel Química S.A. for export, not subject to ICMS;
- (2) A fine of 100% of the taxes assessed was imposed in all cases above;
- (3) Error in the issuance of invoices under CFOP code 6.905 without the circulation of goods – a fine of 30% of the amount of the invoices (R\$480.4 million) was assessed; and
- (4) Fine assessed due to the default in answering to notification of tax authorities to present documents to a tax audit.

The proceedings were closed in the administrative court in 2015, with partial reduction of the contingency, and the remaining debt is under discussion in the judiciary. As of December 31, 2020, we had established related provisions, due to business combination, in the amount of R\$305.7 million. We offered a guarantee to the debts and our external legal counsel expect the cases to be resolved by 2026.

In July and in December 2020, we received tax assessment notices from the State of Alagoas due to the lack of ICMS payment due to the alleged lack of reversal of the tax credited in operations prior to the departures with deferred tax. The amount claimed is R\$569 million. We challenged these assessment notices in Administrative Court based on the favorable precedents at the judicial administrative level, considering that there are some mistakes regarding the debt calculation and because keeping the credits even if with a deferred tax is something authorized by Alagoas legislation.

We believe that a loss of this claim is possible and our external legal counsel expect that the administrative discussion will end by 2025. As of December 31, 2020, we had made no provision with respect to this claim and there is no deposit or guarantee related to it.

PIS and COFINS Non-Cumulative Tax Assessment Notice

We received assessment notices from the federal internal revenue department alleging that we had inappropriately claimed certain PIS and COFINS credits in relation to: (1) wastewater treatment; (2) charges for electricity transmission; (3) freight related to the storage of finished goods; (4) credits claimed at inappropriate times, relating to various acquisitions; and (5) fixed assets. As of December 31, 2020, the amount in dispute in connection with these claims was R\$1.3 billion. We challenged these assessment notices because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss of these claims is possible and our external legal counsel expect that the administrative discussions will end in 2025 and the judicial discussion will end in 2030. There is no deposit or guarantee related to the processes that are in administrative discussion phase. We presented a guarantee in the amount under discussion.

The Federal Brazilian Revenue Service did not recognize the compensation of PIS and COFINS credits in the years 2005 to 2010 and in the period from 2012 to 2016 for the following reasons:

- the amount of the credits informed in the compensation files were greater than the amount informed in the PIS and COFINS declaration (DAFON);
- freight expenses not linked to sales operations or without a proven connection, link to the national territory, but related to imported products;
- credits relating to the acquisition of fixed assets from incorporated companies whose documentation was not found; and
- taxation of taxable revenues erroneously classified as exempt, at zero rate or not taxed.

A loss of this claim is likely and our external legal counsel expects that the administrative discussion will end in 2025. As of December 31, 2020, we had established related provisions in the amount of R\$197.7 million. There are no deposits or guarantees related to these claims.

PIS and COFINS Tax Assessment Notice

Braskem is involved in several judicial and administrative proceedings related to the payment of PIS and COFINS, including (1) unpaid COFINS from March 1999 to December 2000, February 2001 to March 2002, May 2002 to July 2002 and during September 2002, (2) inappropriately claimed credits due to the additional 1% in the COFINS rate; (3) undue compensation of PIS and COFINS debts with PIS credits (Decree-Law Nos. 2,445 and 2,449) which were considered to have expired by the tax authorities; and (4) an omission in the base revenue resulting from exchange gains earned due to successive reductions of our associated capital. We challenged these assessment notices because we believe that there are reasonable grounds on which we can successfully defend against these assessments. We believe that a loss of these claims is possible and our external legal counsel expect the cases in the administrative level to be resolved by 2023 and, for those in the judicial level, 2030. As of December 31, 2020, we had established related provisions, due to business combination, in the amount of R\$65 million. We offered guarantee in the amount of the judicial litigations.

In 2014, we received a tax assessment notice from the Federal Brazilian Revenue Service claiming that the fines and interests exonerations afforded in installments of the MP No.470/09 are taxable. We challenged this assessment notice because we believe that these claims are based on a misinterpretation of both the applicable law and facts by the tax authorities, especially because exonerations are not taxable income and, even if they were financial income, at the time, they were taxed at zero rate. As of December 31, 2020, the amount claimed was R\$892 million. We believe that a loss of this claim is possible and our external legal counsel expect that the administrative discussion will end in 2021. There are no provision, deposit or guarantee related to this claim.

We and our affiliates are involved in several other judicial and administrative proceedings related to the alleged undue compensation of PIS and COFINS debts with the following credits: (1) Corporate Income tax; (2) FINSOCIAL; (3) tax on net profits; (4) PIS (Decree-Law Nos. 2,445 and 2,449); and (5) COFINS from overpayments. As of December 31, 2020, the amount in material disputes relating to PIS and COFINS was R\$129.8 million. We offered guarantee that supports the integrality of the amount of the judicial litigation that supports the entire amount claimed. We believe that a loss of this claim is possible and our external legal counsel expect that the judicial discussions will end by 2024. As of December 31, 2020, we had not recognized any provision with respect to these proceedings.

We are involved in lawsuits related to the payment of PIS and COFINS offsetting with Cide-Combustíveis credits, as authorized by Law No. 10,336/2001. As of December 31, 2020, the aggregate amount of these cases was R\$116.5 million. We believe that a loss of this claim is possible and our external legal counsel expect that the discussion will end in 2030. We constituted a guarantee in the amount under discussion.

Isolated Fine Tax Assessment Notices

From 2016 to 2020, we received tax assessment notices from the federal internal revenue department imposing isolated fines due to the use of credits of: (i) non-cumulative PIS/COFINS; (ii) negative Balance of IRPJ/CSLL; (iii) REINTEGRA and (iv) other credits, offset and not homologated. As of December 31, 2020, the amount claimed was R\$344.6 million. We believe that a loss of these claims is possible and our external legal counsel believe that the administrative proceedings will end in 2025 and, in the judicial level, 2030. There are no deposits or guarantees related to the processes that still are in administrative discussion phase. We offered guarantee in the amount of the judicial litigation. As of December 31, 2020, we had made no provision with respect to these claims.

Social Security Contributions – Harmful Agents

We are involved in several judicial and administrative proceedings related to the payment of social security contributions in which the following issues are discussed: (i) the collection through tax assessments of the additional Occupational Accident Risk (“RAT”) for the costing of special retirement, due to the alleged exposure of workers to harmful agents, in addition to a fine for non-disclosure of this information in GFIP (in the period from April 1999 to February 2006); (ii) the collection through tax assessments of the additional RAT due to the exposure of workers to harmful agents (noise and carcinogens) in the period from January 2016 to July 2018; and (iii) the requirement, in terms of tax enforcement, of additional RAT (in the period from November 2000 to January 2001, and from November 2001 to June 2002). The aggregate amount of these claims, as of December 31, 2020, was approximately R\$182.0 million. We believe that a loss of these claims is possible and our external legal counsel expect that the discussions at the administrative level will be concluded in 2024 and in 2028 at the judicial level. There is no deposit or other type of guarantee for the proceedings that are still under administrative discussion and the only one that is under judicial discussion is guaranteed in the entire amount.

Braskem Idesa - Foreign Exchange Gains and Deduction of Interest Paid to Related Parties

In November 2020, the Mexican Tax Administration Services issued an opinion on tax audit performed for the fiscal year 2016 on Braskem México Proyectos S.A. de C.V., SOFOM ENR, regarding two matters: (i) the calculation of foreign exchange gains; and (ii) the deduction of interest paid to foreign related parties. The Mexican tax authority has not issued a tax assessment. As of December 31, 2020, the amount of this proceeding was R\$96 million.

Contingent Assets

Contingent assets are potential assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the Company’s control. Contingent assets are not recognized, but are disclosed when it is more likely than not that an inflow of benefits from such assets will occur. However, when the inflow of benefits is virtually certain, an asset is recognized in the financial position statement because that asset is no longer considered contingent.

Exclusion of ICMS from PIS and COFINS calculation base

Our main federal tax liability refers to the exclusion of ICMS from the PIS/COFINS calculation base. We and our merged companies filed various lawsuits claiming recognition of the right to exclude ICMS from the calculation base for PIS and COFINS and the consequent repetition of undue payment. The oldest period of the lawsuit dates back to 1991. In 2020, the final and unappealable decisions of the lawsuit filed by Braskem S.A. itself and of another lawsuit filed originally by a merged company were certified. As a result of these decisions, during 2020, the amount of R\$438.0 million (R\$2,048.8 million in 2019) related to surpluses of PIS and COFINS tax liabilities was recognized, of which R\$310.6 million was recorded under “Other operating income (expenses)” (R\$1,904.2 million in 2019) and R\$127.5 million under “Financial income” (R\$207.6 million in 2019).

Of the total liability recorded by the Company related to this topic, since 2019, R\$2,067.2 million already has been offset. On December 31, 2020, the balance was R\$1,002.6 million, recorded under current liabilities.

With regard to the lawsuits with final and unappealable decisions, certain decisions involve expressly the credit calculation criteria, while others were more generic, only determining the exclusion of this tax. The Company, assisted by specialized third party consulting firm, proceeded with the measurement of these tax liabilities, basically considering the amount of ICMS stipulated on the sales invoices and other tax information on the accessory obligations to ensure the consistency of the calculations, grounded in the legal opinion.

The Company has other lawsuits about the same topic that are still pending a final and unappealable decision. The oldest period of these lawsuits pending decisions dates back to 1999, for which the Company estimates future recognition of R\$2.0 billion.

Compulsory loans to Eletrobrás – Centrais Elétricas Brasileiras S.A.

The compulsory loan in favor of Eletrobrás was established by Federal Law No. 4,156/62, to finance the energy industry and remained effective until 1993. It was collected through the energy bills of industrial consumers with monthly consumption equal to or higher than 2000kwh and, after successive amendments to the law, the reimbursement, plus compensatory interest of 6% per year, was extended to 20 years, which can be anticipated through conversion of credits into shares issued by Eletrobrás.

Between 2001 and 2009, the companies merged into Braskem S.A. filed proceedings seeking the recovery of amounts related to differences in the inflation adjustment of the compulsory loan, interest on arrears and compensatory interest and other related payments.

The Company obtained a favorable final and unappealable decision in the cases of the merged companies Alclor Química de Alagoas Ltda., Companhia Alagoas Industrial – Cinal, Companhia Petroquímica do Sul S.A. – Copesul and Trikem S. A., which are in the execution phase, discussing the amounts to be effectively returned. The cases of the merged companies Ipiranga Petroquímica S.A., Petroquímica Triunfo Ltda. and Quattor Química S.A are in the initial phase.

The term, form and amount to be realized are still uncertain, so it is not possible to determine the amount to be received and, for such reason, the asset does not meet the conditions to be recorded in the financial statements.

Class Action Proceedings

In July 2015, two putative class action lawsuits were filed against us and certain of our then-current and former officers and directors, or the Defendants, in the United States District Court for the Southern District of New York. The lawsuits were subsequently consolidated under the caption *In re Braskem, S.A. Securities Litigation*, No. 15-cv-5132. In November 2015, Boilermaker-Blacksmith National Pension Trust, or the Lead Plaintiff, filed a consolidated class action complaint, which asserted claims under Section 10(b) and Section 20(a) of the Exchange Act, on behalf of a putative class of purchasers of our ADSs, from June 1, 2010 to March 11, 2015. In the operative complaint, the Lead Plaintiff alleges that the Defendants made misrepresentations or omissions that inflated the price of our stock in violation of U.S. securities laws. We filed a motion to dismiss on July 6, 2016. On March 31, 2017, the court ruled on the motion to dismiss, granting it in part and denying it in part. The parties have signed a proposed settlement agreement on September 14, 2017 and the U.S. court granted final approval to the settlement and entered a judgment to dismiss the action and discharge the claims of the class members on February 21, 2018. Under the terms of the settlement, we paid US\$10 million (R\$31.7 million) to resolve all claims of the settlement class consisting of purchasers of our ADSs during the period from July 15, 2010 through March 11, 2015, that arise out of or relate to the subject matter of the class action. We paid the settlement amount into an Escrow Account (which is subject to the jurisdiction of the Court) on October 2, 2017 and the Claims Administrator shall arrange its distribution after the entry by the court of a class distribution order. We have made no admission of any wrongdoing or liability as part of the settlement.

On August 25, 2020, a class action was filed against us and some of our current and former executives in the U.S. District Court for the District of New Jersey, in the United States, on behalf of an alleged class of investors who acquired Braskem's shares between March 21, 2019 and July 8, 2020. The action is grounded in the U.S. Securities Exchange Act of 1934 and its rules, based on allegations that the defendants made false statements or omissions related to the geological event in Alagoas. On January 15, 2021, the Court named two plaintiffs to act as leading plaintiffs in the action. On April 28, 2021, the lead plaintiffs of the action filed a consolidated complaint with its initial arguments. We engaged a U.S. law firm to represent us in the class action.

Our management, based on its assessment and that of its external legal advisors, and given the initial phase of the potential class action mentioned above, it is not possible at the moment to reliably estimate the potential amount involved.

Braskem cannot reliably predict the future developments of this matter or the expenses arising from it, including rates and costs in solving the dispute. The Company may be named as a defendant in other legal actions.

Global Settlement

In the context of allegations of improper payments in connection with the so-called Operation Car Wash (Operação Lava Jato) in Brazil, we engaged independent expert firms to conduct an investigation into such allegations (the “Investigation”) and report their findings. We have cooperated with governmental authorities in several jurisdictions, including the U.S. Department of Justice, or the DoJ, the U.S. Securities and Exchange Commission, or the SEC, Brazil’s Federal Prosecutor’s Office (Ministério Público Federal), or the MPF, and Switzerland’s Office of the Attorney General, or the OAG. On December 14, 2016, we entered into a leniency agreement with the MPF, or the Leniency Agreement, which was ratified by the competent Brazilian court on June 6, 2017. On December 21, 2016, we filed a plea agreement in the United States District Court for the Eastern District of New York under which we agreed to plead guilty to a one-count criminal information charging us with conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act, or the FCPA. On the same date, we consented to the entry of a final judgment in a civil action brought by the SEC based on civil violations of the anti-bribery, books and records and internal accounting controls provisions of the FCPA. The competent federal courts in the United States approved the DoJ and SEC resolutions on January 26, 2017 and February 28, 2017, respectively. In addition, on December 21, 2016, the OAG closed its investigation of these matters. We refer to these actions as the Global Settlement. Under the Global Settlement, we agreed to pay to the governmental authorities in these jurisdictions an aggregate amount of US\$957 million (equivalent to R\$3.1 billion), based on the exchange rate of R\$3.27 per U.S. Dollar, applicable at the time of the negotiation.

The MPF will distribute the majority of the amount it receives as restitution to third parties for damages caused by the misconduct. Pursuant to the Global Settlement, the MPF agreed to communicate with other public authorities or entities, as well as stated-owned companies and mixed-capital companies with which Braskem enters into discussions to address the facts under the Global Settlement and avoid making duplicate restitution payments. In this context, as announced to the market on July 10, 2018, and disclosed in a material fact on May 27, 2019, we have cooperated and engaged in negotiations with the Ministry of Transparency and Controllship (CGU) and the Office of the Attorney General (AGU) in Brazil, and our Board of Directors approved the signing of a leniency agreement with the CGU and the AGU (the “CGU/AGU Agreement”).

The CGU/AGU Agreement, in the amount of R\$2.9 billion, to be adjusted by the SELIC rate, addresses the same facts that are the object of the Global Settlement executed in December 2016 with the Brazilian Federal Prosecution Office (MPF), the U.S. Department of Justice (DoJ), the U.S. Securities and Exchange Commission (SEC) and the Swiss Office of the Attorney General (the “Global Settlement”). Of this amount, R\$2.5 billion will be offset by the amount that Company already had undertaken to pay under the scope of the Global Settlement, resulting in an additional disbursement of R\$410 million.

As of December 30, 2020, we had paid R\$2.7 billion of the total fine established in the Global Settlement, in the following manner:

- US\$94.9 million (R\$296.6 million) to the DoJ on February 8, 2017;
- US\$65.0 million (R\$206.5 million) to the SEC on April 27, 2017;
- CHF30.2 million (R\$104.3 million) to the OAG on June 27, 2017;
- R\$736.4 million to the MPF on July 6, 2017;
- R\$267.9 million to the MPF on January, 30 2018;
- CHF16.1 million (R\$62.0 million) to the OAG on June 28, 2018;
- R\$278.0 million to the MPF on January 30, 2019 ;
- CHF16.1 million (R\$58.0 million) to the OAG on June 27, 2019;
- R\$257.3 million to the Brazilian federal government on January 30, 2020;
- CHF16.1 million (R\$92.6 million) to the OAG on June 30, 2020; and

- R\$302.6 million to the Brazilian federal government on February 1, 2021.

The outstanding amount of R\$1.1 billion related to the Global Settlement and also the CGU/AGU Agreement will be paid in the following manner:

- CHF16.1 million to the OAG related to one remaining annual installment due on June 30 of 2021; and
- R\$1.0 billion under the MPF Agreement and CGU/AGU Agreement, in four annual installments adjusted by the variation in the SELIC rate and payable by January 30, 2025. To guarantee payment of the installments of these installments coming due, Braskem gave as collateral assets from its property, plant and equipment corresponding to one annual installment; The Global Settlement does not prevent Braskem from responding to any legitimate third party, which may seek indemnification against us from damages for the facts subject to the Global Settlement. As a result, we cannot assure you that the aggregate amount disbursed as a requirement pursuant to the agreement will be sufficient to cover indemnification claims of all of the victims. We may be required to make additional disbursements to cover such claims.

Other authorities with jurisdiction over us may seek to impose monetary sanctions or fines on, or to initiate investigative proceedings against, us. As a result of entering into the Global Settlement, Braskem may be prevented from entering into certain agreements with government entities and may be subject to increased operating costs for being under the obligation to improve its governance and anti-corruption practices and procedures, including the cost of external monitorships.

Under the terms of the Global Settlement, we were required to cooperate with these governmental authorities and improve our governance and anti-corruption compliance practices. We were also subject to external monitorship for a period of three years from 2017, which ended in March 2020, during which time the monitor assessed compliance with the Global Settlement, including the effectiveness of our internal controls, policies and procedures to reduce the risk of any anti-corruption violations.

On May 13, 2020, the MPF, the DoJ and the SEC confirmed the conclusion of the independent compliance monitorship at Braskem, which had been established in the settlement agreements entered into by Braskem, the DoJ and the SEC on December 21, 2016. The decision of the DoJ and the SEC was based on a final report from the independent monitors, who certified that the Company implemented all of the recommendations regarding the structure and execution of its compliance program and concluded that the Company meets the standards set out in the settlement agreements entered into with the DoJ and the SEC. Following the end of the independent monitorship period and the certification by the MPF, the DoJ and the SEC, the Company has complied with its obligations established in the settlement agreements entered into with these authorities and has successfully concluded the three-year monitorship.

We believe we are fully in compliance with our obligations under the Global Settlement.

Labor Proceedings

Employment and Occupational Health and Safety Proceedings

We have provisioned R\$280.1 million, as of December 31, 2020, with respect to employment and occupational health and safety proceedings, relating to 529 labor proceedings, including cases of occupational health and safety (in 2019, there were 604 proceedings). Our external legal counsel estimate that the time for completion of each of such proceedings in Brazil is more than five years. Estimates related to the completion of the proceedings and the possibility of future disbursement may change as result of new decisions of higher courts.

Social Security

In 2012, the Company withdrew its sponsorship of the pension plans Petros Copesul and Petros PQU, both managed by the pension fund Petros, and assumed obligation outstanding under the sponsorship withdrawal instrument to pay the mathematical reserves of beneficiaries pursuant to Complementary Law No. 109/2001, which was met in 2015. However, after the payment, several beneficiaries filed individual and collective actions regarding various claims, including relating to: (i) differences of the individual withdrawal fund; (ii) change to the base date; (iii) age limit; (iv) 90% supplement; (v) return of contributions; (vii) difference in savings account reserve; (viii) objection against legality of sponsorship withdrawal.

Currently, this portfolio is comprised of 801 active cases representing an estimated disbursement of R\$326.7 million in the aggregate as of December 31, 2020. Our management, based on the opinion of our external legal counsel, believes that the chance of loss relating to these lawsuits is possible.

Civil Proceedings

Caustic soda transportation

We are the defendant in civil lawsuits filed by the owner of a former distributor of caustic soda and by the shipping company that provided services to this former distributor. The plaintiffs seek indemnity for damages related to the alleged non-performance of the distribution agreement by the Company. In June 2020, the parties entered into an agreement in which Braskem agreed to pay, as indemnification, the amount of R\$7.4 million. The agreement was approved and paid in October 2020 and, for such reason, the proceedings were dismissed.

Excess weight

A civil class action was filed by the Federal Prosecutor's Office in Brasilia seeking to hold us liable for damages caused to federal roads by trucks carrying excess weight. The action claims damages to the federal government arising from material damages and collective pain and suffering, in the amount of R\$61.8 million, as of December 31, 2020. The lawsuit was dismissed in the lower court, and the decision dismissing it was confirmed by a higher court. A special appeal has been filed by the Federal Prosecutor's Office and is currently pending before the Superior Court of Justice (STJ).

Resale of solvents

In January 2017, we became the defendant in a civil lawsuit filed by a former reseller of solvents, claiming alleged breach of a distribution agreement. As of December 31, 2020, the damages claimed in the lawsuit amounted to R\$222.8 million and an award was not rendered by the lower court yet. Based on the opinion of external legal counsel, our management believes that the lawsuit has a possible risk of loss. As a result, no provision has been made by us. No judicial deposit or other form of guarantee was constituted for this lawsuit.

Redress proceeding

A compensatory lawsuit was filed by the insurer of one of our customers. The insurer seeks the reimbursement of the amount paid to a customer pursuant to an insurance agreement entered into with the customer. As of December 31, 2020, the amount involved in this proceeding was R\$84.9 million and an award was not rendered by the Lower Court yet. According to the insurer, the losses incurred by the customer, for which it was reimbursed, were caused by the supply of non-conforming products by Braskem. Our management, based on the opinion of external legal counsel, considers that the lawsuit may be dismissed in a period of up to eight years. As a result, no provision has been made by us. No judicial deposit or other form of guarantee was constituted for this lawsuit.

Corporate Related Proceedings

As of December 31, 2020, one of our most significant corporate claims is related to an ordinary collection claim combined with a request for damages for losses, requesting the payment of dividends and a share bonus arising from the class "A" preferred shares of the dissolved company Salgema Indústrias Químicas S.A. Dividends and bonus related to fiscal years prior to 1987 were considered to have become time-barred by lower courts and therefore not owed by Braskem. However, the Alagoas state Court of Appeals reviewed the decision and considered that amounts prior to such period are also owed. Braskem filed an appeal against the decision with the Superior Court of Justice (STJ), which was partially granted. It is possible that the statute of limitations could be applied to part of the claim once the request for liquidation is reviewed by the Superior Court of Justice (STJ). During fiscal year 2020, Braskem established a provision of R\$66.9 million for this lawsuit and there is no guarantee related to this claim.

We are also currently subject to the liquidation of an award related to a lawsuit filed in 1988, which ordered Polialden Petroquímica S.A., which merged into Braskem on May 31, 2006, to pay to its non-controlling preferred shareholders certain remaining profits. The purpose of the liquidation proceeding is to determine the value of the award calculated in accordance with the judicial order issued on April 15, 2016, which will occur through an arbitration procedure, as determined by the court, and was appealed. The procedure is awaiting the beginning of the expert analysis.

Based on the opinion of our external legal counsel, as of December 31, 2020, the nominal amount in dispute was R\$223.2 million, Braskem established a provision of R\$16.8 million for this lawsuit and there is no guarantee related to this claim.

Hashimoto Civil Action

A civil class action was filed in June 2018 by the Public Prosecutor's Office of the State of São Paulo against us and other companies that operate in the Capuava Petrochemical Complex, seeking the reparation and/or remediation of environmental damages supposedly arising from the emission of air pollutants, as well as a joint judgement against companies that comprise such complex, seeking environmental moral damages in in the inflation-adjusted amount of R\$144.4 million. Braskem filed its defense in December 2020. The defense of the other defendants and the subsequent decision of the judge is pending. Our management, based on its assessment and of that of our outside legal counsel, believes that the lawsuit possibly will be dismissed within a period of eight years.

Environmental

A public interest civil action was filed in September 2011 by the municipality of Ulianópolis, in the State of Pará, against Braskem and other companies, claiming reparation and/or remediation of environmental damages allegedly resulting from the delivery of waste to the company CBB, which were allegedly not disposed of properly, polluting an area of the municipality Ulianópolis, as well as joint and several liability of these companies for the payment of indemnification for environmental damage in the adjusted amount of R\$277.3 million. The companies filed their reply and a decision is pending. Our management, based on the opinion of our outside legal counsel, believes that the lawsuit will be dismissed within a period of eight years.

Alagoas – Mining Activities

In April 2019, the Alagoas State Prosecutor's Office (*Ministério Público do Estado de Alagoas*) and the State Public Defender's Office (*Defensoria Pública do Estado de Alagoas*) filed a lawsuit (public-interest civil action or *ação civil pública*) that was further joined by the Federal Prosecutor's Office (*Ministério Público Federal*) and the Federal Public Defender's Office (*Defensoria Pública da União*) seeking to freeze our assets in an amount of up to R\$6.7 billion to secure funds allegedly required to ensure remediation and compensation for environmental, property and personal damages potentially resulting from a geological incident related to our mining activities in the city of Maceió ("ACP of Residents"). A preliminary decision ordered the freezing of R\$100 million in our bank accounts.

In addition, the Alagoas State Court of Appeals (*Tribunal de Justiça do Estado de Alagoas*) ordered the suspension of the distribution of dividends for the fiscal year 2018 that had been proposed in the amount of R\$2.7 billion, or, alternatively, the freezing of assets in the same amount of the proposed dividend distribution. This decision was subsequently reversed by a decision of the Superior Court of Justice (*Superior Tribunal de Justiça*, or STJ), which authorized the distribution of dividends upon posting of a judicial bond in the same amount. The Alagoas State Prosecutor's Office and the Alagoas State Public Defender's Office amended their claim to exclude the request for indemnification for the alleged environmental damages and reduce the amount of assets to be frozen to R\$3.7 billion, which according to their allegations would be equivalent to the actual damages caused to the residents of the districts affected by the geological event. On June 26, 2019, the Presiding Judge of the Alagoas State Court of Appeals (*Tribunal de Justiça do Estado de Alagoas*) issued a decision ordering an amount of R\$3.7 billion to be frozen. This decision was also subsequently reversed by the Superior Court of Justice (STJ), which ordered the frozen amount of R\$3.7 billion to be returned to our bank accounts after posting another judicial bond in an equivalent amount.

On May 8, 2019, we became aware of the Report No. 1, prepared by the Mineral Resources Research Company (*Companhia de Pesquisa de Recursos Minerais*), or CPRM, an entity of the Brazilian Energy and Mining Ministry (*Ministério de Minas e Energia*), on the geological events that occurred in the city of Maceió. Such report indicated the occurrence of: (i) destabilization of caverns resulting from sodium chloride, or salt, extraction, which created a dynamic situation that reactivated pre-existing geological structures and deformations in the districts of Pinheiro, Mutange and Bebedouro; and (ii) instability in the Pinheiro district, which was aggravated by the erosive effects caused by an increase in the infiltration of stormwater runoff in pre-existing fractures in extremely erodible soil and accelerated due to the lack of an effective stormwater runoff drainage network and of adequate basic sanitation, among other factors. In this context, due to the developments from the publication of Report No. 1 by CPRM, in accordance with applicable safety standards, on May 9, 2019, we suspended all salt extraction and, consequently, the operations of the chlor-alkali and dichloroethane plants located in the district of Pontal da Barra in Maceió, state of Alagoas and also reducing production in the Camaçari Petrochemical Complex in the state of Bahia, since they are integrated into the production chain. Given that, Braskem put in place a non-integrated business model according to which the Company will import: (i) caustic soda to supply the Brazilian market using its logistics structure and terminals along the Brazilian coast; (ii) EDC to continue to operate its PVC plants in the states of Alagoas and Bahia, in Brazil; and (iii) sea salt to supply the Chlorine Soda plant in the State of Bahia. We have continuously cooperated with relevant authorities and the local community.

On July 25, 2019, we were informed of another public-interest civil action filed against us by the Labor Prosecutor's Office of the State of Alagoas, or MPT-AL, requesting injunctive relief to freeze the amount of R\$2.5 billion to guarantee payment of any actual damages that workers affected by the geological event may suffer ("ACP Labor"). In that lawsuit, MPT-AL further requested the payment of compensation to workers for pain and suffering. On October 10, 2019, the trial court denied the injunctive relief request.

On July 29, 2019, the Company was notified of an individual claim filed by *Construtora Humberto Lobo*, a construction company, seeking the payment of approximately R\$151 million for damages related to the termination of a property purchase contract celebrated with Braskem and allegedly due to the geological event. A previous decision, on July 4, 2019, had issued a freeze order of R\$4.8 million from Braskem's assets. On October 15, 2019, the Court partially decided the claim to determine the immediate payment of R\$4.5 million to the plaintiff. Braskem's appeal against such decisions awaits ruling by the Court of Appeal. The remaining part of the claim proceeds before Court to evidentiary stage.

On August 19, 2019, we became aware of the filing of another public-interest civil action filed by the Federal Prosecutor's Office (*Ministério Público Federal*) against us and other parties, requesting the following injunctive reliefs: (i) the set-up of a fund of R\$3.1 billion for the benefit of social and environmental programs and emergency measures to be carried out, and the maintenance in said fund of working capital in the amount of at least R\$2.0 billion or, after a financial schedule is approved for such fund, an amount equivalent to 100% of the expenses projected for the subsequent 12 months; (ii) the posting of bonds in the amount of R\$20.5 billion; (iii) prohibition on us to encumber or dispose of any of our fixed assets and to distribute profits, in the form of dividends, interest on shareholders' equity or any other form; (iv) freezing of any profits not yet distributed; and (v) suspension of receipt of government financings and government incentives, as well as acceleration of existing indebtedness with BNDES (a federal development bank) ("ACP Socio-environmental"). On January 15, 2020, the trial court denied the injunctive relief requests.

On November 14, 2019, as informed to the market, we submitted to the Brazilian National Mining Agency (*Agência Nacional de Mineração*, or ANM) a plan with measures to permanently end salt extraction activities in Macció and close all of its wells. We proposed to the ANM the creation of a protection area around certain wells, which would involve resettling people, vacating properties and taking certain additional monitoring measures. These measures were based on a study conducted by the Institute of Geomechanics of Leipzig (IFG), Germany, which is a global reference in geomechanics of salt wells, and is expected to be implemented in coordination with Brazilian civil defense and other authorities. Our preliminary estimates, that were to be confirmed with relevant authorities, indicated that the protection area would cover an area of approximately 400 properties and 1,500 people. For certain other wells, the recommendation was that additional monitoring measures be taken, without the need to vacate properties and resettle residents.

On January 3, 2020, we entered into an agreement with the Alagoas State Public Defender's Office (*Defensoria Pública do Estado de Alagoas*), the Federal Prosecutor's Office (*Ministério Público Federal*), the State of Alagoas Prosecutor's Office (*Ministério Público do Estado de Alagoas*) and the Federal Public Defender's Office (*Defensoria Pública da União*) with respect to the ACP of Residents, to support the relocation of, and indemnification to, residents in the areas at risk located in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in the city of Macció, in the state of Alagoas, as set forth in the agreement, which was ratified by the Federal Judge of the 3rd District Court in the state of Alagoas.

Based on such agreement, the plaintiffs agreed to: (i) release the amount of R\$3.7 billion that had been frozen, of which R\$1.7 billion was transferred to a bank account of Braskem specifically for funding a Financial Compensation and Support for Relocation Program ("PCF"), which must maintain at minimum balance of R\$100 million, subject to audit by an external auditor; and (ii) substitute the surety bonds that had been presented by Braskem in the approximate aggregate amount of R\$6.4 billion for two new surety bonds in the approximate aggregate amount of R\$3.0 billion to guarantee both the ACP of Residents and the ACP Socio-environmental.

On February 14, 2020, we entered into an agreement with the Labor Prosecutors' Office in the state of Alagoas (*Ministério Público do Trabalho do Estado de Alagoas*) to terminate the ACP Labor, with the commitment to invest R\$40.0 million to fund a Business Recovery and Promotion of Educational Activities Program for residents and workers in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in Macció, in the state of Alagoas. Such program consists in constructing day care centers and schools, implementing vocational training programs and providing support to the Civil Defense authorities in hiring qualified personnel for continuing the process of monitoring the areas at risk in these districts. As a consequence of the settlement, the ACP Labor was terminated.

On June 19, 2020, the Company became aware of a public civil inquiry initiated by the State of Alagoas Prosecutor's Office (*Ministério Público do Estado de Alagoas*) into the extent of the urban damage caused by the geological event, seeking solutions for recovery and utilization of the area, and assessing liability for possible reparations for damages caused ("Urban Damage Civil Inquiry").

As publicly announced by the Company on July 9, 2020, Braskem received a letter from the plaintiffs of the ACP of Residents providing an update on the Map of Damage Sectors and Priority Action Lines by the Civil Defense of Maceió ("Civil Defense Map"), which included additional properties in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro in the City of Maceió, in the State of Alagoas, that need to be vacated. After further negotiation and to ensure the safety of the residents in the region, the parties agreed to an amendment to the previous agreement to include additional properties to be vacated in the districts of Mutange, Bom Parto, Pinheiro and Bebedouro, in the City of Maceió, State of Alagoas, in connection with the PCF, as publicly announced by the Company on July 15, 2020. The amendment was ratified by the Court.

In September 2020, specialized and independent technical studies commissioned by the Company and carried out by internationally recognized entities (the "Studies") were concluded. The Studies presented the potential impacts from the geological event on the surface of the region, bringing an analysis of scenarios in the short and long terms, which included, among other, the areas identified by the Civil Defense Map of June 2020. The Studies were submitted to the competent Authorities for definition of possible actions to be taken under mutual agreement. Given the update of the Civil Defense Map, in September 2020, the Company and the Authorities agreed to include additional properties in the Financial Compensation and Support for Relocation Program ("PCF"), with the execution of the Instrument of Resolutions in October 2020. Regarding the mine closure planning, with the National Mining Agency ("ANM") authorization, Braskem has been implementing actions consisting of backfilling four salt wells with solid material, a process that is expected to take three years, and conventional closure and monitoring of our remaining salt wells. These actions were defined based on the recommendations of studies carried out by independent institutions and nationally and internationally recognized experts, which have been shared with ANM.

On November 26, 2020, we became aware of an ANM letter - Ofício nº 116/2020/GER-AL ("ANM Letter") determining the closure of the mine including the backfilling with solid material of a number of additional salt wells, as informed to the market. For the implementation of the measures defined by ANM and taking into account the preliminary information that we obtained to date we estimated approximately R\$3.0 billion in costs and expenses in addition to the amounts already recorded. Such incremental costs and expenses, if confirmed, would be incurred in the long term due to the complexity of the technical aspects. Our actual costs may be materially different than this preliminary estimate based on a variety of factors, including, but not limited to, the result of the monitoring and backfilling actions of the wells, potential future determinations by ANM, unforeseen technical difficulties or costs, or other factors. Braskem presented an appeal against such decision with a request for reconsideration and for a motion to stay.

On December 11, 2020, the Civil Defense of Maceió updated the Map of Sectors of Damage and Priority Action Lines to consider, among others, most of the areas with potential future impacts on the surface in the long term as provided in the Studies.

On December 30, 2020, the Company was informed that the requested order to stay was granted by ANM, suspending the effects of the ANM Letter until further technical evaluation of the appeal and of the motion for reconsideration. Considering this decision, the above indicated additional provision (R\$3.0 billion) was not necessary.

On December 30, 2020, Braskem and plaintiffs of the ACP of Residents signed a second amendment to the first agreement of January 3, 2020 ("Agreement to Compensate Residents"), by means of which the Parties agreed to terminate the ACP of Residents upon: (i) the relocation of residents of additional areas defined by both the most recent version of the Civil Defense Map and the Studies and their inclusion in PCF; (ii) the creation of a technical group with the objective of monitoring the geological event and studying the areas adjacent to the Civil Defense Map for a period of five years; (iii) the transfer of an additional R\$1 billion to a bank account of Braskem specifically for funding the PCF; and (iv) the reduction of the surety bond already presented by Braskem to the Court, as Material Fact disclosed on January 3, 2020, by R\$200 million to the total reduced amount of approximately R\$1.8 billion. The Agreement to Compensate Residents was ratified by Court January 6, 2021, with the termination of the ACP of Residents.

Also on December 30, 2020, Braskem and the Federal Prosecutor's Office (*Ministério Público Federal*), with the State of Alagoas Prosecutor's Office (*Ministério Público do Estado de Alagoas*) as an intervening party, entered into an agreement to terminate the ACP Socio-environmental against the Company ("Agreement for Socio-environmental Remediation").

According to the Agreement for Socio-environmental Remediation, the Company commits, primarily, to (i) adopt the necessary measures to stabilize the cavities and monitor the soil; (ii) repair, mitigate or compensate potential environmental impacts and damages resulting from the mining activities (salt extraction) in the city of Maceió, defined after the conclusion of the Environmental Diagnosis, to be conducted by a specialized and independent company; and (iii) repair, mitigate or compensate for potential socio-urbanistic impacts and damages resulting from mining activities (salt extraction) in the city of Maceió, as detailed below.

(i) For the stabilization of the cavities and monitoring of the soil, the Company will continue with the implementation of the measures of the mine closure planning presented by Braskem to ANM and subject to its approval.

(ii) With respect to potential environmental impacts and damages resulting from the salt extraction activities in the city of Maceió an well-known expert and independent company was engaged to assess and recommend measures for repairment, mitigation or compensation of the environmental impacts that may be identified as a result of the salt extraction activities in the city of Maceió. After the completion of such study, the Company will implement and fund the potential measures recommended by such study with the previous accordance of the Federal Prosecutor's Office (*Ministério Público Federal*).

(iii) With respect to socio-urbanistic impacts and damages resulting from the salt extraction activities in the city of Maceió, the Company will allocate the total amount of R\$1.28 billion to implement actions and measures in the vacated areas, and actions relating urban mobility and social compensation.

Additionally, the Company and the Federal Prosecutor's Office (*Ministério Público Federal*), agreed: (i) to allocate the additional amount of R\$300 million for social damages and collective moral damages indemnification and for eventual contingencies related to actions in the vacated areas and urban mobility actions; (ii) with the constitution of a secured interest on certain of the Company's assets in the amount of R\$2.8 billion to replace the surety bond previously presented by Braskem to the Court in the amount of R\$1 billion, as Material Fact disclosed on January 3, 2020; and (iii) to engage specialized consultants to support the definition of the measures established in the Agreement for Socio-environmental Remediation and to update the socio-environmental compliance program of the Company.

The Agreement for Socio-environmental Remediation was ratified by Court on January 6, 2021, resulting in the termination of the ACP Socio-Environmental claim against Braskem, and the same shall happen to related civil inquiries, including the Urban Damage Civil Inquiry.

The actions to repair, mitigate or offset potential environmental impacts and damages, as provided for in the Agreement for Socio-environmental Remediation, to be financed by Braskem, will be defined after the conclusion of the Environmental Diagnosis, to be conducted by a specialized and independent company. At this time, it is impossible to predict the outcome of these Environmental Diagnosis studies or their potential implications for additional disbursements relating to the amounts already provisioned by the Company. Furthermore, the Agreement for Socio-environmental Remediation sets forth the potential adherence by other parties, including the municipality of Maceió, which is under negotiation and will continue over the coming months. To date, the Company cannot predict the results of any discussions or any of their associated costs.

Other aspects relating to the settlement agreements are the uncertainties relating to the geological phenomenon in Maceió, which include: actions to close and monitor the wells, future studies by experts, modifications relating to the dynamics of the geological event, implementation of the relocation plan for risk areas, individual lawsuits and demands by public service concessionaires (water, electric power, natural gas, telecommunication, etc).

The Company will keep the market informed of material developments concerning the environmental impact study and will continue with the monitoring of the region, following the dynamics of the geological phenomenon.

In February 2021, ANM granted our motion requesting that ANM reconsider its order directing the implementation of additional measures for the mine closure plan proposed by the Company. ANM's decision maintained the implementation of the measures contemplated in the mine closure plan originally proposed by the Company, for which the amount of R\$1.6 billion had already been provisioned. Lastly, considering that the mine closure plan is a dynamic process with complex execution, ANM will continue to oversee the results of the measures that are being taken by the Company for closing and monitoring the mine and, accordingly, further evaluations, requirements and provisions may be necessary in the future.

The Company is implementing all the actions approved by ANM. The provisions are based on current estimates and assumptions and may be updated in the future due to new facts and circumstances, including: changes in execution time and the extension and way of action plans execution; the conclusion of current and future studies that indicate recommendations of experts, and other new developments on the topic.

On February 2, 2021 the Company was notified of a preliminary injunction requested by the Brazilian Company of Urban Trains (*Companhia Brasileira de Trens* – CBTU) to maintain the terms of the cooperation agreement previously entered into by the parties. The request was denied in the first and second instances, given the fulfillment of the obligations undertaken by Braskem. On February 24, CBTU presented an amendment to the preliminary injunction to claim the payment of damages in the amount of R\$222.1 million, as well as obligations to do, including the construction of a new rail line to substitute the stretch that passes through the vacated area. CBTU attributes to the claim the approximate amount of R\$1.3 billion. No judicial deposit or any other type of guarantee has been made. Our management, supported by the opinion of our external legal counsel, classifies the probability of loss in this case as possible.

As of December 31, 2020, Braskem was a defendant in several individual claims, that, in aggregate, involve the amount of approximately R\$573 million, filed by individuals in Brazil and abroad, seeking the payment of indemnifications related to the geological event in Maceió.

Braskem is committed to fulfilling all of its obligations under the agreements it has signed and to a continuous dialogue with the authorities and the community in order to support measures that may guarantee the safety and well-being of those involved in the event. For more information related to Alagoas – Mining Activities, see note 26 to our audited consolidated financial statements included elsewhere in this annual report.

Dividends and Dividend Policy

Payment of Dividends

Our dividend distribution policy has historically included the distribution of periodic dividends, based on annual balance sheets approved by our board of directors. When we pay dividends on an annual basis, they are declared at our annual shareholders' meeting, which we are required by the Brazilian Corporate Law and our by-laws to hold by April 30 of each year. When we declare dividends, we are generally required to pay them within 60 days of declaring them unless the shareholders' resolution establishes another payment date. In any event, if we declare dividends, we must pay them by the end of the fiscal year for which they are declared. Any holder of record of shares at the time that a dividend is declared is entitled to receive dividends. Our payment of annual dividends is based on our audited financial statements prepared for our preceding fiscal year.

Our Finance and Investments Committee will review, prior to the review by our board of directors, any management proposal regarding the distribution of dividends or interest on capital stock.

Our board of directors may declare interim dividends based on the accrued profits recorded or the realized profits in our annual or semi-annual financial statements approved by our common shareholders. In addition, we may pay dividends from net income based on our unaudited quarterly financial statements. These quarterly interim dividends may not exceed the amounts included in our capital reserve accounts. We may set off any payment of interim dividends against the amount of the mandatory distributable amount for the year in which the interim dividends were paid.

The following table sets forth the dividends and/or interest attributable to shareholders' equity paid to holders of our common shares, class "A" preferred shares and "class B" preferred shares since January 1, 2018 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of their respective payment date.

Year	Payment Date	Nominal Brazilian Currency per			US\$ equivalent per		
		Common shares	Class A Preferred Shares	Class B Preferred Shares	Common shares	Class A Preferred Shares	Class B Preferred Shares
2018	December 30, 2019	0.84	0.84	0.61	0.21	0.21	0.15

The following discussion summarizes the principal provisions of the Brazilian Corporate Law and our by-laws relating to the distribution of dividends, including interest attributable to shareholders' equity.

Calculation of Adjusted Net Profits

At each annual shareholders' meeting, our board of directors is required to recommend how to allocate our net profits for the preceding fiscal year, which recommendation our board of executive officers initially submits to our board of directors for approval. This allocation is subject to approval by our common shareholders. The Brazilian Corporate Law defines "net profits" for any fiscal year as our net income after income taxes for that fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees' participation in our net profits in that fiscal year. Under the Brazilian Corporate Law, our adjusted net profits available for distribution are equal to our net profits in any fiscal year, reduced by amounts allocated to our legal reserve and other applicable reserves, and increased by any reversals of reserves that we constituted in prior years.

Reserve Accounts

Under the Brazilian Corporate Law and our by-laws, we are required to maintain a legal reserve. In addition, we are permitted by the Brazilian Corporate Law to establish the following discretionary reserves:

- a contingency reserve for an anticipated loss that is deemed probable in future years. Any amount so allocated in a previous year must be reversed in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or charged off in the event that the anticipated loss occurs;
- a reserve for investment projects, in an amount based on a capital expenditure budget approved by our shareholders;
- an unrealized profit reserve described under “—Mandatory Distributions” below; and
- a tax incentive investment reserve, included in our capital reserve accounts, in the amount of the reduction in our income tax obligations due to government tax incentive programs. See note 31 to our audited consolidated financial statements elsewhere in this annual report.

Allocations to each of these reserves (other than the legal reserve) are subject to approval by our common shareholders voting at our annual shareholders’ meeting.

Legal Reserve Account

Under the Brazilian Corporate Law and our by-laws, we must allocate 5% of our net profits for each fiscal year to our legal reserve until the aggregate amount of our legal reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which our legal reserve, when added to our other reserves, exceeds 30% of our shareholders’ equity. At the end of the fiscal year 2020, the Company used the balance of this reserve to absorb the adjusted loss in 2020.

Dividend Preference of Preferred Shares

Under our by-laws, our preferred shareholders are entitled to a Minimum Preferred Dividend, equal to 6% of the book value of such shares, before dividends may be paid to our common shareholders. Distributions of dividends in any year are made:

- first, to the holders of preferred shares, up to the amount of the Minimum Preferred Dividend for such year;
- then, to the holders of common shares, until the amount distributed in respect of each common share is equal to the amount distributed in respect of each preferred share; and
- thereafter, to the holders of our common shares and our class A preferred shares on a pro rata basis.

Our class B preferred shareholders are not entitled to receive any additional dividend amounts after they have received the preferential dividend. If the Minimum Preferred Dividend is not paid for a period of three years, holders of preferred shares will be entitled to full voting rights.

Mandatory Distributions

As permitted by the Brazilian Corporate Law, our by-laws specify that 25% of our adjusted net profits for each fiscal year must be distributed to shareholders as dividends or interest attributable to shareholders’ equity. We refer to this amount as the mandatory distributable amount.

Under the Brazilian Corporate Law, the amount by which the mandatory distributable amount exceeds the “realized” portion of net income for any particular year may be allocated to the unrealized profit reserve, and the mandatory distribution may be limited to the “realized” portion of net income. The “realized” portion of net income is the amount by which our net income exceeds the sum of (1) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain associated companies, and (2) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized profit reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

The Brazilian Corporate Law permits us to suspend the mandatory distribution if our board of directors reports to our annual shareholders’ meeting that the distribution would be incompatible with our financial condition at that time, provided that this does not affect the payment of the Minimum Preferred Dividend. Our fiscal council must opine on any suspension of the mandatory distribution. In addition, our management must report the reasons of any suspension of the mandatory distribution to the CVM. We must allocate net profits not distributed by us as a result of a suspension to a special reserve and, if not absorbed by subsequent losses, we must distribute these amounts as soon as our financial condition permits. In case our profits reserves, as defined in the Brazilian Corporate Law, exceed our share capital, the excess must be credited to shareholders’ equity or used for the payment of distributions.

Interest Attributable to Shareholders' Equity

Brazilian companies, including us, are permitted to pay interest attributable to shareholders' equity as an alternative form of payment of dividends to our shareholders. These payments may be deducted when calculating Brazilian income tax and social contribution tax. The interest rate applied to these distributions generally cannot exceed the TLP for the applicable period. The amount of interest paid that we can deduct for tax purposes cannot exceed the greater of:

- 50% of our net income (after the deduction of the provision for social contribution tax and before the deduction of the provision for corporate income tax) before taking into account any such distribution for the period for which the payment is made; and
- 50% of the sum of our retained earnings and profit reserves.

Any payment of interest attributable to shareholders' equity to holders of common shares, preferred shares or ADSs, whether or not they are Brazilian residents, is subject to Brazilian withholding tax at the rate of 15%, except that a 25% withholding tax rate applies if the recipient is a resident of a tax haven jurisdiction. A tax haven jurisdiction is a country (1) that does not impose income tax or whose income tax rate is lower than 20% or (2) which does not permit disclosure of the identity of shareholders of entities organized under its jurisdiction. See "Item 10. Additional Information—Taxation—Brazilian Tax Considerations." Under our by-laws, we may include the amount distributed as interest attributable to shareholders' equity, net of any withholding tax, as part of the mandatory distributable amount.

Significant Changes

Other than as disclosed in this annual report, no significant change has occurred since the date of the audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

Markets for Our Equity Securities

The principal trading market for our common shares, class A preferred shares and class B preferred shares is the B3, where they are traded under the symbols “BRKM3,” “BRKM5” and “BRKM6,” respectively. Our common shares and class A preferred shares began trading on the B3 (formerly the BM&FBOVESPA) on November 11, 1980, and our class B preferred shares began trading on the B3 on August 19, 1983.

On December 21, 1998, ADSs representing our class A preferred shares began trading on the NYSE. Our ADSs are traded under the symbol “BAK.” As of December 31, 2020, there were 14,634,189 ADSs outstanding, representing 29,268,378 class A preferred shares, or 8.5% of our outstanding class A preferred shares. Each ADS represents two class A preferred shares.

On October 8, 2003, we listed our class A preferred shares on the LATIBEX, a stock market for Latin American issuers that is quoted in Euros on the Madrid Stock Exchange, under the symbol “XBRK.” Our class A preferred shares are traded on the LATIBEX in lots of one share.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and the securities markets generally, the National Monetary Council and the Central Bank, which has, among other powers, licensing authority over brokerage firms and which regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by (1) Law No. 6,385, as amended and supplemented, which is the principal law governing the Brazilian securities markets and which we refer to as the Brazilian Securities Law; (2) the Brazilian Corporate Law; and (3) the regulations issued by the CVM, the National Monetary Council and the Central Bank.

Trading on the B3

Overview of the B3

In 2000, the *Bolsa de Valores de São Paulo S.A. – BVSP* (the São Paulo Stock Exchange), or BOVESPA was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Following this reorganization, the BOVESPA was a non-profit entity owned by its member brokerage firms and trading on the BOVESPA was limited to these member brokerage firms and a limited number of authorized nonmembers. Under the memoranda, all securities are now traded only on the BOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

In August 2007, the BOVESPA underwent a corporate restructuring that resulted in the creation of BOVESPA Holding S.A., a public corporation, whose wholly owned subsidiaries were (1) the BOVESPA, which is responsible for the operations of the stock exchange and the organized over-the-counter markets, and (2) the Brazilian Settlement and Custodial Company (*Companhia Brasileira de Liquidação e Custódia*), or CBLC, which is responsible for settlement, clearing and depositary services. In the corporate restructuring, all holders of membership certificates of the BOVESPA and of shares of CBLC became shareholders of BOVESPA Holding S.A. As a result of the corporate restructuring, access to the trading and other services rendered by the BOVESPA is not conditioned on stock ownership in BOVESPA Holding S.A. In May 2008, the BOVESPA merged with the Commodities and Futures Exchange (*Bolsa de Mercadorias & Futuros*) to form the BM&FBOVESPA. In November 2008, the CBLC merged with the BM&FBOVESPA. As a result, the BM&FBOVESPA performed its own settlement, clearing and depositary services.

On March 30, 2017, the BM&FBOVESPA merged with CETIP, a provider of financial services for the organized over-the-counter market, to form the B3 – Brasil Bolsa Balcão S.A., or B3.

Regulation of Foreign Investments

Trading on the B3 by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment regulations. With limited exceptions, non-Brazilian holders may trade on the B3 only in accordance with the requirements of Resolution No. 4,373 of the National Monetary Council. Resolution No. 4,373 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions that are authorized by the Central Bank and the CVM. In addition, Resolution No. 4,373 requires non-Brazilian holders to restrict their securities trading to transactions on the B3 or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 4,373 to other non-Brazilian holders through private transactions. See “Item 10. Additional Information—Exchange Controls” for further information about Resolution 4,373, and “Item 10. Additional Information—Taxation—Brazilian Tax Considerations—Taxation of Gains in Brazil” for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 4,373.

ITEM 10. ADDITIONAL INFORMATION

Description of Our By-laws

The following is a summary of the material provisions of our by-laws and of the Brazilian Corporate Law. In Brazil, a company's by-laws (*estatuto social*) is the principal governing document of a corporation (*sociedade por ações*).

Corporate Purposes

Article 2 of our by-laws establishes our corporate purposes to include:

- the manufacture, trading, import and export of chemical and petrochemical products and petrochemical derivatives;
- the production, distribution and trading of utilities such as: steam, water, compressed air, industrial gases, as well as the provision of industrial services;
- the production, distribution and trading of electricity for its own consumption and that of other companies;
- holdings of equity stakes in other companies, pursuant to the Brazilian Corporate Law No. 6,404/76, as a holder of quotas or shares;
- the manufacture, distribution, trading, import and export of gasoline, diesel oil, LPG and other oil derivatives.
- the transportation, representation and consignment of petrochemical products and by-products, compounds and derivatives, such as polypropylene, polypropylene films, polyethylene, elastomers and their respective manufactured products;
- the free lease or loan of assets that are owned or possessed thereby because of a commercial leasing agreement, provided that this is carried out as an ancillary activity to the main corporate purpose of our Company; and
- the provision of services related to the activities above

Board of Directors

Under the Brazilian Corporate Law, any matters subject to the approval of our board of directors can be approved by a simple majority of votes of the members present at a duly convened meeting, unless our by-laws otherwise specify. Under our by-laws, our board of directors may only deliberate if a majority of its members are present at a duly convened meeting. Any resolutions of our board of directors may be approved by the affirmative vote of a majority of the members present at the meeting; provided, however, that certain matters may only be approved by mutual agreement between the parties under the Braskem S.A. Shareholders' Agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements—Braskem S.A. Shareholders' Agreement." The majority of the members of our board of directors are elected by the Novonor Group. However, at least 20% of the members of our board of directors must be independent directors. In addition, any director appointed by a shareholder pursuant to a shareholders agreement is bound by the terms of such agreement. See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements." The members of our board of directors are elected at general meetings of shareholders for concurrent two-year terms. Our by-laws do not require the members of our board of directors to be a resident in Brazil or become our shareholders. The Brazilian Corporate Law requires each of our executive officers to be residents of Brazil. Under our by-laws, the shareholders of our common shares approve the aggregate compensation payable to our directors, executive officers and members of our fiscal council. Subject to this approval, our board of directors establishes the compensation of its members and of our executive officers. See "Item 6. Directors, Senior Management and Employees—Compensation." Neither the Brazilian Corporate Law nor our by-laws establish any mandatory retirement age for our directors or executive officers.

Compliance

Our by-laws provide for a Compliance Committee comprised of at least three independent members of our board of directors, which members are appointed by our board of directors. In addition, our compliance department, led by our Chief Compliance Officer, has a full-line report directly to the Compliance Committee and a dotted-line report to the CEO of our Company. See “Item 6—Directors, Senior Management and Employees—Directors and Senior Management—Board Committees—Compliance Committee.”

Share Capital

Under the Brazilian Corporate Law and under our by-laws, the number of issued and outstanding non-voting shares or shares with limited voting rights, such as our class A preferred shares and class B preferred shares, may not exceed two thirds of total share capital. Each of our common shares entitles its holder to one vote at our shareholders’ meetings. Holders of our common shares are not entitled to any preference in respect of our dividends or other distributions or otherwise in case of our liquidation. Our class A preferred shares and class B preferred shares are non-voting, except in limited circumstances, and have priority over our common shares in the case of our liquidation. See “—Voting rights” for information regarding the voting rights of our preferred shares, “—Liquidation” for information regarding the liquidation preferences of our preferred shares, and “Item 8. Financial Information—Dividends and Dividend Policy—Calculation of Adjusted Net Profits” and “Item 8. Financial Information—Dividends and Dividend Policy—Dividend Preference of Preferred Shares” for information regarding the distribution preferences of our preferred shares.

Shareholders’ Meetings

Under the Brazilian Corporate Law, we must hold an annual shareholders’ meeting by April 30 of each year in order to:

- approve or reject the financial statements approved by our board of directors and board of executive officers, including any recommendation by our board of directors for the allocation of net profits and distribution of dividends; and
- elect members of our board of directors (upon expiration of their two-year term) and members of our fiscal council, subject to the right of minority shareholders to elect members of our board of directors and our fiscal council.

In addition to the annual shareholders’ meetings, holders of our common shares have the power to determine any matters related to changes in our corporate purposes and to pass any resolutions they deem necessary to protect and enhance our development whenever our interests so require, by means of extraordinary shareholders’ meetings.

Under the Brazilian Corporate Law and our by-laws, the holders of our common shares have the power, among other powers, to vote at shareholders’ meetings to:

- amend our by-laws;
- approve any capital increase in excess of the amount of our authorized capital;
- approve any capital reduction, as well as redemption or amortization of its shares;
- accept or reject the valuation of assets contributed by any of our shareholders in exchange for the issuance of our share capital;

- suspend the rights of any of our shareholders in default of their obligations established by law or by our by-laws;
- authorize the issuance of convertible debentures or shares subscription bonus, in excess of the amount of our authorized capital;
- approve any reorganization of our legal form or any merger, consolidation or spin-off involving us;
- authorize our dissolution and liquidation, the election and dismissal of liquidators appointed in connection with any dissolution or liquidation of our Company, and the examination of the liquidators' accounts;
- participate in a centralized group of companies (as defined under the Brazilian Corporate Law);
- approve the aggregate compensation payable to our directors and executive officers;
- authorize management to declare us insolvent or bankrupt and to request a *concordata* (a procedure involving our protection from our creditors similar in many respects to a reorganization under the U.S. bankruptcy code);
- elect and substitute members of our board of directors and fiscal council;
- modify the number of members on our board of directors;
- alter our dividend policy or the minimum mandatory dividend provided for in the by-laws; and
- authorize the delisting of our shares.

We convene our shareholders' meetings, including our annual shareholders' meeting, by publishing a notice in the *Diário Oficial do Estado da Bahia*, in at least one additional newspaper designated by our shareholders with general circulation in Bahia, where we maintain our registered office. On the first call of any meeting, the notice must be published no fewer than three times, beginning at least 15 calendar days prior to the scheduled meeting date. Under the terms of the deposit agreement governing our ADR program, we must give the depositary notice of a shareholders' meeting to resolve on matters with regard to which ADS holders have voting rights at least 30 days prior to the scheduled meeting date. The notice must contain the meeting's place, date, time, agenda and, in the case of a proposed amendment to our by-laws, a description of the subject matter of the proposed amendment.

In order for a valid action to be taken at a shareholders' meeting, shareholders representing at least 25% of our issued and outstanding voting share capital must be present on first call. However, shareholders representing at least two-thirds of our issued and outstanding voting share capital must be present at a shareholders' meeting called to amend our by-laws. If a quorum is not present, our board of directors may issue a second call by publishing a notice as described above at least eight calendar days prior to the scheduled meeting. The quorum requirements do not apply to a meeting held on the second call, and the shareholders' meetings may be convened with the presence of shareholders representing any number of shares (subject to the voting requirements for certain matters described below). A shareholder without a right to vote may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

Voting Rights

Under the Brazilian Corporate Law and our by-laws, each of our common shares entitles its holder to one vote at our shareholders' meetings. Our preferred shares generally do not confer voting rights, except in the limited circumstances. We may not restrain or deny any voting rights without the consent of the majority of the shares affected. Whenever the shares of any class of share capital are entitled to vote, each share is entitled to one vote.

Preemptive Rights

Under the Brazilian Corporate Law, each of our common and class A preferred shareholders has a general preemptive right to subscribe for our shares or securities convertible into our shares in any capital increase, in proportion to the number of our shares held by such shareholder. In accordance with the applicable legislation and our by-laws, the class B preferred shares (which are special shares paid up with resources provided for in certain tax incentive legislation), the holders of such class B preferred shares do not have preemptive rights in case of any capital increase. In the event of a capital increase that would maintain or increase the proportion of our capital represented by our class A preferred shares, holders of our class A preferred shares would have preemptive rights to subscribe to newly issued class A preferred shares only. In the event of a capital increase that would reduce the proportion of our capital represented by our class A preferred shares, holders of such preferred shares would have preemptive rights to subscribe to any new class A preferred shares in proportion to the number of our shares that they hold, and to our common shares only to the extent necessary to prevent dilution of their interests in our total capital.

Under our by-laws, except when issuing voting shares or securities convertible into voting shares, our board of directors or our shareholders, as the case may be, may decide to reduce the term of preemptive rights or not to extend preemptive rights to our shareholders with respect to any issuance of our non-voting shares, debentures convertible into our shares or warrants made in connection with a public exchange made to acquire control of another company or in connection with a public offering or through a stock exchange. The preemptive rights are transferable and must be exercised within a period of at least 30 days following the publication of notice of the issuance of shares or securities convertible into our shares. Holders of the ADSs may not be able to exercise the preemptive rights relating to our class A preferred shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of the ADSs, and we may not file any such registration statement.

Redemption, Amortization, Tender Offers and Rights of Withdrawal

Our by-laws or our shareholders at a shareholders' meeting may authorize us to use our profits or reserves to redeem or amortize our shares in accordance with conditions and procedures established for such redemption or amortization. The Brazilian Corporate Law defines "redemption" (*resgate de ações*) as the payment of the value of the shares in order to permanently remove such shares from circulation, with or without a corresponding reduction of our share capital. The Brazilian Corporate Law defines "amortization" (*amortização*) as the distribution to the shareholders, without a corresponding capital reduction, of amounts that they would otherwise receive if we were liquidated. If an amortization distribution has been paid prior to our liquidation, then upon our liquidation, the shareholders who did not receive an amortization distribution will have a preference equal to the amount of the amortization distribution in the distribution of our capital.

The Brazilian Corporate Law authorizes us, by means of a decision made at our shareholders' meeting, to redeem shares not held by our controlling shareholders, if, after a tender offer effected as a consequence of delisting or a substantial reduction in the liquidity of our shares, our controlling shareholders increase their participation in our total share capital to more than 95%. The redemption price in such case would be the same price paid for our shares in any such tender offer.

Rights of Withdrawal

The Brazilian Corporate Law provides that, in certain limited circumstances, a dissenting shareholder may withdraw its equity interest from our Company and be reimbursed by us for the book value of our common or preferred shares that it then holds.

This right of withdrawal may be exercised by the holders of the adversely affected common or preferred shares if we decide:

- to create a new class of our preferred shares with greater privileges than the existing classes of our preferred shares;
- to increase an existing class of our preferred shares relative to the other classes of our preferred shares (unless such actions are provided for or authorized by our by-laws); or
- to modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of our preferred shares.

In addition, holders of our common and preferred shares may exercise their right of withdrawal if we decide to undertake any of the following actions:

- to merge with another company or to consolidate with another company in a transaction in which our Company is not the surviving entity;
- to transfer all of our shares to another company or to acquire all of the shares of another company (“*incorporação de ações*”);
- to participate in a centralized group of companies as defined under the Brazilian Corporate Law;
- to reduce the mandatory distribution of dividends;
- to change our corporate purposes; or
- to spin-off a portion of our Company.

Only shareholders who own shares on the date of publication of the first notice convening the relevant shareholders’ meeting or the press release concerning the relevant shareholders’ meeting is published, whichever is earlier, will be entitled to withdrawal rights.

Shareholders will not be entitled to this right of withdrawal if the shares of the entity resulting from a merger, incorporation, consolidation of our Company or participation of our Company in a group of companies have minimal market liquidity and are dispersed among a sufficient number of shareholders. For this purpose, shares that are part of general indices representative of portfolios of securities traded in Brazil or abroad are considered liquid, and sufficient dispersion will exist if the controlling shareholder holds less than half of the class and type of the outstanding shares. In case of a spin-off, the right of withdrawal will only exist if there is a significant change in the corporate purpose or a reduction in the mandatory dividend.

The redemption of shares arising out of the exercise of any withdrawal rights would be made at book value per share, determined on the basis of their most recent audited balance sheet approved by our dissenting shareholders. However, if the shareholders’ meeting approving the action that gave rise to withdrawal rights occurred more than 60 days after the date of the most recent approved audited balance sheet, a shareholder may demand that its shares be valued on the basis of a balance sheet prepared specifically for this purpose. The right of withdrawal lapses 30 days after the date of publication of the minutes of the shareholders’ meeting that approved one of the matters described above. Our shareholders may reconsider any resolution giving rise to withdrawal rights within 10 days following the expiration date for such rights if we believe that the withdrawal of shares of dissenting shareholders would jeopardize our financial stability.

Any shareholder who does not exercise its withdrawal rights within the prescribed period will lose that right.

Disclosures of Share Ownership

Brazilian regulations require that (1) each of our controlling shareholders, directly or indirectly, (2) shareholders who have elected members of our board of directors, and (3) any person or group of persons representing a person that has directly or indirectly acquired or sold an interest that exceeds upwards or downwards, the threshold of 5%, 10%, 15%, and so on, of the total number of our shares of any type or class to disclose its or their share ownership or divestment to the CVM and to the B3.

In addition, members of the board of directors, executive officers, members of the fiscal council or technical/advisory bodies created pursuant to the by-laws must also inform the ownership or negotiation of the shares issued by the Company.

Form and Transfer

Our preferred shares and common shares are in book-entry form, registered in the name of each shareholder or its nominee. The transfer of our shares is governed by Article 35 of the Brazilian Corporate Law, which provides that a transfer of shares is effected by our transfer agent, Banco Itaú S.A., by an entry made by the transfer agent in its books, upon presentation of valid written share transfer instructions to us by a transferor or its representative. When preferred shares or common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our transfer agent by a representative of a brokerage firm or the stock exchange’s clearing system. The transfer agent also performs all the services of safe-keeping of our shares. Transfers of our shares by a non-Brazilian investor are made in the same manner and are executed on the investor’s behalf by the investor’s local agent. If the original investment was registered with the Central Bank pursuant to foreign investment regulations, the non-Brazilian investor is also required to amend, if necessary, through its local agent, the electronic certificate of registration to reflect the new ownership.

The B3 operates a central clearing system. A holder of our shares may choose, at its discretion, to participate in this system, and all shares that such shareholder elects to be put into the clearing system are deposited in custody with the clearing and settlement chamber of the B3 (through a Brazilian institution that is duly authorized to operate by the Central Bank and maintains a clearing account with the clearing and settlement chamber of the B3). Shares subject to the custody of the clearing and settlement chamber of the B3 are noted as such in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of the clearing and settlement chamber of the B3 and will be treated in the same manner as shareholders registered in our books.

Material Contracts

We have not entered into any material contracts, other than those described elsewhere in this annual report or entered into in the ordinary course of business. For additional information about material agreements that we have recently entered into, please see “Item 5. Operating and Financial Review and Prospects—Recent Developments” and “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Exchange Controls

There are no restrictions on ownership or voting of our capital stock by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments, interest on shareholders’ equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil is subject to exchange control restrictions under foreign investment legislation and foreign exchange regulations, which generally require, among other things, the registration of the relevant investment with the Central Bank and/or the CVM, as the case may be.

Investments in our class A preferred shares by (1) a holder not deemed to be domiciled in Brazil for Brazilian tax purposes, (2) a non-Brazilian holder who is registered with the CVM under Annex I of Resolution No. 4,373, or a 4,373 Holder, or (3) the depositary, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our class A preferred shares.

Depositary Receipts (Annex II of Resolution No. 4,373)

Annex II of Resolution No. 4,373 of the National Monetary Council, as amended, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, as a general rule, the proceeds from the sale of ADSs by non-Brazilian resident holders of ADSs outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs who are not domiciled in a favorable tax haven jurisdiction are entitled to favorable tax treatment. See “—Taxation—Brazilian Tax Considerations.”

We pay dividends and other cash distributions with respect to our class A preferred shares in reais. We have obtained an electronic certificate of foreign capital registration from the Central Bank in the name of the depositary with respect to our ADSs to be maintained by the custodian. Pursuant to this registration, the custodian is able to convert dividends and other distributions with respect to our class A preferred shares represented by ADRs into foreign currency and remit the proceeds outside Brazil to the depositary so that the depositary may distribute these proceeds to the holders of record of the ADSs.

Foreign Direct Investment and Portfolio Investment

Investors (individuals, legal entities, mutual funds and other collective investment entities) domiciled, residing or headquartered outside Brazil may register their investments in our capital stock as foreign portfolio investments under Annex I of Resolution No. 4,373 (described below) or as foreign direct investments under Law No. 4,131 (described below). Registration under Annex I of Resolution No. 4,373 or Law No. 4,131 generally enables the conversion of dividends, other distributions and sales proceeds received in connection with registered investments into foreign currency and the remittance of such amounts outside Brazil.

Registration under Annex I of Resolution No. 4,373 affords favorable tax treatment to non-Brazilian portfolio investors who are not resident in favorable tax jurisdictions (*países com tributação favorecida*) pursuant to articles 24, 24-A and 24-B of Law no. 9,430/96. See “—Taxation—Brazilian Tax Considerations.”

Annex I of Resolution No. 4,373

All investments made by a non-Brazilian investor under Annex I of Resolution No. 4,373 are subject to electronic registration with the Brazilian Central Bank. Such registration permits the conversion of dividend payments, payments of interest on shareholders’ equity and proceeds from the sale of our capital stock into foreign currency and the remission of such amounts outside Brazil.

Under Annex I of Resolution No. 4,373, non-Brazilian investors registered with the CVM may invest in almost all financial assets and engage in almost all transactions available to Brazilian investors in the Brazilian financial and capital markets without obtaining a separate Central Bank registration for each transaction, provided that certain requirements are fulfilled. Under Annex I of Resolution No. 4,373, the definition of a non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

Pursuant to Annex I of Resolution No. 4,373, non-Brazilian investors must:

- appoint at least one representative in Brazil with powers to take action relating to its investments, which must be a financial institution duly authorized by the Central Bank;
- appoint an authorized custodian in Brazil for its investments, which must be a financial institution duly authorized by the CVM;
- complete the appropriate foreign investor registration forms;
- which must be a financial institution duly authorized by the Central Bank
- through its representative, register as a non-Brazilian investor with the CVM;
- through its representative, register its investments with the Central Bank; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

The securities and other financial assets held by a non-Brazilian investor pursuant to Annex I of Resolution No. 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM, as applicable, or be registered on registration, clearing and custody systems authorized by the Central Bank or by the CVM, as applicable. Subject to limited exceptions provided in the CVM regulation or previous CVM authorization, the trading of securities held under Annex I of Resolution No. 4,373 is restricted to transactions carried out on stock exchanges or through organized over-the-counter markets licensed by the CVM.

The offshore transfer or assignment of the securities or other financial assets held by non-Brazilian investors pursuant to Annex I of Resolution No. 4,373 are prohibited, except for transfers (1) resulting from consolidation, spin-off, merger or merger of shares or occurring upon the death of an investor by operation of law or will; (2) resulting from a corporate reorganization effected abroad, as long as the final beneficiaries and the amount of the assets remain the same, or (3) authorized by the CVM.

Law No. 4,131

Foreign direct investors under Law No. 4,131 may sell their shares in both private and open market transactions, but these investors will generally be subject to less favorable tax treatment on gains with respect to our class A preferred shares. See “—Taxation—Brazilian Tax Considerations.”

To obtain a certificate of foreign capital registration from the Brazilian Central Bank under Law No. 4,131, a foreign direct investor must:

- register as a foreign direct investor with the Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and
- appoint a representative in Brazil for service of process in respect of suits based on the Brazilian Corporate Law.

Foreign investors must be registered with the Federal Brazilian Revenue Service pursuant to Normative Instruction 1,683, dated as of December 27, 2016. This registration process is undertaken by the investor's legal representative in Brazil. Investors that are foreign legal entities are required to report their final individual beneficiaries. Some exceptions apply (e.g., publicly listed corporations).

Taxation

The following summary contains a description of the material Brazilian and U.S. federal income tax consequences of the purchase, ownership and disposition of class A preferred shares and ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase any such securities.

There is at present no income tax treaty between Brazil and the United States.

The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of class A preferred shares or ADSs. Prospective purchasers of our class A preferred shares or ADSs are advised to consult their own tax advisors in respect of the consequences that the purchase, ownership or disposition of our class A preferred shares or ADSs might trigger under the laws of Brazil, the United States or any other jurisdiction in light of their particular investment circumstances.

Brazilian Tax Considerations

The following topics summarizes the material Brazilian tax consequences of the acquisition, ownership and disposition of class A preferred shares or ADSs by an individual, entity, trust or organization that is not domiciled or resident in Brazil for purposes of Brazilian taxation and, in the case of a holder of class A preferred shares, which has registered its investment with the Central Bank, or a non-resident holder. The following information is based on the tax laws of Brazil as in effect on the date of this annual report, which are subject to change, with possible retroactive effect, and to differing interpretation. Furthermore, the following discussion does not specifically address all of the Brazilian tax considerations applicable to any particular non-resident holder, and each non-resident holder should consult his or her own tax advisor concerning the Brazilian tax consequences of an investment in any of such securities.

Acquisition of ADSs or Class A Preferred Shares

The acquisition of ADSs or class A preferred shares by non-resident holders is not a taxable event in Brazil. See “—Taxation of Gains in Brazil” for further information on the tax implications arising from the exchange of existing class A preferred shares for ADSs, as well as those arising from the exchange of ADSs for class A preferred shares.

Taxation of Dividends

Dividends paid by a Brazilian corporation with respect to profits generated as of January 1, 1996, including dividends paid in kind to the depositary in respect of our class A preferred shares underlying the ADSs or to a non-resident holder in respect of class A preferred shares, are not subject to withholding income tax in Brazil.

Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at variable rates, according to the tax legislation applicable to each corresponding year.

Interest on Shareholders' Equity

Distributions of interest on our shareholders' equity in respect of our class A preferred shares or the ADSs are generally subject to Brazilian withholding tax at the rate of 15%. However, the rate of 25% is applicable in case the non-resident holder is domiciled in a country or location or other jurisdiction (1) that does not impose income tax; (2) where the maximum income tax rate is lower than 20%; or (3) where its legislation does not allow access to information related to the composition of shareholders, ownership of investments or identification of beneficial owners of earnings attributed to non-residents, or a tax favorable jurisdiction.

Since 1997 and in accordance with Laws Nos. 9,249/95 and 9,430/96, we have been permitted to deduct these distributions for purposes of calculating the CSLL and the corporate income taxes that we owe, provided that such distribution is approved by our shareholders in a general meeting and complies with the limits established by Brazilian tax legislation.

Payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax plus the amount of declared dividends, is at least equal to the mandatory dividend.

Taxation of Gains Outside Brazil

According to Brazilian Law No. 10,833/03, gains realized on the disposition or sale of assets located in Brazil are subject to income tax in Brazil, regardless of whether the sale or the disposition is made by the non-resident holder to a Brazilian resident or to another non-resident of Brazil, as follows: "the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror's attorney-in-fact, when such acquiror is resident or domiciled abroad, shall be responsible to withhold and pay the income tax applicable to capital gains under Article 18 of Law 9,249 of December 26, 1995 earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil."

Holders of the ADSs outside of Brazil may have grounds to assert that Brazilian Law No. 10,833/03 does not apply to sales or other dispositions of ADSs as ADSs are not assets located in Brazil. However, the sale or other disposition of class A preferred shares abroad may be subject to the provisions of Brazilian Law No. 10,833/03. Any capital gains arising from sales or other dispositions outside Brazil would be subject to Brazilian income tax at the rate of 15% or 25% if the investor is located in a tax favorable jurisdiction. Brazilian Law No. 10,833/03 requires the purchaser of our class A preferred shares outside Brazil or its attorney-in-fact in Brazil to withhold the income tax. A disposition of class A preferred shares can only occur abroad if any investor decides to cancel its investment in ADSs and register the underlying class A preferred shares as a direct foreign investment under Law No. 4,131/62.

Taxation of Gains in Brazil

The exchange of ADSs for class A preferred shares is not subject to Brazilian tax. Upon receipt of the underlying class A preferred shares in exchange of ADSs, a non-resident investor will be entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under Resolution No.4,373/14. See "—Exchange Controls" and "—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital." The sale or disposition of class A preferred shares on a Brazilian stock exchange is exempt from capital gains tax, provided that such shares are held by a non-resident holder that (1) has registered its investment in Brazil with the Central Bank under the rules of Resolution No.4,373/14, and (2) is not resident or domiciled in a tax favorable jurisdiction. Upon receipt of the underlying class A preferred shares, a non-resident holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4,131/62. See "—Exchange Controls" and "—Tax on Foreign Exchange and on Bonds and Securities Transactions—Registered Capital." A 15% capital gains tax is applicable to the sale or other disposition of class A preferred shares in Brazil where such shares are held by a non-resident holder as a foreign direct investment and the transaction is executed outside a Brazilian stock exchange. If the non-resident holder is domiciled in a tax favorable jurisdiction and the disposition of the class A preferred shares is executed outside a Brazilian stock exchange, the income tax rate will be 25%.

If the sale or other disposition of such shares is carried out on a Brazilian stock exchange, the capital gains on the sale or disposition will be taxed at a rate of 15%. This 15% rate applies to all transactions carried out on a Brazilian stock exchange by non-resident holders regardless of whether or not they are domiciled in a tax favorable jurisdiction (except to gains realized by a 4,373 Holder that is not resident or domiciled in a tax favorable jurisdiction as described above). In these transactions, the gain realized is calculated based on the amount registered with the Central Bank. As of January 1, 2005, a withholding tax of 0.005% will also be assessed on the sales price or other disposition value of shares sold or disposed of in transactions carried out on a Brazilian stock exchange. The withholding tax, to be offset against tax due on eventual capital gain, must be withheld by one of the following entities: (1) the agent receiving the sale or disposition order from the client; (2) the stock exchange responsible for registering the transactions; or (3) the entity responsible for the settlement and payment of the transactions. Such withholding does not apply to a 4,373 Holder that is not a resident of or domiciled in a favorable tax jurisdiction.

The deposit of class A preferred shares in exchange for ADSs is not subject to Brazilian tax, provided that these shares are held by the non-resident holder as a foreign portfolio investment under Resolution No. 4,373/14. In the event our class A preferred shares are held by the non-resident holder as a foreign direct investment under Law No. 4,131/62, the deposit of these shares in exchange for ADSs is subject to payment of Brazilian capital gains tax at the rate of 15% (25% in the case of a non-resident holder located in a tax favorable jurisdiction).

The current preferential treatment for non-resident holders of ADSs and non-resident holders of class A preferred shares under Resolution No. 4,373/14 may not continue in the future.

Any exercise of preemptive rights relating to our class A preferred shares will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to our class A preferred shares by the depositary may be subject to Brazilian taxation. Tax authorities may attempt to tax such gains even when the sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03. These authorities may allege that the preemptive rights relate to assets located in Brazil (the class A preferred shares) and require payment of capital gains tax at the rate of 15% (or 25% if the beneficiary of the payments is resident of a tax favorable jurisdiction). If the preemptive rights are assigned or sold in Brazil, capital gains tax will apply at a rate of 15% (or 25% in the case of a non-resident holder located in a tax favorable jurisdiction). Sales or assignments of preemptive rights effected on Brazilian stock exchanges are exempt from income tax, provided that such preemptive rights relate to shares registered as a foreign portfolio investment under Resolution No. 4,373 and the non-resident holder is not a resident of or domiciled in a tax favorable jurisdiction.

As of January 2017, Law No. 13,259 established new progressive income tax rates applicable to capital gains derived from the disposition of assets by Brazilian individuals. Law No. 13,259 established new rates that range from 15% to 22.5%, depending on the amount of the gain recognized by the Brazilian individual, as follows: (i) 15% on gains not exceeding R\$5,000,000.00; (ii) 17.5% on gains that exceed R\$5,000,000.00 and do not exceed R\$10,000,000.00; (iii) 20% on gains that exceed R\$10,000,000.00 and do not exceed R\$30,000,000.00; and (iv) 22.5% on gains exceeding R\$30,000,000.00.

Pursuant to Article 18 of Law No. 9,249/95, the tax treatment applicable to capital gains earned by Brazilian individuals also applies to capital gains earned by non-Brazilian residents (except in cases that remain subject to specific rules). However, the Normative Instruction No. 1,732/2017 established that the rates are applicable to legal entities located abroad that make any disposal of assets recorded as non-current assets in their balance sheet. As a result, it is not possible at this time to determine what position the tax authorities will adopt in the case of a non-resident individual who disposes of ADSs.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of class A preferred shares or ADSs by a non-resident holder except for gift and inheritance taxes imposed by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of class A preferred shares or ADSs.

Tax on Foreign Exchange and on Bonds and Securities Transactions

Foreign Exchange Transactions

Pursuant to Decree 6,306/07, the conversion of Brazilian currency into foreign currency and the conversion of foreign currency into Brazilian currency may be subject to the IOF/Exchange Tax. Currently, for most exchange transactions, the rate of IOF/Exchange is 0.38%. This is the rate applicable to the inflow and outflow of foreign direct investments for companies in Brazil according to Law 4,131/62 (other than trading portfolio investments in securities under Resolution 4,373/14).

The IOF/Exchange Tax levies at 0% on the following capital inflows and outflows realized by non-residents: (1) investments for the constitution of an initial or additional security guarantee margin required by Brazilian stock exchange, futures and commodities exchanges; (2) investments in Brazilian stocks using funds derived from the cancellation of “depository receipts”; (3) investments in the Brazilian financial and capital markets; (4) return of the investments realized in the Brazilian financial and capital markets to the non-resident; and (5) conversion of foreign direct investments in stocks under Law 4,131/62 into foreign investment in stocks under Resolution 4,373/14.

The remittance abroad of dividends and interest on equity to non-Brazilian residents is subject to 0% IOF/Exchange tax.

Additionally, the transfers of shares traded on the stock exchange with the purpose of enabling the issuance of ADSs are subject to the IOF/Bonds Tax at a rate of 1.5%, which is aimed at correcting an asymmetry created by the IOF/Exchange Tax.

The Brazilian government may increase the rate of the IOF/Exchange Tax to a maximum of 25% of the amount of the foreign exchange transaction at any time, but such an increase would only apply to future foreign exchange transactions. The imposition of these taxes may discourage foreign investment in shares of Brazilian companies, including our Company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and preferred shares on the NYSE and the B3.

Registered Capital

The amount of an investment in class A preferred shares held by a non-Brazilian holder as a foreign direct investment under Law No. 4,131/62 or a foreign portfolio investment under Resolution No. 4,373/14 or in ADSs held by the depository representing such holder, as the case may be, is eligible for registration with the Central Bank; such registration (the amount so registered is referred to as “registered capital”) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized with respect to disposition of, such class A preferred shares. The registered capital for class A preferred shares purchased in the form of ADSs, or purchased in Brazil and deposited with the depository in exchange for an ADS, is equal to their purchase price in U.S. dollars paid by the purchaser. The registered capital for class A preferred shares that are withdrawn upon surrender of ADSs is the U.S. dollar equivalent of (1) the average price of our class A preferred shares on the Brazilian stock exchange on which the greatest number of such class A preferred shares was sold on the day of withdrawal, or (2) if no class A preferred shares were sold on such day, the average price of class A preferred shares that were sold in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar value of our class A preferred shares is determined on the basis of the average commercial market rates quoted by the Central Bank on such date (or, if the average price of class A preferred shares is determined under clause (2) of the preceding sentence, the average of such average quoted rates on the same fifteen dates used to determine the average price of our class A preferred shares).

A non-Brazilian holder of class A preferred shares may experience delays in effecting the registration of registered capital, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder. See “—Exchange Controls” and “Item 3. Key Information—Risk Factors—Risks Relating to Our Equity and Debt Securities.”

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our class A preferred shares or ADSs, which are evidenced by ADRs. This description addresses only the U.S. federal income tax considerations of U.S. holders (as defined below) that will hold class A preferred shares or ADSs as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks and other financial institutions, insurance companies, real estate investment trusts, grantor trusts, regulated investment companies, dealers or traders in securities or currencies, tax-exempt entities, pension funds, persons that received our class A preferred shares or ADSs pursuant to an exercise of employee stock options or rights or otherwise as compensation for the performance of services, persons that will hold our class A preferred shares or ADSs as a position in a “straddle” or as a part of a “hedging,” “conversion” or other risk reduction transaction for U.S. federal income tax purposes, persons that have a “functional currency” other than the U.S. dollar, persons that will own our class A preferred shares or ADSs through partnerships or other pass through entities, persons that are required to accelerate the recognition of any item of gross income with respect to our class A preferred shares or ADSs as a result of such income being recognized on an applicable financial statement, holders subject to the alternative minimum tax, certain former citizens or long-term residents of the United States or holders that own (or are deemed to own) 10% or more (by voting power or value) of our shares.

This description does not address any state, local or non-U.S. tax consequences of the acquisition, ownership and disposition of our class A preferred shares or ADSs. In addition, this description does not address the consequences of any U.S. federal tax other than income tax, including but not limited to the U.S. federal estate and gift taxes. This description is based on (1) the Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this annual report and (2), in part, on the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

As used below, a “U.S. holder” is a beneficial owner of a class A preferred share or ADS that is, for U.S. federal income tax purposes, (1) an individual citizen or resident of the United States, (2) a corporation organized under the laws of the United States, any state thereof or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds class A preferred shares or ADSs, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. A partnership or its partners should consult their tax advisor as to its tax consequences.

The class A preferred shares will be treated as equity for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a holder of an ADS will be treated as the beneficial owner of our class A preferred shares represented by the applicable ADS. The U.S. Treasury Department has expressed concern that depositaries for ADSs, or other intermediaries between the holders of receipts or shares and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. persons that hold such receipts or shares. Such actions include, for example, a pre-release of an ADS by a depositary. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Brazilian taxes, the sourcing rules and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by future actions that may be taken by the U.S. Treasury Department.

Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company Rules,” in general, the gross amount of a distribution made with respect to a class A preferred share or ADS (which for this purpose shall include distributions of interest attributable to shareholders’ equity before any reduction for any Brazilian taxes withheld therefrom) will, to the extent made from the current or accumulated earnings and profits of our Company, as determined under U.S. federal income tax principles, constitute a dividend to a U.S. holder for U.S. federal income tax purposes. Non-corporate U.S. holders may be taxed on dividends from a qualified foreign corporation at the lower rates applicable to long-term capital gains (*i.e.*, gains with respect to capital assets held for more than one year). A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares or ADSs that are readily tradable on an “established securities market” in the United States. U.S. Treasury Department guidance indicates that the ADSs (which are listed on the NYSE), but not our class A preferred shares, are readily tradable on an established securities market in the United States. Thus, subject to the discussion below under “—Passive Foreign Investment Company Rules,” dividends that we pay on the ADSs, but not on our class A preferred shares, currently meet the conditions required for these reduced tax rates. There, however, can be no assurance that the ADSs will be considered readily tradable on an established securities market in later years. Furthermore, a U.S. holder’s eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the ADSs. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. In order for dividends on ADS backed by preferred shares to be reported as qualifying for the reduced rates of taxation, a public SEC filing must contain a statement that the preferred shares will be, should be, or more likely than not will be treated as equity rather than debt for U.S. federal income tax purposes. We have included the appropriate statement in this filing. Subject to the discussion below under “—Passive Foreign Investment Company Rules,” if a distribution exceeds the amount of our Company’s current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder’s tax basis in our class A preferred share or ADS on which it is paid and thereafter as capital gain. Our Company does not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. holders should expect that distributions by our Company generally will be treated as dividends for U.S. federal income tax purposes.

A dividend paid in *reais* will be includible in the income of a U.S. holder at its value in U.S. dollars calculated by reference to the prevailing spot market exchange rate in effect on the day it is received by the U.S. holder in the case of our class A preferred shares or, in the case of a dividend received in respect of ADSs, on the date the dividend is received by the depositary, whether or not the dividend is converted into U.S. dollars. Assuming the payment is not converted at that time, the U.S. holder will have a tax basis in *reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss realized by a U.S. holder that subsequently sells or otherwise disposes of *reais*, which gain or loss is attributable to currency fluctuations after the date of receipt of the dividend, will be U.S. source ordinary gain or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

The gross amount of any dividend paid (which will include any amounts withheld in respect of Brazilian taxes) with respect to a class A preferred share or ADS will be subject to U.S. federal income taxation as foreign source dividend income, which may be relevant in calculating a U.S. holder's foreign tax credit limitation. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign taxes and certain exceptions for short-term and hedged positions, any Brazilian withholding tax will be treated as a foreign income tax eligible for credit against a U.S. holder's U.S. federal income tax liability (or at a U.S. holder's election, may be deducted in computing taxable income if the U.S. holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the dividends should generally constitute "passive category income," or in the case of certain U.S. holders, "general category income." The rules with respect to foreign tax credits are complex, and U.S. holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Disposition of Class A Preferred Shares or ADSs

A deposit or withdrawal of class A preferred shares by a holder in exchange for an ADS that represents such shares will not result in the realization of gain or loss for U.S. federal income tax purposes. Subject to the discussion under "—Passive Foreign Investment Company Rules," a U.S. holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of a class A preferred share or ADS in an amount equal to the difference between the U.S. holder's adjusted basis in the class A preferred share or ADS (determined in U.S. dollars) and the U.S. dollar amount realized on the sale, exchange or other disposition. If a Brazilian tax is withheld on the sale, exchange or other disposition of a class A preferred share or ADS, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Brazilian tax. In the case of a non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to capital gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than, as discussed above, certain dividends) if such holder's holding period for such class A preferred share or ADS exceeds one year (i.e., such gain is a long-term capital gain). Capital gain, if any, realized by a U.S. holder on the sale, exchange or other disposition of a class A preferred share or ADS generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, in the case of a disposition of a class A preferred share or ADS that is subject to Brazilian tax, the U.S. holder may not be able to use the foreign tax credit for that Brazilian tax unless it can apply the credit against U.S. tax payable on other income from foreign sources in the appropriate income category, or, alternatively, it may take a deduction for the Brazilian tax (subject to applicable limitations) if it elects to deduct all of its foreign income taxes. The deductibility of capital losses is subject to limitations under the Code.

The initial tax basis of class A preferred shares to a U.S. holder that purchases such shares for non-U.S. currency is the U.S. dollar value of the purchase price determined on the date of purchase. If our class A preferred shares are treated as traded on an "established securities market," a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the U.S. dollar value of the cost of any such class A preferred shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to non-U.S. currency and the immediate use of that currency to purchase class A preferred shares generally will not result in taxable gain or loss for a U.S. holder.

With respect to the sale, exchange or other disposition of class A preferred shares for non-U.S. currency, the amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. holder and (2) the date of disposition in the case of an accrual basis U.S. holder. If our class A preferred shares are treated as traded on an “established securities market,” a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the U.S. dollar value of the payment received on the sale, exchange or other disposition of any such class A preferred shares by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other disposition.

Passive Foreign Investment Company Rules

A non-U.S. corporation will be classified as a “passive foreign investment company,” or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is “passive income” or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce “passive income” or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, our Company believes that it will not be classified as a PFIC for its taxable year ended December 31, 2020. Our Company’s status in future years will depend on its income, assets and activities in those years. Our Company has no reason to believe that its income, assets or activities will change in a manner that would cause it to be classified as a PFIC for the taxable year ending December 31, 2021 or any future year, but there can be no assurance that our Company will not be considered a PFIC for any taxable year. If we were a PFIC, a U.S. holder of class A preferred shares or ADSs generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or other disposition of, and certain distributions with respect to, the class A preferred shares or ADSs. In addition, non-corporate U.S. holders will not be eligible for reduced tax rates on any dividends received from our Company (as described above) if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If we were a PFIC, a U.S. holder of class A preferred shares or ADSs may be able to make one of certain elections that may alleviate certain of the tax consequences referred to above. However, it is expected that the conditions necessary for making one of such elections will not apply in the case of the class A preferred shares or ADSs. U.S. holders should consult their own tax advisors regarding the tax consequences that would arise if our Company were treated as a PFIC.

If a U.S. holder owns our class A preferred shares or ADSs during any year in which we were a PFIC, the U.S. holder generally must file IRS Form 8621 with respect to our Company, generally with the U.S. holder’s U.S. federal income tax return for that year. If our Company was a PFIC for a given taxable year, then U.S. holders of class A preferred shares or ADSs should consult their tax advisors concerning their annual filing requirements.

Medicare Tax on “Net Investment Income”

Certain U.S. holders who are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of class A preferred shares and ADSs.

Foreign Asset Reporting

Certain U.S. holders are required to report information relating to an interest in our class A preferred shares or ADSs, subject to certain exceptions (including an exception for shares or ADSs held in custodial accounts maintained with a financial institution). U.S. holders of the class A preferred shares or ADSs are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our class A preferred shares or ADSs.

Information Reporting and Backup Withholding

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or other disposition of, our class A preferred shares or the ADSs within the United States or by a U.S. payor or U.S. middleman to a holder of our class A preferred shares or the ADSs, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. Backup withholding tax will apply to any payments of dividends on, or the proceeds from the sale or other disposition of, our class A preferred shares or the ADSs within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 24%.

Backup withholding is not an additional tax. Holders generally will be entitled to a credit for any amounts withheld under the backup withholding rules against their U.S. federal income tax liability or a refund of the amounts withheld, provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of class A preferred shares or ADSs. Prospective purchasers should consult their own tax advisors concerning the tax consequences of their particular situations.

Documents on Display

Statements contained in this annual report regarding the contents of any contract or other document filed as an exhibit to this annual report summarize their material terms, but are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document.

We are subject to the periodic reporting and other informational requirements of the Exchange Act applicable to a foreign private issuer. Accordingly, we are required to file with or furnish to the SEC, reports and other information, including annual reports on Form 20-F and reports on Form 6-K.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and members of our board of directors and board of executive officers and our principal shareholders are exempt from reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, as a foreign private issuer, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

You may inspect and copy reports and other information that we file with or furnish to the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials may be obtained by mail from the SEC's Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov from which you can electronically access these materials.

We also file financial statements and other periodic reports with the CVM, which are available for investor inspection at the CVM's offices located at Rua Sete de Setembro, 111, 2nd floor, Rio de Janeiro, RJ, and Rua Cincinato Braga, 340, 2nd, 3rd and 4th floors, São Paulo, SP. The telephone numbers of the CVM in Rio de Janeiro and São Paulo are +55-21-3554-8686 and +55-11-2146- 2097, respectively.

Copies of our annual report on Form 20-F and documents referred to in this annual report and our by-laws, as well as certain other documents that we are required to file with, or make available to, the SEC and the CVM, are available for inspection upon request at our headquarters at Rua Lemos Monteiro, 120 – 24^o andar, Butantã—São Paulo—SP, CEP 05501-050, Brazil. Our filings are also available to the public through the internet on our website at www.braskem-ri.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices. We have exposure to market risks arising from our day-to-day business activities. These risks are beyond our control and consist, principally, in the possibility that changes in interest rates, exchange rates, or commodity prices will adversely affect the value of our financial assets and liabilities or future cash flows and earnings.

In order to mitigate the market risks to which we are exposed, we have used, and we may use, foreign currency, interest rate and commodity derivative instruments, as well as cash and receivables. As of December 31, 2020, we had currency options with an aggregate notional amount of US\$2,052.7 million in puts and US\$1,494.4 million in calls. In addition, we had an interest rate swap related to Project Ethylene XXI with an aggregate notional amount of US\$616.5 million. These cross-currency and interest rate swaps match certain of our debt obligations.

We assess the potential and consolidated impact of market risks and seek to mitigate those risks following our risk management policy.

Our current risk management policy, adopted on March 30, 2017 by our Board of Directors and updated in July, 2019 covers cash flow management and liquidity, investment of cash and cash equivalents, funding activities and guarantees, and management of foreign exchange and commodity risks. This policy reflects our conservative financial practices and risk management procedures. Its objective is to manage and anticipate risks by continuously evaluating several key factors, including the overall financial health of our Company, any financial operations we have with related parties, our ratings, counterparty risk and hedging strategy. Additionally, the policy aims to ensure the alignment of the objectives of the financial teams with the overall objectives of Braskem.

We do not enter into derivative transactions with speculative purposes.

As of December 31, 2020, we had R\$5,626.0 million in foreign currency-denominated cash, cash equivalents, and financial investments, which may partially offset the effects of a depreciation of the real against the foreign currency and, consequently, our ability to service our foreign currency-denominated debt to the extent of these foreign currency-denominated cash equivalents and other investments.

Interest Rate Risk

Our variable interest rate exposure is primarily subject to the variations of the LIBOR rate and, for *real*-denominated borrowings and short-term cash investments, variations of the CDI rate and IPCA rate.

With respect to Brazilian interest rates:

- the short-term domestic CDI rate decreased to 1.90% per annum as of December 31, 2020, from 4.40% per annum as of December 31, 2019 and from 6.40% per annum as of December 31, 2018; and
- IPCA recorded in 2020 was 4.52%, increasing from 4.31% in 2019 and 3.75% in 2018.

The table below provides information about our significant interest-rate sensitive instruments:

Payment Schedule—Breakdown by Type of Interest Rate

	As of December 31, 2020						
	Expected Maturity Date						
	2021	2022	2023	2024	2025	Thereafter	Total
	(in millions of reais, unless otherwise indicated)						
Liabilities:							
Loans and financings (excluding debentures):							
Fixed rate, denominated in U.S. dollars	751.7	1,487.6	1,017.3	4,417.2	—	27,811.2	35,485.1
Average interest rate	6.1%	5.4%	3.5%	5.9%	—	5.9%	—
Variable rate, denominated in U.S. dollars	561.6	604.0	604.9	605.7	1,126.3	1,935.5	5,934.3
Average interest rate (over LIBOR)	0.8%	0.7%	0.7%	0.7%	1.1%	0.6%	—
Ethylene XXI Project finance fixed rate, denominated in U.S. dollars	387.8	272.2	398.9	419.3	513.6	843.8	2,835.6
Average interest rate	4.8%	4.8%	4.8%	4.8%	4.8%	4.7%	—
Bond Idesa fixed rate, denominated in U.S. dollars	43.6	—	—	—	—	4,685.9	4,729.6
Average interest rate	7.5%	—	—	—	—	7.5%	—
Ethylene XXI Project finance variable rate, denominated in U.S. dollars	738.9	682.3	803.8	892.2	672.3	1,075.0	4,864.4
Average interest rate	3.5%	3.4%	3.5%	3.5%	3.6%	3.7%	—
Fixed rate, denominated in reais	18.9	13.2	10.5	5.0	4.9	2.4	54.9
Average interest rate	4.5%	4.6%	4.9%	6.5%	6.5%	6.5%	—
Variable rate, denominated in reais	46.6	47.0	248.0	656.4	9.4	—	1,007.3
Average interest rate (CDI)	2.0%	2.0%	1.9%	1.9%	2.4%	—	—
Variable rate, denominated in reais	102.4	89.7	89.6	89.6	60.1	242.6	674.1
Average interest rate (over IPCA)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	—
Total Loan and financings	2,651.7	3,195.9	3,173.0	7,085.3	2,386.7	36,596.5	55,089.1
Assets:							
Cash and cash equivalents and other instruments:							
Fixed rate, denominated in foreign currency	5,626.0	—	—	—	—	—	5,626.0
Variable rate, denominated in reais	11,879.6	—	—	—	—	—	11,879.6
Total cash and cash equivalents and other investments	17,505.6	—	—	—	—	—	17,505.6

(1) represents the net present value of the future cash flows from the obligations converted into reais at fair market value as of December 31, 2020.

In the event that the average interest rate applicable to our financial assets and debt in 2021 are one percentage point higher than the average interest rate in 2020, our financial income would increase by R\$175.1 million and our financial expenses would increase by R\$550.9 million.

Foreign Currency Exchange Rate Risk

Our liabilities with exposure to foreign currency exchange rate risk are mainly U.S. dollar-denominated. To partially offset the risk of a devaluation of the real against the U.S. dollar, we currently maintain liquid assets denominated in U.S. dollars available and enter into derivative contracts. Additionally, in order to provide a better representation of the actual exchange rate risk related to future exports, we designated part of our U.S. dollar-denominated liabilities as a hedging instrument, implementing the hedge accounting treatment since May 1, 2013. We borrow in the international markets to support our operations and investments; we have exposure to market risks from changes in foreign exchange rates and interest rates.

The table below provides information about our significant foreign currency exposures:

Payment Schedule—Breakdown by Currency								
	As of December 31, 2016 Expected Maturity Date						Total	Fair Value ⁽¹⁾
	2021	2022	2023	2024	2025	Thereafter		
	(in millions of reais)							
Liabilities:								
Loans, financings and trade payables:								
Loans and financings denominated in U.S. dollars	2,483.8	3,046.1	2,824.9	6,334.4	2,312.3	36,351.4	53,352.8	60,057.4
Accounts payable denominated in U.S. dollars	5,697.4	—	—	—	—	—	5,697.4	5,697.4
Total loans, financings and trade payables	8,181.2	3,046.1	2,824.9	6,334.4	2,312.3	36,351.4	59,050.2	65,754.8
Assets:								
Cash and cash equivalents and other investments Denominated in foreign currency	5,626.0	—	—	—	—	—	5,626.0	5,626.0
Total cash and cash equivalents and other investments	5,626.0	—	—	—	—	—	5,626.0	5,626.0
Hedge Accounting:								
Hedge Accounting designated Exports/Sales	2,831.9	952.6	2,239.7	4,888.7	3,262.4	25,560.1	39,735.5	39,735.5
(1) Represents the net present value of the future cash flows from the obligations converted into reais at fair market value as of December 31, 2020.								

(1) Represents the net present value of the future cash flows from the obligations converted into reais at fair market value as of December 31, 2020.

Our foreign currency exposures give rise to market risks associated with exchange rate movements of the *real* against the U.S. dollar. Foreign currency-denominated liabilities as of December 31, 2020 consisted primarily of U.S. dollar-denominated debt. Our U.S. dollar-denominated debt, including short-term debt and current portion of long-term debt, was R\$53,352.8 million (US\$10,266.7 million) and R\$38,476.7 million (US\$9,545.9 million) as of December 31, 2019. This foreign currency exposure is represented by debt in the form of notes, bonds, pre-export finance facilities and working capital loans.

Our cash and funds available in U.S. dollars partially protect us against exposure arising from the U.S. dollar-denominated debt. Similarly, revenue from future sales and exports partially offsets this foreign currency exposure for U.S. dollar-denominated debt, and we therefore adopted hedge accounting treatment to provide a better representation of our actual exposure. Since 2016, Braskem has recognized the exchange rate variation, held on “Other Comprehensive Income,” to the income statement, following the future sales and exports designation schedule (for further information, see note 20 to our audited consolidated financial statements elsewhere in this annual report).

In the event that the *real* depreciated by 10% against the U.S. dollar during 2020 as compared to the *real*/U.S. dollar exchange rate as of December 31, 2020, our financial expenses indexed to the dollar in 2021 would have increased by R\$5,335.3 million, and our financial income would have increased by R\$562.6 million.

Commodity Prices

We do not hedge the exposure to the price of naphtha, our principal raw material. This is, in part, because a portion of our sales are exports payable in foreign currencies and linked to the international market prices of these commodities denominated in U.S. dollars and, in part, because the prices of our polyethylene, polypropylene and PVC products sold in domestic markets generally reflect changes in the international market prices of these products denominated in U.S. dollars, converted into *reais*. In periods of high volatility in the U.S. dollar price of naphtha or the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar price of naphtha increases or the U.S. dollar appreciates and the time that we can effectively pass on the resulting increased cost in *reais* to our customers in Brazil. Accordingly, if the U.S. dollar price of naphtha increases precipitously or the *real* devalues precipitously against the U.S. dollar in the future, we may not immediately be able to pass on all of the corresponding increases in our naphtha costs to our customers in Brazil, which could materially adversely affect our results of operations and financial condition. See “Item 3. Key Information—Risk Factors—Risks Relating to Us and the Petrochemical Industry.”

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

The Bank of New York Mellon, which was designated our depositary in December 2016, collects its fees for the delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs or from intermediaries acting for them. The depositary also collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

- US\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be) plus any additional fees charged by any governmental authorities or other institutions such as the Brazilian Clearing and Depository Corporation (*Companhia Brasileira de Liquidação e Custódia*);
- a fee of US\$0.04 or less per ADS for any cash distribution made pursuant to the Deposit Agreement;
- a fee of US\$1.50 per ADR or ADRs for transfers made pursuant to paragraph;
- a fee for the distribution or sale of securities;
- an aggregate fee of US\$0.04 or less per ADS per calendar year (or portion thereof) for services performed by the Depositary in administering the ADRs;
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of its agents; and
- transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited Securities.

During the year ended December 31, 2020, we received from the depositary of our ADSs US\$598.3 thousands, which was used for general corporate purposes such as the payment of costs and expenses associated with (1) the preparation and distribution of proxy materials, (2) the preparation and distribution of marketing materials and (3) consulting and other services related to investor relations.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of December 31, 2020. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weakness in our internal control over financial reporting described below, as of December 31, 2020, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was being recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it was accumulated for and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding the required disclosures.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of the effectiveness of internal control to future periods are also subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of the CEO and CFO, under the oversight of the Board of Directors, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was not effective because of the material weakness described below. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual consolidated financial statements will not be prevented or detected on a timely basis.

Material Weakness in Internal Control over Financial Reporting

We identified ineffective information technology controls (GITCs) over the scale systems that generate the weighted quantities of product sold for certain sales that resulted in a material weakness. These ineffective controls were due to an insufficient complement of resources to timely complete an effective risk assessment process and implement controls.

The material weakness did not result in a misstatement of the consolidated financial statements.

Our independent registered public accounting firm, KPMG Auditores Independientes, has issued an adverse audit opinion on the effectiveness of our internal control over financial reporting as of December 31, 2020, which is included in this annual report.

Remediation Actions Addressing Material Weakness Reported in 2020

Management is taking several actions to improve controls and continues to monitor the maturity and operating effectiveness of controls designed and implemented. In order to remediate the material weakness described above, we, led by our Chief Executive Officer and the Chief Financial Officer, are implementing and monitoring the following specific actions:

Information technology controls (GITCs) over the scale systems

- Evaluate the technology environment that surrounds the scale systems, including third party hosted systems;
- Identify the applicable set of controls that are necessary to provide the necessary assurance level for the weighting reports;
- Design, implement and evaluate the controls; and
- Execute procedures to confirm the completeness and accuracy of the reports that support the control activities.

The Audit Committee has reviewed and discussed these matters with management. The Audit Committee will oversee management efforts to remediate the identified material weakness.

The material weakness will be considered remediated when management concludes that, through testing, the applicable remediated controls are designed, implemented and operating effectively. We expect remediation of this material weakness will be completed during fiscal year 2021.

Remediation Actions Addressing Material Weaknesses Reported in 2019

As described in this annual report, our management focused on strengthening our internal control environment and achieved results that are shown by the remediation actions taken with regard to material weaknesses reported in the previous year.

The following specific actions were implemented and are part of the Company's monitoring routines:

- *Control environment risk assessment, information and communication and monitoring*

The internal control department hired experienced resources and redesigned its structure to provide more focus and coverage over the internal control environment. Management performed and documented an extensive risk assessment over the Company and its processes. This activity provided a better perspective on where the Company should focus on designing and implementing controls, training the involved teams and addressing process improvements. The implementation of these activities resulted in the remediation of the material weakness in these overall components reported in our 2019 annual report except for the material weakness noted above.

- *Ineffective design and operation of GITCs over certain ancillary IT operating systems and completeness and accuracy of ERP reports*

Our IT department leveraged the risk assessment executed over Company processes and systems to design and implement the necessary set of controls to provide an adequate coverage level of the risks related to these ancillary systems. Controls over user access, change management and IT operations are being executed and monitored by the IT team. These controls were tested and found to be effective during our management assessment cycle completed in 2020.

Our management also implemented controls to assess the key reports extracted from the ERP system, excluding the scales system, used to perform the control activities. Controls over the accuracy and completeness of each report were implemented and successfully tested by our management.

- *Ineffective design and operation of controls within the financial reporting process:*

Our management hired new employees with expertise and skills to design, implement and execute controls focused on financial reporting, non-routine transactions and consolidation process that provide a higher standard over the preparation and quality of the Company's financial statements. Also, the Shared Services group designed and implemented a process and controls to ensure that manual journal entries were being correctly recorded, supported and tracked by management. These controls were tested by management and operating effectively at December 31, 2020.

- *Ineffective operation of legal contingences controls:*

The Legal team improved its controls focused on the legal contingency confirmation process. The implemented procedures, controls and the documentation ensure the completeness of the assessment and the quality of the results obtained from the confirmation process.

- *Ineffective operation of controls over the purchase of and payment for legal services:*

The Procurement and Legal teams worked together during 2020 to redesign the process of sourcing of legal services. This process is now executed by the procurement team as is executed for other services categories. This action provided adequate segregation of duties between procurement and payment activities.

Therefore, as of December 31, 2020, we concluded that the material weaknesses described in our annual report on Form 20-F for the year ended December 31, 2019 has been remediated.

Changes in Internal Control over Financial Reporting

Other than certain of the changes and certain of the remediation activities described above, there were no changes to internal control over financial reporting during the year ended December 31, 2020 that would have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our fiscal council currently includes an “audit committee financial expert” within the meaning of this Item 16A. Our fiscal council has determined that Mr. Ismael Campos de Abreu is our fiscal council financial expert. Mr. Abreu’s curriculum is included in “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council.” Given that our board has not made a formal determination as to Mr. Abreu’s independence, as that term is defined in Rule 303A.02 of the New York Stock Exchange’s Listed Company Manual, he is not considered independent under that standard. However, he meets the standards of independence for fiscal council members under Brazilian Corporate Law. See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Fiscal Council” for more information.

ITEM 16B. CODE OF ETHICS

We have adopted a code of conduct that applies to members of our board of directors, fiscal council and board of executive officers, as well as to our other employees. Our current code of conduct was approved by our board of directors in April 2018 and amended in June 2020. A copy of our code of conduct may be found on our website at www.braskem.com.br. The information included on our website or that might be accessed through our website is not included in this annual report and is not incorporated into this annual report by reference.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table sets forth the fees billed to us by our independent registered public accounting firm KPMG Auditores Independentes during the fiscal years ended December 31, 2020 and December 31, 2019.

	Year Ended December 31,	
	2020	2019
	<i>(in millions of reais)</i>	
Audit fees ⁽¹⁾	25.6	12.7
Audit-related fees ⁽²⁾	2.1	2.1
Tax fees ⁽³⁾	0.3	1.9
All other fees		0.2
Total fees	27.9	16.9

(1) Audit fees consist of the aggregate fees billed by our independent registered public accounting firms in connection with the audit of our annual financial statements, interim reviews and related reserves in connection with the audit and review of financial statements and review of documents filed with the SEC.

(2) Audit-related fees refer to services provided in connection with prior debt offerings.

(3) Tax fees consist of the aggregate fees billed by our independent registered public accounting firms for tax compliance reviews.

Pre-Approval Policies and Procedures

Our fiscal council and board of directors have approved an Audit and Non-Audit Services Pre-Approval Policy that sets forth the procedures and the conditions pursuant to which services proposed to be performed by our independent auditors may be pre-approved. This policy is designed to (1) provide both general pre-approval of certain types of services through the use of an annually established schedule setting forth the types of services that have already been pre-approved for a certain year and, with respect to services not included in an annual schedule, special pre-approval of services on a case by case basis by our fiscal council and our independent auditors, and (2) assess compliance with the pre-approval policies and procedures. Our management periodically reports to our fiscal council the nature and scope of audit and non-audit services rendered by our independent auditors and is also required to report to our fiscal council any breach of this policy of which our management is aware.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act for the following reasons:

- we are a foreign private issuer that has a fiscal council, which is a board of auditors (or similar body) established and selected pursuant to and as expressly permitted under Brazilian law;
- Brazilian law requires our fiscal council to be separate from our board of directors;
- members of our fiscal council are not elected by our management, and none of our executive officers is a member of our fiscal council;
- Brazilian law provides standards for the independence of our fiscal council from our management;
- our fiscal council, in accordance with its charter, makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, the intermediation of disagreements between our management and our independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our Company, as Brazilian law requires that our board of directors appoint, retain and oversee the work of our independent public accountants;

- our fiscal council (1) has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing, and (2) has authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- we compensate our independent auditors and any outside advisors hired by our fiscal council and provides funding for ordinary administrative expenses incurred by the fiscal council in the course of its duties.

We do not believe that our reliance on this general exemption will materially adversely affect the ability of our fiscal council to act independently and to satisfy the other requirements of the listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs</u>
Period:				
From Aug 29, 2012 to Aug 28, 2013	262,300	R\$13.30	1.961000%	13,376,161
From Feb 19, 2015 to Feb 18, 2016	80,000	R\$11.58	0.030096%	3,500,000

On August 13, 2012, our board of directors authorized a share repurchase program under which we are authorized to repurchase up to 13,376,161 “class A” preferred shares at market prices over the B3 at any time and from time to time prior to August 28, 2013. In 2012, we repurchased 262,300 shares under this program. In 2013 and 2014, we did not repurchase any shares.

On February 11, 2015, our board of directors approved the fifth program for the repurchase of shares effective for the period between February 19, 2015 and February 18, 2016, through which we may acquire up to 3,500,000 “class A” preferred shares at market price.

On April 20, 2015, we had repurchased 80,000 “class A” preferred shares for an aggregate of R\$0.9 million.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

On November 4, 2003, the SEC approved the final corporate governance rules established by the NYSE. According to these rules, foreign private issuers that are listed on the NYSE, such as Braskem, are subject to a more limited set of corporate governance requirements than those imposed on U.S. domestic issuers. As a foreign private issuer, Braskem must comply with the following four requirements imposed by the NYSE:

- Braskem must satisfy the audit committee requirements of Rule 10A-3 under the Exchange Act;
- Braskem’s chief executive officer must promptly notify the NYSE in writing if any executive officer of Braskem becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules;
- Braskem must provide a brief description of any significant ways in which Braskem’s corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE corporate governance rules; and

- Braskem must submit an executed written affirmation annually to the NYSE and an interim written affirmation to the NYSE each time a change occurs to Braskem's board of directors or any committees of Braskem's board of directors that are subject to Section 303A, in each case in the form specified by the NYSE.

Significant Differences

The significant differences between Braskem's corporate governance practices and the NYSE's corporate governance standards are mainly due to the differences between the U.S. and Brazilian legal systems. Braskem must comply with the corporate governance standards set forth under the Brazilian Corporate Law, the rules of the CVM and the applicable rules of the B3, as well as those set forth in Braskem's bylaws.

The significant differences between Braskem's corporate governance practices and the NYSE's corporate governance standards are set forth below.

Independence of Directors and Independence Tests

In general, the NYSE corporate governance standards require listed companies to have a majority of independent directors and set forth the principles by which a listed company can determine whether a director is independent. However, under the NYSE corporate governance standards, a listed company (whether U.S. or foreign) of which more than 50% of the voting power is held by another company (a "controlled company"), need not comply with the following NYSE corporate governance standards:

- A controlled company need not have a majority of independent directors;
- A controlled company don't need to have a nominating/corporate governance committee composed of independent directors with Internal Rules that comply with the NYSE corporate governance rules; and
- A controlled company don't need to have a compensation committee composed of independent directors with Internal Rules that comply with the NYSE corporate governance rules.

Because a majority of the voting power of Braskem's capital stock is directly controlled by Novonor S.A (former Odebrecht S.A.), Braskem is a controlled company, and would therefore not be required to have a majority of independent directors.

Although Brazilian Corporate Law and Braskem's bylaws establish rules in relation to certain qualification requirements of its directors, neither Brazilian Corporate Law nor Braskem's bylaws require that Braskem have a majority of independent directors nor require Braskem's board of directors or management to test the independence of Braskem's directors before such directors are appointed. However, according to our policies, at least 20% of the members of our board of directors must be independent.

Executive Sessions

The NYSE corporate governance standards require non-management directors of a listed company to meet at regularly scheduled executive sessions without management.

According to the Brazilian Corporate Law, up to one-third of the members of Braskem's board of directors can be elected to board of executive officer's positions. Apart from the CEO of the Company, currently all Braskem's directors are non-management directors. The non-management directors are not expressly empowered to serve as a check on Braskem's management, and there is no legal requirement that those directors meet regularly without management.

Nominating/Corporate Governance and Compensation Committees

The NYSE corporate governance standards require that a listed company have a nomination/corporate governance committee and a compensation committee, each composed entirely of independent directors and each with a written Internal Rules that address certain duties. However, as a controlled company, Braskem would not be required to comply with these requirements if it were a U.S. domestic company.

Braskem is not required under Brazilian Corporate Law to have, and accordingly does not have, a nominating/corporate governance committee or a compensation committee. Currently, all Braskem's directors are nominated by certain of its shareholders, including Novonor S.A. (former Odebrecht S.A), pursuant to shareholders agreements and Braskem's by-laws. However, Braskem has the Personnel and Organization Committee, which is a committee of its board of directors that is responsible for, among other things:

- contributing to the preparation and oversight of the governance rules that govern the nomination of members of the board and its committees, and executive officers;
- analyzing proposals and making recommendations to Braskem's board of directors with respect to the composition and total compensation paid to Braskem's management, including Braskem's chief executive officer; and
- contributing along with the board of directors, to the annual evaluation of the chief executive officer performance, based on the goals previously defined and approved by the board of directors, and analyzing the results of the chief executive officer's annual evaluation of the team members directly associated with him, which results are submitted to the board of directors.

Under Brazilian Corporate Law, Braskem's shareholders establish the global or the individual compensation of its directors and executive officers, including benefits and allowances, at a general shareholder's meeting based on the recommendation of Braskem's board of directors.

Audit Committee and Audit Committee Additional Requirements

The NYSE corporate governance standards require that a listed company have an audit committee with a written Internal Rules that address certain specified duties and that is composed of at least three independent members, all of whom satisfy the independence requirements of Rule 10A-3 under the Exchange Act and Section 303A.02 of the NYSE's Listed Company Manual.

As a foreign private issuer that qualifies for the general exemption from the listing standards relating to audit committees set forth in Section 10A-3(c)(3) under the Exchange Act, Braskem is not subject to the independence requirements of the NYSE corporate governance standards. See "Item 16D. Exemptions From the Listing Standards for Audit Committees."

Shareholder Approval of Equity Compensation Plans

The NYSE corporate governance standards require that shareholders of a listed company must be given the opportunity to vote on all equity compensation plans and material revisions thereto, subject to certain exceptions.

Under the Instruction No. 567/2009 of the Brazilian Securities Commission (Comissão de Valores Mobiliários – "CVM"), shareholder pre-approval is required for the adoption and revision of any equity compensation plans. On March 21st, 2018, our shareholders approved our Long Term Incentive Plan, which is an equity incentive compensation plan that provides the yearly opportunity for certain members of our Company, selected by the Board of Directors, to voluntarily adhere to the plan by acquisition of our shares and receive matching shares after the vesting period of three years provided the member continuously holds the shares acquired and remains a member of the company during the entire vesting period.

Corporate Governance Guidelines

The NYSE corporate governance standards require that a listed company must adopt and disclose corporate governance guidelines that address certain minimum specified standards which include: (1) director qualification standards; (2) director responsibilities; (3) director access to management and independent advisors; (4) director compensation; (5) director orientation and continuing education; (6) management succession; and (7) annual performance evaluation of the board of directors.

Braskem has adopted the Brazilian Stock Exchange (B3 S.A. - Brasil, Bolsa e Balcão) corporate governance rules for Level 1 companies and must also comply with certain corporate governance standards set forth under Brazilian Corporate Law. See "Item 9. The Offer and Listing—Trading on the B3." The Level 1 rules do not require Braskem to adopt and disclose corporate governance guidelines covering the matters set forth in the NYSE's corporate governance standards. However, certain provisions of Brazilian Corporate Law that are applicable to Braskem address certain aspects of director qualifications standards and director responsibilities.

Code of Conduct

The NYSE corporate governance standards require that a listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or officers. Each code of business conduct and ethics should address the following matters: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of company assets; (6) compliance with laws, rules and regulations (including insider trading laws); and (7) encouraging the reporting of any illegal or unethical behavior.

Braskem has adopted a Code of Conduct applicable to its directors, officers and employees, which addresses each of the items listed above. Braskem's Code of Conduct is available on our investor relations website at www.braskem.com.br. No waivers of the provisions of the Code of Conduct are permitted, except if the restrictions on outside activities do not apply to Braskem's directors and members of its fiscal council.

The main purpose of Braskem's Code of Conduct is to establish the principles, values and standards that guide the business conduct of Team Members in their internal and external relations. Braskem also has a Code of Conduct for Contractors, which focuses on its relations with suppliers and partners.

ITEM 16H. MINE SAFETY DISCLOSURE

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and this Item is included in exhibit 99.01.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS

(a) Financial Statements

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Consolidated Statement of Comprehensive Income as of December 31, 2020, 2019 and 2018	F-11
Consolidated Statement of Changes in Equity as of December 31, 2020, 2019 and 2018	F-12
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(b) List of Exhibits

Exhibit Number	Exhibit
<u>1.01</u>	<u>Bylaws of Braskem S.A., as amended (English translation) (incorporated by reference to Exhibit 1 to Form 6-K of Braskem S.A. filed on April 15, 2021).</u>
<u>2.01</u>	<u>Amended and Restated Form of Deposit Agreement, dated as of January 4, 2017, among Braskem S.A., The Bank of New York Mellon, as Depositary, and Owners and Holders of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to Form F-6 of Braskem S.A. filed on December 22, 2016).</u>
<u>2.02</u>	<u>Description of Securities (incorporated by reference to Exhibit 2.02 to Form 20-F of Braskem S.A. filed on June 15, 2020).</u>
<u>3.01</u>	<u>Shareholders' Agreement of BRK Investimentos Petroquímicos S.A. and Braskem S.A., dated as of February 8, 2010, among Odebrecht S.A., Odebrecht Serviços e Participações S.A., Petrobras Química S.A. – Petroquisa, Petróleo Brasileiro S.A. – Petrobras, and BRK Investimentos Petroquímicos S.A. and Braskem S.A., as intervening parties (English translation), as amended on September 24, 2018 and as adhered to by OSP Investimentos S.A. on December 31, 2018 (incorporated by reference to Exhibit 1 to Form 6-K of Braskem S.A. filed on February 28, 2019).</u>
<u>4.03</u>	<u>Restricted Share Award Plan of Braskem S.A. approved at the Extraordinary Shareholders' Meeting held on March 21, 2018 (English translation) (incorporated by reference to Exhibit 1 to Form 6-K of Braskem S.A. filed on March 22, 2018).</u>
<u>4.04</u>	<u>English Summary of Petrochemical Naphtha Purchase and Sale Agreement by and Between Petróleo Brasileiro S.A. – Petrobras and Braskem S.A. dated June 8, 2020.</u>
<u>4.05</u>	<u>English Summary of Petrochemical Naphtha Purchase and Sale Agreement by and Between Petróleo Brasileiro S.A. – Petrobras and Braskem S.A. dated June 8, 2020.</u>
<u>4.06</u>	<u>English Summary of Petrochemical Naphtha Purchase and Sale Agreement by and Between Petróleo Brasileiro S.A. – Petrobras and Braskem S.A. dated June 8, 2020.</u>
<u>4.07</u>	<u>English Summary of Petrochemical Naphtha Purchase and Sale Agreement by and Between Petróleo Brasileiro S.A. – Petrobras and Braskem S.A. dated December 22, 2020.</u>
<u>4.08</u>	<u>English Summary of Ethane, Propane and Hydrogen Purchase and Sale Agreement by and Between Petróleo Brasileiro S.A. – Petrobras and Braskem S.A. dated December 22, 2020.</u>
<u>8.01</u>	<u>List of subsidiaries (incorporated by reference to note 2.1.1 to our audited consolidated financial statements included elsewhere in this annual report).</u>
<u>11.01</u>	<u>Code of Conduct of Braskem S.A., as amended (English translation) (incorporated by reference to Exhibit 1 to Form 6-K of Braskem S.A. filed on April 20, 2021).</u>

<u>12.01</u>	<u>Certification of Principal Executive Officer dated May 13, 2021 pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e).</u>
<u>12.02</u>	<u>Certification of Principal Financial Officer dated May 13, 2021 pursuant to Rules 13a-15(e) and 15d-15(e).</u>
<u>13.01</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer dated May 13, 2021 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>99.01</u>	<u>Disclosure of Mine Safety and Health Administration Safety Data.</u>

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: May 13, 2021

BRASKEM S.A.

By: /s/ Roberto Lopes Pontes Simões
Name: Roberto Lopes Pontes Simões
Title: Chief Executive Officer

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<u>13.01</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer dated May 13, 2021 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>99.01</u>	<u>Disclosure of Mine Safety and Health Administration Safety Data.</u>

Braskem S.A.
Consolidated financial statements
at December 31, 2020
and Independent Auditors' Report

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Braskem S.A.:

Opinion on Internal Control Over Financial Reporting

We have audited Braskem S.A. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2020 and 2019, the related consolidated statements of profit and loss, comprehensive income, changes in equity, and cash flows for each of the years in the three -year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated May 13, 2021 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness has been identified and included in management's assessment related to ineffective information technology controls over the scale systems that generate the weighted quantities of product sold for certain sales due to an insufficient complement of resources to timely complete an effective risk assessment process and implement controls. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2020 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of the Company's Annual Report on Form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG Auditores Independentes

São Paulo, Brazil

May 13, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Braskem S.A.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Braskem S.A. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of profit or loss, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 13, 2021, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for lease arrangements as of January 1, 2019 due to the adoption of IFRS 16 "Leases".

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of impairment of cash generating units that contain goodwill

As discussed in notes 3.2.2 and 13 (a) to the consolidated financial statements, the balance of goodwill was R\$ 2,058,874 thousand as of December 31, 2020. To evaluate the impairment of goodwill, the Company identifies its cash generating units ("CGUs"), estimates the recoverable amount of each CGU and compares this with its carrying value. The estimate of the recoverable value of the CGUs requires significant judgment on the part of the Company to make certain assumptions, including those related to: the discount rate, the growth rates for the next 10 years, the inflation rate, which is used for cash flows to perpetuity and future capital expenditure and its associated impact on costs.

We identified the evaluation of impairment of CGUs that contain goodwill as a critical audit matter. The assessment of certain assumptions used in the estimates of recoverable values, specifically the discount rate, the growth rates for the next 10 years, the inflation rate and future capital expenditure, including its associated impact on costs, was complex and involved a high degree of subjectivity which required the application of greater auditor judgment.

The primary procedures we performed to address this critical audit matter included the following:

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the discount rate used by the Company by comparing to a discount rate developed using an independent methodology;
- evaluating the growth rates for the next 10 years used by the Company by comparing to historic growth rates and market projections;
- evaluating the inflation rate used by the Company by comparing with market information;
- evaluating the future capital expenditure and its associated impact on costs by comparing to historic information; and
- performing sensitivity analysis on the interest rate and discount rate to assess their impact on the estimation of the recoverable value of each CGU.

We compared the budgeted cash flow as of and for the year ended December 31, 2020 prepared by the Company with the Company's actual flows for the year then ended to assess the Company's ability to accurately project.

Evaluation of the provision and disclosures related to geological phenomenon in Alagoas State

As discussed in notes 3.2.4, 24.3 and 26 to the consolidated financial statements, the Company has recorded a provision related to the geological phenomenon in the vicinity of the Company's salt mining wells in the state of Alagoas of R\$ 9,175,777 thousand as of December 31, 2020. The provision is for the estimated future outflows of resources required to settle the Company's commitments under an agreement signed with the Brazilian government authorities following the occurrence of the geological phenomenon. These commitments include taking measures to close and stabilize the salt mines, relocating and compensating residents and businesses in the region and adoption of actions and measures in vacated areas, urban mobility and social compensation actions.

We identified the evaluation of the provision and disclosures related to the salt mining activities in Alagoas as a critical audit matter. The evaluation of the estimates and assumptions used by the Company to determine the provision amount required challenging auditor judgment and the use of professionals with specialized skills and knowledge.

The key estimates and assumptions related to the extent and cost of the remediation actions required to stabilize and close the wells, the market value of the properties of residents and businesses in the region, the other costs to relocate and compensate the residents and business owners, and the costs of the social and urban actions.

The primary procedures we performed to address this critical audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's estimation process, including controls related to assumptions used in the estimation process and evaluation of information from external and internal experts, as well as controls over the financial statement disclosures.

We involved infrastructure valuation professionals, with specialized skills and knowledge, who assisted in:

- evaluating the technical appraisal reports regarding the stability of the salt mining wells and the required remediation actions to stabilize and close the wells, the remediation plans established by the Company and the Company's estimate of the significant costs to implement these plans;
- evaluating the assumptions used by the Company to estimate the market value of properties and the significant components of the other cost to relocate and compensate the residents and business owners impacted by the geological phenomenon, by comparing them to internal and external information, as applicable, including publicly available information on real estate values in the region and property size and, contracts with third party service providers;
- evaluating the terms of the agreement for Socio-environmental Reparation signed with the authorities, which includes the reconstruction of the area affected by the geological phenomenon and compared the estimated costs with the market reference construction costs; and
- performing a sensitivity analysis of certain of the assumptions used by the Company to estimate the market value of properties and the significant components of other costs to relocate and compensate the residents and business owners impacted by the geological phenomenon.

We assessed the adequacy of the disclosures related to the provision for Alagoas.

Going concern assessment

As discussed in Note 1 to the consolidated financial statements, the Company's financial statements have been prepared on a going concern basis. The Company has incurred in losses as of and for the years ended December 31, 2020 and 2019, and presented negative shareholders' equity of R\$ 3.9 billion as of December 31, 2020. Management believes, based on the Company's forecast, that current working capital and capital expenditure financing is sufficient to fund operations and satisfy the Company's obligations as they come due for at least one year from the financial statements' issuance date.

The forecast are calculated based on undiscounted cash flows, which includes the projected cash generation, less short-term debts and working capital need. The Company also contracted an international revolving credit facility in the amount of US\$ 1 billion, which expires in 2023 and may be used without restrictions to improve the Company's credit quality or in the event of deterioration in the macroeconomic scenario. As of December 31, 2020, this credit line had not been used.

We determined the Company's ability to continue as a going concern and related disclosures as a critical audit matter. Due to the significant measurement uncertainty associate with the Company's future cash flows, there was a high degree of subjective and judgment in evaluating the assumptions used to estimating these cash flows, specifically the sales (price and volume), price of the raw material, operational expenses, capital expenditures, inflation rate and payments regarding the Alagoas geological phenomenon projections.

The following are the primary procedures we performed to address this critical audit matter:

We compared the proposed terms and conditions of the financing arrangements with those of the Company's existing loan facilities and evaluated management's analysis of their impact on the forecasted cash flows.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the price and volume of sales projected by the Company by comparing the price expectation with the market projections and for volume by comparing the capacity of the Company's plants and the historic growth of volume;
- evaluating the acquisition price of the raw material projected by the Company by comparing the price projected by the market;
- evaluating the projected operational expense and capital expenditure by comparing to historic information; and
- evaluating the inflation rate used by the Company with market information and the projections made by the Company.

We also evaluated the payments regarding the Alagoas geological phenomenon by comparing the agreements, the technical appraisal reports and the progress of the remediation project. We independently assessed the sensitivity of reasonably possible changes to the key assumptions and judgments, such as forecasted volume, controllable mitigating actions, and considerations for the uncertainties, used to determine management's forecasts of cash flows and financial position.

We assessed the adequacy of the disclosures related to the application of the going concern assumption.

KPMG Auditores Independentes

We have served as the Company's auditor since 2018.

São Paulo, Brazil
May 13, 2021

Braskem S.A.**Statement of consolidated financial position at December 31****All amounts in thousands of reais**

Assets	Note	2020	2019
	0		
Current assets			
Cash and cash equivalents	5	13,862,852	6,803,880
Financial investments	6	3,627,227	1,687,504
Trade accounts receivable	7	4,731,979	2,285,750
Inventories	8	8,383,650	7,625,084
Taxes recoverable	10	1,192,665	1,238,011
Income tax and social contribution	22(a)	1,547,916	439,933
Dividends and interest on capital		165	3,074
Prepaid expenses		344,867	115,096
Derivatives	20.3.1	33,769	4,712
Judicial deposits	26		2,571,683
Other receivables		465,154	614,827
		34,190,244	23,389,554
Non-current assets			
Financial investments	6	15,564	9,708
Trade accounts receivable	7	23,229	20,901
Inventories	8	18,036	16,325
Taxes recoverable	10	1,072,737	2,257,718
Income tax and social contribution		72,267	239,847
Deferred income tax and social contribution	22(b)	8,529,972	2,662,596
Judicial deposits	26	196,911	1,508,880
Derivatives	20.3.1	34,091	17,877
Other receivables		227,480	258,865
Investments	11	43,153	63,843
Property, plant and equipment	12	35,929,149	32,315,181
Intangible assets	13	2,828,691	2,762,088
Right of use of assets	14	2,902,395	2,605,654
		51,893,675	44,739,483
Total assets		86,083,919	68,129,037

The notes are an integral part of the consolidated financial statements.

Braskem S.A.
Statement of consolidated financial position at December 31

All amounts in thousands of reais

Continued

Liabilities and shareholders' equity	Note	2020	2019
Current liabilities	0		
Trade payables	15	9,946,315	9,116,989
Borrowings	16	1,318,931	774,924
Braskem Idesa borrowings	17	7,660,128	744,408
Debentures	18	54,436	46,666
Derivatives	20.3.1	592,251	49,251
Payroll and related charges		814,566	623,723
Taxes payable	21	952,689	322,886
Income tax and social contribution	0	284,129	34,856
Dividends	0	5,456	6,502
Advances from customers	0	287,449	355,764
Leniency agreement	25	397,036	362,719
Sundry provisions	23	362,407	203,134
Other payables	0	466,341	930,638
Provision - geological event in Alagoas	26	4,349,931	1,450,476
Other financial liabilities	20.2	-	516,933
Lease	14(b)	895,109	676,291
		28,387,174	16,216,160
Non-current liabilities			
Trade payables	15	7,233	3,837
Borrowings	16	40,413,192	28,242,052
Braskem Idesa borrowings	17	4,399,110	9,237,318
Debentures	18	181,679	227,901
Derivatives	20.3.1	558,913	169,513
Taxes payable	21	1,370	129,353
Loan to non-controlling shareholders of Braskem Idesa	9(a)	3,222,493	2,395,887
Income tax and social contribution		576,174	-
Deferred income tax and social contribution	22(b)	1,234,398	273,036
Post-employment benefits	27.2	472,074	389,075
Advances from customers	0	382,478	-
Contingencies	24.1	1,151,087	1,151,524
Leniency agreement	25	1,077,314	1,379,549
Sundry provisions	23	511,801	302,072
Provision - geological event in Alagoas	26	4,825,846	1,932,591
Other payables	0	235,324	133,858
Lease	14(b)	2,312,777	2,000,605
		61,563,263	47,968,171
Shareholders' equity	28	-	-
Capital	0	8,043,222	8,043,222
Capital reserve	0	-	232,472
Revenue reserves	0	-	1,905,255
Additional paid in capital	0	(488,388)	(488,388)
Other comprehensive income	0	(5,177,889)	(4,757,539)
Treasury shares	0	(49,704)	(49,724)
Accumulated losses	0	(4,529,547)	-
Total attributable to the Company's shareholders	0	(2,202,306)	4,885,298
Non-controlling interest in subsidiaries	0	(1,664,212)	(940,592)
		(3,866,518)	3,944,706
Total liabilities and shareholders' equity		86,083,919	68,129,037

The notes are an integral part of the consolidated financial statements.

Braskem S.A.
Statement of consolidated profit or loss
Years ended December 31
All amounts in thousands of reais, except earnings (loss) per share

	Note	2020	2019	2018
Net revenue	0			
	30	58,543,494	52,323,525	57,999,866
Cost of products sold	34	(47,331,414)	(45,879,118)	(46,576,657)
	0			
Gross profit	0	11,212,080	6,444,407	11,423,209
	0			
Income (expenses)	0			
Selling and distribution	34	(1,852,055)	(1,783,455)	(1,689,179)
(Loss) reversal for impairment of trade accounts receivable and others from clients	34	(55,252)	(7,069)	87,008
General and administrative	34	(1,918,747)	(2,224,180)	(1,793,185)
Research and development	34	(250,648)	(247,730)	(219,256)
Results from equity investments	11(c)	(19,398)	10,218	(888)
Other income	32	750,749	2,408,434	1,027,222
Other expenses	32	(7,938,621)	(4,446,942)	(554,713)
	0			
(Loss) profit before net financial expenses and taxes	0	(71,892)	153,683	8,280,218
	0			
Financial results	33			
Financial expenses	0	(4,913,365)	(3,882,785)	(3,007,551)
Financial income	0	600,184	850,554	589,052
Exchange rate variations, net	0	(5,298,711)	(1,724,520)	(2,256,983)
	0			
	0	(9,611,892)	(4,756,751)	(4,675,482)
	0			
(Loss) profit before income tax and social contribution	0	(9,683,784)	(4,603,068)	3,604,736
	0			
Current and deferred income tax and social contribution	22(a)	2,668,478	1,962,670	(736,551)
	0			
(Loss) profit for the year	0	(7,015,306)	(2,640,398)	2,868,185
	0			
Attributable to:	0			
Company's shareholders	0	(6,691,720)	(2,540,995)	2,827,650
Non-controlling interest in subsidiaries	0	(323,586)	(99,403)	40,535
	0			
(Loss) profit for the year	0	(7,015,306)	(2,640,398)	2,868,185
	0			
(Loss) earnings per share - basic and diluted - R\$	29			
Common	0	(8.4068)	(3.1922)	3.5543
Preferred shares class "A"	0	(8.4068)	(3.1922)	3.5543
Preferred shares class "B"	0	(8.4068)	(3.1922)	0.5910

The notes are an integral part of the consolidated financial statements.

Braskem S.A.

Statement of consolidated comprehensive income
Years ended December 31
All amounts in thousands of reais

	Note	2020	2019	2018
(Loss) profit for the year		(7,015,306)	(2,640,398)	2,868,185
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Fair value of cash flow hedge		(600,390)	55,274	(151,718)
Income tax and social contribution - cash flow hedge		202,832	(19,805)	54,481
Fair value of cash flow hedge from jointly-controlled investee, net of taxes		1,260	(978)	(2,329)
		<u>(396,298)</u>	<u>34,491</u>	<u>(99,566)</u>
Exchange variation of foreign sales hedge	20.4(a.i)	(6,881,183)	(856,068)	(3,145,857)
Sales Hedge - transfer to profit or loss	20.4(a.i)	2,194,059	1,385,121	1,022,782
Income tax and social contribution on exchange variation		1,593,622	(179,878)	721,845
Exchange variation of foreign sales hedge - Braskem Idesa	20.4(a.ii)	(445,427)	464,806	16,681
Sales Hedge - transfer to profit or loss - Braskem Idesa	20.4(a.ii)	471,728	267,146	236,570
Income tax on exchange variation - Braskem Idesa		<u>(7,886)</u>	<u>(219,586)</u>	<u>(75,975)</u>
		<u>(3,075,087)</u>	<u>861,541</u>	<u>(1,223,954)</u>
Foreign subsidiaries currency translation adjustment		<u>2,658,042</u>	<u>136,722</u>	<u>801,223</u>
Total		<u>(813,343)</u>	<u>1,032,754</u>	<u>(522,297)</u>
Items that will not be reclassified to profit or loss				
Defined benefit plan actuarial loss, net of taxes		(647)	(24,597)	(1,289)
Post-employment plans - Health plan, net of taxes			(85,031)	(280)
Long term incentive plan, net of taxes		11,214	13,921	6,406
Loss on investments		<u>-</u>	<u>(84)</u>	<u>(65)</u>
Total		<u>10,567</u>	<u>(95,791)</u>	<u>4,772</u>
Total comprehensive (loss) income for the year		<u>(7,818,082)</u>	<u>(1,703,435)</u>	<u>2,350,660</u>
Attributable to:				
Company's shareholders		(7,096,912)	(1,644,368)	2,398,250
Non-controlling interest in subsidiaries		<u>(721,170)</u>	<u>(59,067)</u>	<u>(47,590)</u>
Total comprehensive (loss) income for the year		<u>(7,818,082)</u>	<u>(1,703,435)</u>	<u>2,350,660</u>

The notes are an integral part of the consolidated financial statements.

Braskem S.A.

Statement of consolidated changes in equity

All amounts in thousands of reais

	Note	Revenue reserves						Attributed to shareholders' interest			Total			
		Capital	Capital reserve	Legal reserve	Tax incentive	Retention of profits	Additional dividends proposed	Additional paid in capital	Other comprehensive (loss) income	Treasury shares	Retained earnings	Braskem shareholders' interest	Non-controlling interest in subsidiaries	Total shareholders' equity
At December 31, 2017		8,043,222	232,430	434,142	71,745	1,940,011	1,500,000	(488,388)	(5,165,492)	(49,819)	(217,550)	6,300,301	(827,501)	5,472,800
Comprehensive income for the year:	22(a)	-	-	-	-	-	-	-	-	-	2,827,650	2,827,650	40,535	2,868,185
Profit for the year	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange variation of foreign sales hedge, net of taxes	0	-	-	-	-	-	-	-	(1,268,273)	-	-	(1,268,273)	44,319	(1,223,954)
Fair value of cash flow hedge, net of taxes	0	-	-	-	-	-	-	-	(112,241)	-	-	(112,241)	12,675	(99,566)
Foreign subsidiaries currency translation adjustment	0	-	-	-	-	-	-	-	946,342	-	-	946,342	(145,119)	801,223
	0	-	-	-	-	-	-	-	(434,172)	-	2,827,650	2,393,478	(47,590)	2,345,888
Equity valuation adjustments:	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Realization of additional property, plant and equipment price-level restatement, net of taxes	0	-	-	-	-	-	-	-	(26,717)	-	26,717	-	-	-
Realization of deemed cost of jointly-controlled investment, net of taxes	0	-	-	-	-	-	-	-	(962)	-	962	-	-	-
Actuarial gain with post-employment benefits, net of taxes	0	-	-	-	-	-	-	-	(1,289)	-	-	(1,289)	-	(1,289)
Post-employment benefits - health plan, net of taxes	0	-	-	-	-	-	-	-	(280)	-	-	(280)	-	(280)
Long term incentive plan, net of taxes	0	-	-	-	-	-	-	-	6,406	-	-	6,406	133	6,539
Fair value adjustments of trade accounts receivable, net of taxes	0	-	-	-	-	-	-	-	(449)	-	-	(449)	-	(449)
	0	-	-	-	-	-	-	-	(23,291)	-	27,679	4,388	133	4,521
Contributions and distributions to shareholders:	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Prescribed dividend	0	-	-	-	-	-	-	-	-	-	460	460	-	460
Additional dividends approved in the board meeting	0	-	-	-	-	-	(1,500,000)	-	-	-	(73)	(1,500,073)	(1,396)	(1,501,469)
Reversal of fiscal incentive	0	-	-	-	(130)	-	-	-	-	-	130	-	-	-
Legal reserve	0	-	-	143,334	-	-	-	-	-	-	(143,334)	-	-	-
Tax incentive reserve	0	-	-	-	81,863	-	-	-	-	-	(81,863)	-	-	-
Mandatory minimum dividends	0	-	-	-	-	-	-	-	-	-	(667,419)	-	-	(667,419)
Additional dividends proposed	0	-	-	-	-	-	2,002,255	-	-	-	(2,002,255)	-	-	-
Loss on investments	0	-	-	-	-	-	-	-	(65)	-	-	(65)	65	-
Sale of investments	0	-	-	-	-	-	-	-	-	-	-	-	(111)	(111)
	0	-	-	143,334	81,733	-	502,255	-	(65)	-	(2,894,354)	(2,167,097)	(1,442)	(2,168,539)
At December 31, 2018		8,043,222	232,430	577,476	153,478	1,940,011	2,002,255	(488,388)	(5,623,020)	(49,819)	(256,575)	6,531,070	(876,400)	5,654,670
Comprehensive income for the year:	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	0	-	-	-	-	-	-	-	-	-	(2,540,995)	(2,540,995)	(99,403)	(2,640,398)
Exchange variation of foreign sales hedge, net of taxes	0	-	-	-	-	-	-	-	733,449	-	-	733,449	128,092	861,541
Fair value of cash flow hedge, net of taxes	0	-	-	-	-	-	-	-	38,919	-	-	38,919	(4,428)	34,491
Foreign currency translation adjustment	0	-	-	-	-	-	-	-	220,228	-	-	220,228	(83,506)	136,722
	0	-	-	-	-	-	-	-	992,596	-	(2,540,995)	(1,548,399)	(59,245)	(1,607,644)
Equity valuation adjustments:	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Realization of additional property, plant and equipment price-level restatement, net of taxes	25(e.2)	-	-	-	-	-	-	-	(26,717)	-	26,717	-	-	-
Realization of deemed cost of jointly-controlled investment, net of taxes	0	-	-	-	-	-	-	-	(883)	-	883	-	-	-
Actuarial loss with post-employment benefits, net of taxes	0	-	-	-	-	-	-	-	(109,492)	-	-	(109,492)	(136)	(109,628)
Long term incentive plan, net of taxes	0	-	-	-	-	-	-	-	13,573	-	-	13,573	348	13,921
Fair value adjustments of trade accounts receivable, net of taxes	0	-	-	-	-	-	-	-	15	-	-	15	-	15
Exchange variation in hyperinflationary economy, net of taxes	0	-	-	-	-	-	-	-	(3,561)	-	-	(3,561)	-	(3,561)
	0	-	-	-	-	-	-	-	(127,065)	-	27,600	(99,465)	212	(99,253)
Contributions to shareholders:	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive long term plan payments with treasury shares	0	-	-	-	-	-	-	-	-	95	-	95	-	95
Retention of profits - non-approval of additional dividends	29(e)	-	-	-	-	2,002,255	(2,002,255)	-	-	-	-	-	-	-
Prescribed dividend	0	-	-	-	-	-	-	-	-	-	2,005	2,005	-	2,005
Additional dividends of subsidiary	0	-	-	-	-	-	-	-	-	-	-	-	(5,125)	(5,125)
Loss on interest in subsidiary	0	-	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Absorption of losses	29(c.ii)	-	-	-	-	(2,767,965)	-	-	(50)	-	2,767,965	-	-	-
Gain on transfer of shares in custody long term incentive plan	0	-	42	-	-	-	-	-	-	-	-	42	-	42
	0	-	42	-	-	(765,710)	(2,002,255)	-	(50)	95	2,769,970	2,092	(5,159)	(3,067)
At December 31, 2019		8,043,222	232,472	577,476	153,478	1,174,301	-	(488,388)	(4,757,539)	(49,724)	-	4,885,298	(940,592)	3,944,706

The notes are an integral part of the consolidated financial statements.

Braskem S.A.

Statement of consolidated changes in equity

All amounts in thousands of reais

	Note	Attributed to shareholders' interest									Total Braskem shareholders' interest	Non-controlling interest in subsidiaries	Total shareholders' equity	
		Revenue reserves												
		Capital	Capital reserve	Legal reserve	Tax incentive	Retention of profits	Additional dividends proposed	Additional paid in capital	Other comprehensive (loss) income	Treasury shares				Retained earnings
At December 31, 2019	0	8,043,222	232,472	577,476	153,478	1,174,301	-	(488,388)	(4,757,539)	(49,724)	-	4,885,298	(940,592)	3,944,706
Comprehensive income for the year:														
Loss for the year	0	-	-	-	-	-	-	-	-	(6,691,720)	-	(6,691,720)	(323,586)	(7,015,306)
Exchange variation of foreign sales hedge, net of taxes	0	-	-	-	-	-	-	-	(3,079,691)	-	-	(3,079,691)	4,604	(3,075,087)
Fair value of cash flow hedge, net of taxes	0	-	-	-	-	-	-	-	(390,608)	-	-	(390,608)	(5,690)	(396,298)
Long term incentive plan, net of taxes	0	-	-	-	-	-	-	-	11,629	-	-	11,629	(415)	11,214
Foreign currency translation adjustment	0	-	-	-	-	-	-	-	3,054,126	-	-	3,054,126	(396,084)	2,658,042
	0	-	-	-	-	-	-	-	(404,544)	-	(6,691,720)	(7,096,264)	(721,171)	(7,817,435)
Equity valuation adjustments:	0													
Realization of additional property, plant and equipment price-level restatement, net of taxes	0	-	-	-	-	-	-	-	(26,302)	-	26,302	-	-	-
Realization of deemed cost of jointly-controlled investment, net of taxes	0	-	-	-	-	-	-	-	(741)	-	741	-	-	-
Actuarial loss with post-employment benefits, net of taxes	0	-	-	-	-	-	-	-	(648)	-	-	(648)	1	(647)
Fair value adjustments of trade accounts receivable, net of taxes	0	-	-	-	-	-	-	-	113	-	-	113	-	113
Exchange variation in hyperinflationary economy, net of taxes	0	-	-	-	-	-	-	-	8,077	-	-	8,077	-	8,077
Other	0	-	-	-	-	-	-	-	3,695	-	(3,695)	-	-	-
	0	-	-	-	-	-	-	-	(15,806)	-	23,348	7,542	1	7,543
Contributions to shareholders:	0													
Prescribed dividend	0	-	-	-	-	-	-	-	-	-	1,110	-	-	1,110
Additional dividends of subsidiary	0	-	-	-	-	-	-	-	-	-	-	-	(2,450)	(2,450)
Absorption of losses	28(e)	-	(232,460)	(577,476)	(153,478)	(1,174,301)	-	-	-	-	2,137,715	-	-	-
Gain on transfer of shares in custody long term incentive plan		-	(12)	-	-	-	-	-	-	20	8	8	-	8
		-	(232,472)	(577,476)	(153,478)	(1,174,301)	-	-	-	20	2,138,825	1,118	(2,450)	(1,332)
At December 31, 2020		8,043,222	-	-	-	-	-	(488,388)	(5,177,889)	(49,704)	(4,529,547)	(2,202,306)	(1,664,212)	(3,866,518)

The notes are an integral part of the consolidated financial statements.

Braskem S.A.

Statement of consolidated cash flows Years ended December 31 All amounts in thousands of reais

	Note	2020	2019	2018
(Loss) profit before income tax and social contribution		(9,683,784)	(4,603,068)	3,604,736
Adjustments for reconciliation of profit				
Depreciation and amortization		4,048,081	3,632,265	2,990,577
Results from equity investments	11(c)	19,398	(10,218)	888
Interest foreign exchange gain/losses		10,457,272	4,145,110	6,013,944
Reversal of provisions	22(a)	336,838	320,439	23,725
Provision - geological event in Alagoas	26	6,901,828	3,383,067	
PIS and COFINS credits - exclusion of ICMS from the calculation basis	32	(310,557)	(1,904,206)	(519,830)
(Loss) reversal for impairment of trade accounts receivable and others from clients		55,252	7,069	(87,008)
Provision for losses and write-offs of long-lived assets		8,794	225,204	72,470
		11,833,122	5,195,662	12,099,502
Changes in operating working capital				
Judicial deposits - other financial assets	26	3,746,107	(3,680,460)	
Financial investments		(1,860,827)	797,445	98,349
Trade accounts receivable		(2,187,826)	895,046	223,418
Inventories		(252,534)	867,817	(1,537,290)
Taxes recoverable		1,532,554	1,195,427	1,022,242
Prepaid expenses		293,785	202,732	(105,163)
Other receivables		397,103	(273,665)	(248,988)
Trade payables		(3,001,564)	282,445	1,343,375
Taxes payable		449,761	(569,793)	(977,248)
Advances from customers		198,988	197,965	(199,958)
Leniency agreement	25	(349,842)	(341,605)	(330,006)
Sundry provisions		(145,355)	(215,548)	(116,458)
Other payables		(1,366,118)	362,203	833,227
Cash generated from operations		9,287,354	4,915,671	12,105,002
Interest paid		(2,736,821)	(2,238,445)	(1,916,801)
Income tax and social contribution paid		(257,542)	(411,951)	(937,831)
Net cash generated from operating activities		6,292,991	2,265,275	9,250,370
Proceeds from the sale of fixed and intangible assets		33,140	12,590	95,133
Proceeds from the sale of investments				81,000
Funds received in the investments' capital reduction				2,254
Dividends received		4,822	3,513	41,791
Acquisitions to property, plant and equipment and intangible assets		(2,759,789)	(2,682,522)	(2,706,328)
Premium in the dollar put option				(2,167)
Net cash used in investing activities		(2,721,827)	(2,666,419)	(2,488,317)
Short-term and Long-term debt				
Acquired		13,049,459	20,586,103	4,301,626
Payments		(8,734,505)	(17,425,409)	(6,592,197)
Braskem Idesa borrowings				
Acquired			3,497,622	
Payments		(905,210)	(4,398,453)	(812,929)
Payment loan to non-controlling shareholders of Braskem Idesa		(37,618)		
Lease	14	(662,068)	(454,190)	
Dividends paid		(2,380)	(668,904)	(1,499,900)
Other financial liabilities	20.2	(534,456)	499,999	
Net cash generated (used) in financing activities		2,173,222	1,636,768	(4,603,400)
Exchange variation on cash of foreign subsidiaries		1,314,586	20,619	(386,109)
Increase in cash and cash equivalents		7,058,972	1,256,243	1,772,544
Represented by				
Cash and cash equivalents at the beginning of the year		6,803,880	5,547,637	3,775,093
Cash and cash equivalents at the end of the year		13,862,852	6,803,880	5,547,637
Increase in cash and cash equivalents		7,058,972	1,256,243	1,772,544

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

at December 31, 2020

All amounts in thousands, except as otherwise stated

1 Operations

Braskem S.A. is a public corporation headquartered in Camaçari, Bahia ("BA"), which, jointly with its subsidiaries (hereinafter referred to as "Braskem" or "Company"), is controlled by Novonor S.A. ("Novonor", previously named Odebrecht S.A.), which directly and indirectly holds interests of 50.11% and 38.32% in its voting and total capital, respectively. The Company's shares are traded on B3 S.A. Brasil, Bolsa, Balcão ("B3"), under the tickers BRKM3, BRKM5 and BRKM6, and on the New York Stock Exchange ("NYSE") under the ticker BAK.

Braskem also is engaged in the manufacture, sale, import and export of chemicals, petrochemicals and fuels, the production, supply and sale of utilities such as steam, water, compressed air and industrial gases, as well as the provision of industrial services and the production, supply and sale of electric energy for its own use and use by other companies. Braskem also invests in other companies, either as equity method investees or associates.

The Company has industrial plants in Brazil, the United States, Germany, and Mexico. The units produce thermoplastic resins, namely polyethylene ("PE") and polypropylene ("PP"), polyvinyl chloride ("PVC"), as well as basic petrochemicals.

On December 31, 2020, the consolidated statement of financial position presented positive net working capital (defined as total current assets less total current liabilities) of R\$5.8 billion and negative shareholders' equity of R\$3.9 billion, mainly due to exchange variation effects from the depreciation in the Brazilian Real against the U.S. dollar (Note 2.2.c) and to the provision for the geological event in Alagoas (Note 26).

The Company presented cash flow generated from operating activities of R\$9,287,354 for the year ended December 31, 2020. Most of the credit facilities are long-term, with 96% of the total debt denominated in U.S. dollar, in line with the Company's Financial Policy.

During periods in which the Brazilian Real depreciates significantly against the U.S. dollar, the Company is subject to an adverse effect from exchange variation on its debt. On the other hand, the depreciation in the Brazilian Real against the U.S. dollar has a positive effect on the Company's cash generation, which manages the exposure against the debt position concentrated in U.S. dollar. In 2020, the Brazilian Real depreciated by 29% in relation to the U.S. dollar. The exchange variation losses recognized in 2020 will impact the cash flow in the liabilities' maturity date, which is concentrated in the long term. Due to Braskem's debt profile, this negative impact does not pose any risk to Company's liquidity position for at least 12 months after the balance sheet date.

Opening of the new plant in the United States

In September 2020, the Company concluded the commissioning process following applicable safety standards and started commercial polypropylene production at its new plant in the United States. Located in the city of La Porte, and with production capacity of 450,000 tons per year (*unaudited*), the new PP plant in the United States is in line with the Company's strategy to diversify its feedstock profile and to expand across Americas, reinforcing its leadership position in PP production in North America.

Braskem Idesa operations

On December 2, 2020, the subsidiary Braskem Idesa ("BI") was notified by the National Natural Gas Control Center ("Cenagas"), the Mexican government agency responsible for the natural gas pipeline and transportation system in the region, regarding the unilateral suspension of natural gas transportation, an energy input essential

Notes to the consolidated financial statements

at December 31, 2020

All amounts in thousands, except as otherwise stated

to produce polyethylene at the Petrochemical Complex in Mexico. As a result, and respecting the safety protocols, Braskem Idesa immediately suspended its operational activities.

On January 7, 2021, Braskem Idesa partially resumed operations of polyethylene production based on an experimental business model, that follows all safety protocols, in order to attend the demand from Mexico's plastics industry. In addition, Braskem Idesa has taken legal measures as established in the Ethane Supply Agreement entered into between BI and PEMEX. Braskem Netherlands B.V., the direct parent company of BI, also has taken legal actions based on the applicable international rules to protect the rights and to ensure the performance of all legal obligations and also seeking to protect its investment in Mexico. Such measures provide for a remediation and negotiation period in which the parties seek a solution.

On March 1, 2021, disclosed in Not 37(e), Braskem Idesa entered into the following agreements to enable it to continue its operations:

(i) a memorandum of understanding with PEMEX Transformación Industrial and PEMEX Exploración y Producción ("PEMEX") setting out certain understandings regarding potential amendments to the ethane supply agreement and the development of an ethane import terminal, subject to further negotiation, a definitive agreement and approval by Braskem Idesa's shareholders and creditors; and

(ii) a natural gas transport service agreement with Centro Nacional de Control del Gas Natural ("Cenagas") for 15 years, which is conditioned upon the execution of the definitive agreement referenced in item (i) above.

Following the execution of these agreements by Braskem Idesa, it resumed receiving natural gas transportation services from Cenagas. The existing ethane supply agreement between Braskem Idesa and Pemex has not been modified and remains in place. At this time, Braskem Idesa is unable to predict the outcome of ongoing discussions with Pemex TRI, its shareholders, and creditors.

Braskem Idesa assessed its going concern assumptions and concluded to be able to realize its assets and settle its liabilities in the normal course of business.

As required by the accounting standards, impairment analysis have been performed. As a result, the carrying amount of property plant and equipment do not exceed its recoverable amount on December 31, 2020.

2 Accounting policies

The main accounting policies applied when preparing the financial statements are described in the respective notes.

Except for adopting IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments on January 1, 2019, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared under the historical cost convention and were adjusted, when required, to reflect the fair value of assets and liabilities.

The preparation of financial statements requires the use of certain estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a

Braskem S.A.**Notes to the consolidated financial statements****at December 31, 2020****All amounts in thousands, except as otherwise stated**

higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The issue of these financial statements was authorized by the Executive Board on May 13, 2021.

2.1.1 Consolidated financial statements

The consolidated financial statements were prepared and presented in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(a) List of subsidiaries

The consolidated information comprises the financial statements of the Braskem S.A. and the following entities:

		Total and voting interest - %		
	Headquarters	2020	2019	2018
Direct and Indirect subsidiaries				
BM Insurance Company Limited ("BM Insurance")	Bermuda	100.00	100.00	100.00
Braskem America Finance Company ("Braskem America Finance")	EUA	100.00	100.00	100.00
Braskem America, Inc. ("Braskem America")	EUA	100.00	100.00	100.00
Braskem Argentina S.A. ("Braskem Argentina")	Argentina	100.00	100.00	100.00
Braskem Europe GmbH ("Braskem Alemanha")	Germany	100.00	100.00	100.00
Braskem Finance Limited ("Braskem Finance")	Cayman Islands	100.00	100.00	100.00
Braskem Idesa S.A.P.I. ("Braskem Idesa")	Mexico	75.00	75.00	75.00
Braskem Idesa Servicios S.A. de CV ("Braskem Idesa Serviços")	Mexico	75.00	75.00	75.00
Braskem Incorporated Limited ("Braskem Inc")	Cayman Islands	100.00	100.00	100.00
Braskem India Private Limited ("Braskem India")	(i) Índia	100.00		
Braskem Mexico Proyectos S.A. de C.V. SOFOM ("Braskem México Sofom")	Mexico	100.00	100.00	100.00
Braskem Mexico, S. de RL de CV ("Braskem México")	Mexico	100.00	100.00	100.00
Braskem Mexico Servicios S. RL de CV ("Braskem México Serviços")	Mexico	100.00	100.00	100.00
Braskem Netherlands B.V. ("Braskem Holanda")	Netherlands	100.00	100.00	100.00
Braskem Netherlands Finance B.V. ("Braskem Holanda Finance")	Netherlands	100.00	100.00	100.00
Braskem Netherlands Inc. B.V. ("Braskem Holanda Inc")	Netherlands	100.00	100.00	100.00
Braskem Petroquímica Chile Ltda. ("Braskem Chile")	Chile	100.00	100.00	100.00
Cetrel S.A. ("Cetrel")	Brazil	63.70	63.70	63.66
Distribuidora de Água Camaçari S.A. ("DAC")	Brazil	63.70	63.70	63.66
Lantana Trading Co. Inc. ("Lantana")	Bahamas	100.00	100.00	100.00
Specific Purpose Entity ("SPE")				
Fundo de Investimento Caixa Júpiter Multimercado				
Crédito Privado Longo Prazo ("FIM Júpiter")	Brazil	100.00	100.00	100.00
Fundo de Investimento Santander Netuno Multimercado				
Crédito Privado Longo Prazo ("FIM Netuno")	Brazil	100.00	100.00	100.00

(i) Subsidiary incorporated in May 2020.

2.2 Functional and foreign currency**(a) Functional and presentation currency**

The functional currency of the Company is the Real. The presentation currency is also Real. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Notes to the consolidated financial statements

at December 31, 2020

All amounts in thousands, except as otherwise stated

(b) Functional currency other than the Brazilian Real

Transactions in foreign currencies are translated into the respective functional currency of the Braskem's entities at the exchange rates on the transaction dates. Monetary assets and liabilities denominated and measured in foreign currency on the reporting date are re-translated into the functional currency at the exchange rate on said date. Non-monetary assets and liabilities measured at fair value in foreign currency are re-translated into the functional currency at the exchange rate on the date on which the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currencies are translated at the exchange rate on the date of the transaction. The differences in foreign currencies resulting from conversion are generally recognized in the profit or loss.

Assets and liabilities from foreign operations are translated into Brazilian Real at the exchange rates determined on the reporting date. Revenues and expenses from foreign operations are translated into Brazilian Real at the exchange rates determined on the transaction dates. Differences in foreign currencies generated by translation into the reporting currency are recognized in other comprehensive income and accrued in asset valuation adjustments in equity.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy must be translated into the reporting currency. The assets and liabilities for each statement of financial position reported (including the comparative balance sheets) must be translated using the closing quote of the exchange rate on the respective reporting dates, and the income and expenses for each comprehensive statement of operations or statement of operations reported (including comparative statements) must be translated using the exchange rates in effect on the transaction dates. All exchange variation gains and losses must be recognized in other comprehensive income.

The subsidiaries with a functional currency different from that of the Braskem S.A. are listed below:

	Functional currency
Subsidiaries	
Braskem Alemanha	Euro
BM Insurance, Braskem America, Braskem America Finance, Braskem Holanda, Braskem Holanda Finance, Braskem Holanda Inc. and Braskem México Sofom	U.S.dollar
Braskem Idesa, Braskem Idesa Serviços, Braskem México and Braskem México Serviços	Mexican peso
Braskem Argentina	Argentinean peso
Braskem Chile	Chilenean peso
Braskem India	Rupee

(c) Exchange variation effects

The effects from exchange variation on the Company's transactions are mainly due to the variations in the following currencies:

	End of period rate at December 31			Average rate				
	2020	2019	Variation	2020	2019	2018	2020-2019	2019-2018
U.S. dollar - Brazilian real	5.1967	4.0307	28.93%	5.1578	3.9461	3.6558	30.70%	7.94%
Euro - Brazilian real	6.3779	4.5305	40.78%	5.8989	4.4159	4.3094	33.58%	2.47%
Mexican peso - Brazilian real	0.2610	0.2134	22.31%	0.2402	0.2049	0.1901	17.22%	7.80%
U.S. dollar - Mexican peso	19.9240	18.8858	5.50%	21.5098	19.2568	19.2363	11.70%	0.11%
U.S. dollar - Euro	0.8166	0.8926	-8.52%	0.8775	0.8930	0.8471	-1.74%	5.42%

(d) Hyperinflationary economy

Notes to the consolidated financial statements

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Non-monetary assets and liabilities, Equity and the statement of income of subsidiaries operating in highly inflationary economies are adjusted by the change in the Consumer Price Index of the currency. The non-monetary assets and liabilities recorded at historical cost and the Equity and the results of the subsidiary in Argentina were updated for inflation. The impacts of changes in general purchasing power are reported as finance costs in the statements of profit or loss.

2.3 Consolidation

2.3.1 Business combinations

Business combinations are recognized using the acquisition method when control is transferred to the Company. The consideration transferred generally is measured at fair value, as is the identifiable net assets acquired. Any goodwill arising from the transaction is tested annually for impairment loss. Gains on bargain purchase are immediately recognized in the profit or loss. Transaction costs are recognized into the result as incurred, except any costs associated with issuances of debt or equity instruments. Any contingent consideration payable is measured at its fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, it is not remeasured, and the settlement is recognized in equity. Other contingent considerations are remeasured at fair value on each reporting date and subsequent changes to fair value are recognized in the income statement for the fiscal year.

2.3.2 Subsidiaries

The Company controls an entity when it is exposed to, or entitled to, the variable returns originating from its involvement with the entity and has the capacity to affect such returns by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements as from the date the Company obtains control until the date of the loss of control.

2.3.3 Equity method Investees

The Company's investments in entities with accounting treatment using the equity method consist of their interests in associates. Associates are those in which the Company, directly or indirectly, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases to exist.

2.3.4 Transactions eliminated in consolidation

Intragroup balances and transactions and any unrealized revenues or expenses arising from intragroup transactions are eliminated. Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment proportionately to the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment loss.

2.4 New or revised pronouncements

Notes to the consolidated financial statements

at December 31, 2020

All amounts in thousands, except as otherwise stated

New accounting standards currently in force:

- Rental concessions related to COVID-19 (amendments to IFRS 16).
- Definition of a Business (amendments to IFRS 3).
- Definition of Material (amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7).

The Company had no significant impact on its financial statements due to such amendments.

Additionally, a series of new standards are effective for annual periods beginning after January 1, 2020. The Company did not early adopt these standards in the preparation of these financial statements. The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

- Onerous Contracts: costs of fulfilling a contract (amendments to IAS 37).
- Property, Plant and Equipment: revenue before intended use (amendments to IAS 16).
- Reference to the Conceptual Framework (amendments to IFRS 3).
- Classification of Liabilities as Current or Non-Current (amendments to IAS 1).
- Annual improvements to IFRS Standards 2010-2020.

- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The amendments address issues that might affect financial reporting as a result of the reform of an interbank offered rate (IBORs), including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief for certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 relating to:

(i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities, and lease liabilities; and (ii) hedge accounting.

(i) change in the basis for determining contractual cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. At December 31, 2020, the Company had loans whose interest rates are based on LIBOR, as disclosed in Note 16, and will be subject to IBOR reform. The Company expects that the benchmark interest rate of these loans will be changed to Security Overnight Financing Rate ("SOFR") until 2023.

(ii) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect the changes required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark interest rate applied to the hedged item.

At December 31, 2020, the Company has cash flow hedges based on LIBOR. The Company expects that indexation of the hedged items and hedging instruments to sterling LIBOR will be replaced by Sterling Overnight Interbank Average Rate ("SONIA") in 2021 (refer to note 4.1). Whenever the replacement occurs, the Company expects to apply the amendments relating to hedge accounting. However, there are uncertainties as to how and when a replacement may occur. The Company does not expect the amounts accumulated in the cash flow hedge reserve will be reclassified immediately to the profit or loss due to the transition to IBOR.

(iii) Disclosures

The amendments will require the Company to disclose additional information on the entity's exposure to risks arising from the interest rate benchmark reform and the related risk management activities.

(iv) Transition

The Company plans to apply the amendments from January 1, 2021. The adoption will not affect the amounts reported for 2020 or prior periods.

2.5 Main measures and impacts due to COVID-19

Notes to the consolidated financial statements

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All amounts in thousands, except as otherwise stated

Braskem has been closely monitoring the impacts from the COVID-19 pandemic on its business and surrounding communities. Braskem has formed a crisis committee to establish global procedures focusing mainly on the health and safety of people and the continuity of its operations. Updates on the measures taken by the Company follow:

- (i) Determining that all team members and contractors from the Company vulnerable to COVID-19 work remotely until the last phase of return;
- (ii) Determining that all team members and contractors not directly related to the safe continuity of operations work remotely until the criteria for the start of flexible measures for a safe return are met;
- (iii) Reducing the number of team members and contractors working on its industrial assets, with operations using the smallest possible teams, while considering all rules for ensuring personal safety and maintaining operational reliability;
- (iv) Restricting visits by non-routine third parties and suppliers to Braskem's facilities;
- (v) Creating agendas jointly with clients and local communities to verify if there are products in its portfolio to help combat the pandemic;
- (vi) Creating, implementing, and monitoring the indicators of the Plan for Safe Return to Braskem plants and offices.

The capacity utilization rates of Brazilian and North American plants reduced in the second quarter of 2020 due to the weaker demand for our products and the destocking trend in the petrochemical and plastics production chain. The demand for resins increased in the third quarter of 2020; therefore, both regions' capacity utilization rates returned to normal levels and kept similar levels up to the end of the year.

In Europe and Mexico, the capacity utilization rates returned to their normal levels in the second quarter, following the gradual recovery in demand, resulting in capacity utilization rates of 83% and 80%, respectively. As disclosed in note 1, operational activities in Mexico were temporarily interrupted in December. With regard to the fourth quarter, despite the recovery in demand begun in the previous quarter, the capacity utilization rate in Europe was 64% due to the scheduled shutdown.

During 2020, the Company adopted cash-preservation measures to ensure the financial stability and resilience of its business, which include:

- Drawing down a revolving credit facility in the amount of US\$1 billion (R\$5.2 billion) in April 2020, which comes due in 2023. At the end of July 2020, the Company prepaid the facility in full, in an amount corresponding to R\$5.5 billion;
- Issuing bonds in the international market by the subsidiary Braskem Holanda, in July 2020, in the amount of US\$600 million (R\$3.2 billion);
- Reducing fixed costs by approximately 9% compared to the same period of 2019;
- Reducing the investments planned for 2020 from US\$721 million (R\$3.9 billion) to US\$555 million (R\$2.8 billion);
- Postponing the payment of social contribution charges in Brazil; and
- Optimizing working capital.

The Company also highlights the actions carried out jointly with its clients and partner companies to transform chemicals and plastic resins into items that are essential for combatting COVID-19, which include surgical masks, packaging for liquid and gel alcohol, bleach and 3D printing of bands for protective face shields;

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donations of LPG (cooking gas) to field hospitals; actions to support the chain of clients and suppliers, particularly small and midsize companies; and donations of hygiene kits and food staples to local communities.

The Company's Management reviewed the accounting estimates for the realization of assets, including the estimates for losses on trade accounts receivables, inventory impairment loss, deferred tax assets and other assets, or those related to the provision for liabilities in the financial statements given the significant changes in the risks to which the company is exposed (see more information in note 20.6). The review considered events after the reporting period that occurred up to the reporting date of these financial statements, and no significant effects were identified that should be reflected in the financial statements for the fiscal year ended December 31, 2020.

Due to the uncertainties arising from the COVID-19 pandemic with regard to the global economy, it is impossible to accurately predict the adverse impacts on the equity and financial position of the Company and its subsidiaries after the reporting date. With the recovery in demand for resins, the Company has no expectations of additional provisions for impairment testing of its assets in the near future arising from a scenario of demand constraints.

3 Application of critical estimates and judgments

Critical estimates and judgments are those that require the most difficult, subjective or complex judgments by management, usually as a result of the need to make estimates that affect issues that are inherently uncertain. Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from planned results due to differences in the variables, assumptions or conditions used in making estimates.

Estimates and assumptions are continuously revised. Changes in estimates are recognized prospectively. Actual results may differ from such estimates.

3.1 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements include the following:

(a) Note 14.b - Lease term: whether the Company is reasonably certain to exercise extension options.

(b) Useful life of assets

The Company recognizes the depreciation and amortization of its property, plant and equipment ("tangible assets") and intangible assets with estimated useful life approved by the Company's technicians with experience managing Braskem's plants. The useful lives of assets are reviewed at each reporting date by the Company's technicians.

The main factors that are taken into consideration in the definition of the useful life of the assets that compose the Company's industrial plants are the information of manufacturers of machinery and equipment, level of the plants' operations, quality of preventive and corrective maintenance and the prospects of technological obsolescence of assets.

The useful lives applied to the assets determined the following average (%) depreciation and amortization rates, using the straight-line method:

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	2020	2019
Buildings and improvements	2.82	6.23
Machinery, equipment and installations	6.31	7.04
Furniture and fixtures	10.03	10.02
IT equipment	20.23	20.60
Lab equipment	9.57	9.52
Security equipment	9.54	9.39
Vehicles	18.89	18.88
Other	13.55	15.72

Information on property, plant and equipment is presented in Note 12.

3.2 Uncertainties on assumptions and estimates

The information on uncertainties related to the assumptions and estimates at December 31, 2020 with significant risk of resulting in a significant adjustment to the accounting balances of assets and liabilities in the following fiscal year are as follows:

3.2.1 Deferred income tax ("IR") and social contribution ("CSL")

The recognition and the amount of deferred tax assets depend on the generation of future taxable income, which requires the use of an estimate related to the Company's future performance. These estimates are included in the business plan, which is annually prepared by the Executive Board. This plan uses as main variables projections for the price of the products manufactured by the Company, price of inputs, growth of the gross domestic product of each country where the Company operates, exchange variation, interest rate, inflation rate and fluctuations in the supply and demand of inputs and finished products. In evaluating the plan, the Company uses its historical performance, strategic planning and market projections produced by specialized third party consulting firms, which are reviewed and supplemented based on Management's experience.

Information on deferred income tax and social contribution is presented in Note 22(c).

3.2.2 Impairment test and analysis

(a) Tangible and intangible assets with definite useful lives

Annually, or whenever it is necessary, the Company reviews the carrying amounts of its tangible and intangible assets with definite useful lives to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverability amount is estimated. This analysis is conducted to assess the existence of scenarios that could adversely affect its cash flow and, consequently, its ability to recover the investment in such assets. These scenarios arise from issues of a macroeconomic, legal, competitive, or technological nature.

Some significant and notable aspects considered by the Company in this analysis include: (i) the possibility of an oversupply of products manufactured by the Company or of a significant reduction in demand due to adverse economic factors; (ii) the prospects of material fluctuations in the prices of products and inputs; (iii) the likelihood of the development of new technologies or raw materials that could materially reduce production costs and consequently impact sales prices, ultimately leading to the full or partial obsolescence of the industrial facilities of the Company; and (iv) changes in the general regulatory environment that make the production process of Braskem infeasible or that significantly impact the sale of its products. For this analysis, the Company maintains an in-house team with a strategic vision of the business. If the aforementioned variables indicate any material risk to cash flows, the Management of Braskem conducts impairment tests in accordance with Note 3.2.2(b).

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs ("Cash Generating Units").

The impairment value of an asset or CGU is the greatest of the value in use and its fair value less sales costs. The value in use is based on estimated future cash flows, discounted to present value using a discount rate before tax that reflects the current market assessments of the time value of money and the specific risks related to the asset or CGU.

When identifying whether cash inflows from an asset (or group of assets) are largely independent of cash inflows from other assets (or groups of assets), the Company considers several factors, such as: product lines, individual locations and the way Management monitors and makes decisions about the going concern analysis.

(b) Intangible assets with indefinite useful lives

The balances of goodwill arising from business combinations are tested for impairment once a year. Goodwill from business combination is allocated to the CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

These tests are based on the projected cash flow in each CGU or groups of CGUs, which are extracted from the business plan of the Company for a five-year period, mentioned in Note 3.2.1, and the Management plan for a period greater than 5 years to reflect industry cycle patterns, in a total projection period of 10 years. Perpetuity is also calculated based on the long-term vision and excluding real growth. Cash flows and perpetuity are adjusted to present value at a discount rate based on the Weighted Average Cost of Capital ("WACC").

Goodwill and results of impairment tests are presented in Note 13(a) and (b).

(c) Impairment loss

Impairment loss is recognized in profit or loss if the book value of the asset or CGU exceeds its impairment value. Recognized losses related to assets or CGUs are initially allocated for the reduction of any goodwill allocated, and then for reduction of the book value of other assets of the CGU (or group of CGUs) on a pro rata basis.

Impairment losses related to goodwill are not reversed. In the case of other assets, impairment losses are reversed only to the extent that the new book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the impairment loss had not been recognized.

3.2.3 Provisions and contingencies

Provisions are recorded when there is a present obligation (legal or constructive) as a result of a past event, and it is more likely than not that an outflow of resources will be required to settle the obligation.

Contingent liabilities are mainly related to discussions in the judicial and administrative spheres arising from primarily labor, corporate claims, civil and tax lawsuits.

The Management of Braskem, based on its assessment and of its external legal advisors, classifies these proceedings in terms of probability of loss as follows:

- (i) Probable loss – present obligation for which there is a higher probability of loss than of a favorable outcome;

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- (ii) Possible loss – present obligation for which the possibility of loss is greater than remote and less than probable. For these claims, the Company does not recognize a provision and discloses the most significant matters in Note 24.2.

The provision for labor, corporate claims, civil and tax lawsuits correspond to the value of the claims plus interests by the estimated value of probable losses. On the acquisition date in business combination operations, a contingent liability is recorded when it represents a present obligation.

The Company's management believes that the estimates related to the outcome of the proceedings and the possibility of future disbursement may change in view of the following: (i) higher courts may decide in a similar case involving another company, adopting a final interpretation of the matter and, consequently, advancing the termination of the proceeding involving the Company, without any disbursement or without implying the need of any financial settlement of the proceeding; and (ii) programs encouraging the payment of the debts implemented in Brazil at the Federal and State levels, in favorable conditions that may lead to a disbursement that is lower than the one that is recognized in the provision or lower than the value of the matter.

The Company's contingencies are presented in Note 24.

3.2.4 Provision of expenses – Geological event in Alagoas

The provision recorded stems from the actions and measures relating to the geological phenomenon in Alagoas, which consider, among its main factors, the dealings of safety of people and the affected districts, the recovery of areas potentially affected by the geological event and discussions with the competent authorities as Terms of Agreements, disclosed in Note 26.

The amount of the provision could be affected materially by uncertainties relating to the geological phenomenon in Maceió, which include: actions to close and monitor wells, future studies by experts, changes related to the dynamics of the geological event, studies and the implementation of socio-environmental and urbanistic measures, implementation of the relocation program for risk areas and individual lawsuits, demands from public service concessionaires, any adherence by the municipality of Maceió and other entities to the Agreement for Socio-Environmental Reparation, as detailed in Note 26.

3.2.5 Provision for recovery of environmental damages

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected remediation plans. Realized costs and cash outflows may differ from current estimates due to the changes in laws and regulations, public expectations, prices, new findings by the ongoing studies and analysis of local conditions and changes in remediation technologies.

The time and value of future expenses related to environmental liabilities are reviewed annually, as well as the interest rate used for discounting to present value.

The environmental liabilities are presented in Note 23 (a).

3.2.6 Financial instruments

(a) Fair value of derivative and non-derivative financial instruments

The Company recognizes derivative financial instruments at their fair value and the main sources of information are the stock exchanges, commodities and futures markets, disclosures of the Central Bank of Brazil and quotation services such as Bloomberg and Reuters. Nevertheless, the volatility of the foreign exchange and interest rate markets in Brazil has been resulting in significant changes in future rates and interest rates over short periods of time, leading to significant changes in the fair value of swaps and other financial instruments.

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The fair values of non-derivative quoted financial instruments are based on current bid prices. If the market for a financial asset and for unlisted securities is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make maximum use of market inputs and rely as little as possible on information provided by the Company's Management.

Information on derivative and non-derivative financial instruments is presented in Note 20.

(b) Hedge accounting

The Company designated non-derivate financial liabilities in foreign currency to hedge the future cash flows generated by its exports. This decision was based on two important concepts and judgments: (i) the high probability of performing exports according to its business plan, which are inherent to the market and business where it operates, and (ii) the ability of the Company to refinance its liabilities in U.S. dollar, since the priority financing in U.S. dollar is part of the Company's guidelines and strategy and the maintenance of a minimum level of net liabilities in U.S. dollar is envisaged in the Financial Policy of the Company.

The subsidiary Braskem Idesa designated all of the financing it obtained from financial institutions for the construction of its industrial plant to protect part of its sales to be made in the same currency as said financing, the U.S. dollar. Braskem Idesa's sales projection is reviewed periodically based on historical performance, strategic planning and market projections prepared by specialized external consulting firms, which are reviewed and complemented based on Management's experience.

All hedge transactions conducted by the Company are in compliance with the accounting procedures and practices adopted by Braskem, and effectiveness tests are conducted for each transaction every quarter, which prove the effectiveness of its hedge strategy.

The Company determined that hedged items for the Braskem S.A. will be characterized by the first exports in in each quarter until the amount designated for each period is reached, while for the subsidiary Braskem Idesa, these items will be characterized by the first sales in U.S. dollar in the domestic market, disclosed in Notes 20.4(a.i) and 20.4(a.ii), respectively. The liabilities designated for hedge will be aligned with the hedging maturity schedule and the Company's financial strategy.

According to the Financial Policy, the Company may contract derivatives (swaps, non-deliverable forwards ("NDFs"), options, etc.) to manage its exposure to foreign exchange and interest rates. These derivatives may be designated for hedge accounting based on the judgment of Management and when such designation is expected to better demonstrate the compensatory effects on the fluctuations in the items protected by the hedge. The Company currently has derivatives designated for cash flow hedge accounting, as reported in Note 20.3.

4 Risk management

Braskem is exposed to market risks arising from variations in commodity prices, foreign exchange rates and interest rates, credit risks of its counterparties in cash equivalents, financial investments and trade accounts receivable, and liquidity risks to meet its obligations from financial liabilities.

Braskem adopts procedures for managing market and credit risks that are in conformity with its Financial Policy, which is reviewed by the Board of Directors quarterly. The purpose of risk management is to protect the Company's cash flows and reduce the threats to the financing of its operating working capital and investment programs.

4.1 Market risks

Braskem prepares a sensitivity analysis for foreign exchange rate and interest rate risks to which it is exposed, presented in Note 20.6(c.2).

Management of the interest rate benchmark reform and associated risks

Overview

The planning for an organized replacement of interbank offered rates (“IBORs”) for alternative, nearly risk-free interest rates (RFRs, or “Risk-Free Rates”) is being taken under several market initiatives. However, several details regarding the time and transition methods are still being discussed. The Company uses IBORs as reference rates on several of its financial instruments, and as part of these market-wide initiatives, RFRs will eventually replace such reference rates. While the transition will force modifications on contracts that use IBORs as reference rates, the Company expects no significant impact on its risk management and hedge accounting procedures after its completion. However, it will continue to monitor the transition and implement whatever changes or new controls are deemed to be appropriate as potential issues arise.

Derivatives

The Company holds interest rate swaps for risk management purposes, which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to LIBOR. The Company’s derivative instruments are governed by contracts based on the master agreements of the International Swaps and Derivatives Association (“ISDA”).

As part of the IBOR reform, the ISDA published a protocol that changed all master agreements in force to include RFRs as replacement rates (fallback) for use upon discontinuation of the various IBORs. The protocol comes into force on January 25, 2021, and Braskem S.A., already has carried out its adoption; other entities of the Company are still in the adoption process.

Hedge accounting

As of December 31, 2020, Braskem has cash flow hedges indexed to LIBOR. The Company expects that indexation of the hedged items and hedging instruments to LIBOR will be replaced with SONIA (“Sterling Overnight Interbank Average Rate”) in 2021. Whenever the replacement occurs, Braskem expects to apply the amendments related to hedge accounting, however, there is uncertainty about when and how replacement may occur. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SONIA. Braskem does not expect that the amount accumulated in the other comprehensive income will be immediately reclassified to profit or loss because of IBOR transition. Meanwhile, the Company will ensure that all relevant hedge accounting documentation is evaluated and updated appropriately.

The Company will apply the changes described in IFRS 9, issued in September 2019, to the relationships directed affected by the IBOR reform. Theoretically, hedge accounting designations could present ineffectiveness if the amendment in the interest rate benchmark occurs on a date other than the redesignation of these transactions to hedge accounting. However, we expect both changes (of interest rate benchmark and redesignations) to co-occur.

Liabilities

To date, there are no broad initiatives to replace the benchmarks of IBORs in financial agreements; any modifications will be negotiated bilaterally among the parties.

(a) Exposure to commodity risks

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Most of Braskem's feedstocks (naphtha, ethane, propane and propylene) and main products (PE, PP and PVC) are commodities quoted on international markets. A series of factors determine the dynamics of these quotes, nevertheless our sales prices are also impacted in a similar proportion when compared with our feedstock supply chain.

(b) Exposure to foreign exchange risk

Considering the dynamics of the international petrochemical market, where prices are mostly pegged to international dollar-denominated references, Braskem's sales in Brazil are strongly correlated to the U.S. currency.

Therefore, with the goal of partially mitigating the long-term exchange risk, as of September 2016, the Company started to contract financial derivatives to compose a Long-Term Foreign Exchange Hedge Program. The Program mainly aims to mitigate dollar call and put option contracts, hedging expected flows over a 24-month horizon, as detailed in Note 20.3.

In addition to the Hedge Program, to balance the composition between dollar-denominated assets and liabilities, Braskem's Financial Policy requires the Company to maintain a percentage of at least 70% of the dollar-denominated portion of net debt. If convenient, the Company may maintain a percentage of more than 70%, although subject to a sensitivity analysis of key financial indicators and proof of the inexistence of significant risk of deterioration of these indicators.

On December 31, 2020, Braskem prepared a sensitivity analysis for its exposure to the fluctuation in the U.S. dollar, as disclosed in Note 20.6.

(c) Exposure to interest rate risk

Braskem is exposed to the risk that a variation in floating interest rates causes an increase in its financial expense due to payments of future interest. Debt denominated in foreign currency subject to floating rates is mainly subject to fluctuations in Libor. Debt denominated in local currency is mainly subject to the variation in the Interbank Certificate of Deposit ("CDI") rate.

In 2020, Braskem held swap contracts (Note 20.3.1) in which it receives Libor and pays a fixed rate.

On December 31, 2020, Braskem prepared a sensitivity analysis for the exposure to the floating interest rates Libor, CDI and Extended National Consumer Price Index ("IPCA"), as disclosed in Notes 20.6(c.1) and (c.2).

4.2 Exposure to credit risk

The transactions that subject Braskem to the concentration of credit risks are mainly in bank checking accounts, financial investments, and trade accounts receivable in which Braskem is exposed to the risk of the financial institution or customer involved. In order to manage this risk, Braskem maintains bank current accounts and financial investments with major financial institutions, weighting concentrations in accordance with the credit rating and the daily prices observed in the Credit Default Swap market for the institutions, as well as netting contracts that minimize the total credit risk arising from the many financial transactions entered into by the parties.

On December 31, 2020, 45.9% of the amounts recorded as "Cash and cash equivalents" (Note 5) and "Financial Investments" (Note 6) were allocated to financial institutions that had offset agreements with the Company. The obligations under these agreements are accounted for under "Borrowings" (Note 16). The effective netting of these amounts is possible only in the event of default by one of the parties.

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With respect to the credit risk of customers, Braskem protects itself by performing a rigorous analysis before granting credit and obtaining secured and unsecured guarantees when considered necessary, including credit insurance.

The maximum exposure to credit risk of non-derivative financial instruments on the reporting date is the sum of their carrying amounts less any provisions for impairment losses. On December 31, 2020, the balance of trade accounts receivable was net of allowance for doubtful accounts (Note 7).

4.3 Liquidity risk

Braskem has a calculation methodology to determine a minimum cash “monthly vision” (30-day horizon) and a minimum cash “yearly vision” (up to 12-month horizon) for the purpose of, respectively: (i) ensuring the liquidity needed to comply with obligations of the following month; and (ii) ensuring that the Company maintains liquidity during potential crises. The amounts to determine the minimum cash “yearly vision” are calculated mainly based on the projected operating cash generation, less short-term debts and working capital needs. The amounts used for determining the minimum cash “monthly vision” consider the projected operating cash disbursement, debt service and contributions to projects, as well as the planned disbursement for derivatives maturing in the period, among other items. The Company uses as minimum cash in its financial policy the greater of these two references.

In May 2018, the Company, in keeping with its commitment to maintain its financial liquidity, contracted an international revolving credit facility in the amount of US\$1 billion, which expires in 2023. This line may be used without restrictions to improve the Company’s credit quality or in the event of deterioration in the macroeconomic scenario. As of December 31, 2020, this new credit line had not been used.

On December 31, 2020, due to the breach of certain covenants provided for in its financing agreement (Note 16), the subsidiary Braskem Idesa recorded under current liabilities its financial obligations with original long-term maturities. Note that Braskem Idesa has been settling all its obligations in accordance with the original maturity schedule and no creditor required or indicated the intention of requiring immediate reimbursement of these obligations or early debt payment.

Considering that the group of creditors of Braskem Idesa will continue not requiring prepayment of the debt, Braskem’s financial liabilities by maturity, including the amounts due under the Leniency Agreement (Note 25), are shown in the table below. These amounts are calculated based on cash flows not discounted and may not be reconciled with the amounts disclosed in the statement of financial position.

	Maturity				Total
	Until one year	Between one and two years	Between two and five years	More than five years	
Trade payables	9,978,595	7,233	-	-	9,985,828
Borrowings	1,439,079	4,365,497	7,953,182	71,000,361	84,758,119
Debentures	56,988	125,320	97,057	-	279,365
Braskem Idesa borrowings	1,194,805	2,340,108	2,911,775	10,212,681	16,659,369
Derivatives	1,314,675	223,813	354,483	-	1,892,971
Loan to non-controlling shareholder of Braskem Idesa	-	-	-	4,747,673	4,747,673
Leniency agreement (Note 25)	399,039	313,562	852,766	-	1,565,367
Lease	870,587	641,313	898,124	1,070,768	3,480,792
At December 31, 2020	15,253,768	8,016,846	13,067,387	87,031,483	123,369,484

If Braskem Idesa’s group of creditors require the early payment of this debt, the Company’s financial liabilities by maturity date, including the amounts due under the Leniency Agreement (Note 25), are shown in the table below. These amounts are gross and undiscounted and include contractual interest payments, therefore may not be reconciled with the statement of financial position.

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	Maturity				Total
	Until one year	Between one and two years	Between two and five years	More than five years	
Trade payables	9,978,595	7,233	-	-	9,985,828
Borrowings	1,439,079	4,365,497	7,953,182	71,000,361	84,758,119
Debentures	56,988	125,320	97,057	-	279,365
Braskem Idesa borrowings	8,064,401	-	-	7,785,795	15,850,196
Derivatives	1,314,675	223,813	354,483	-	1,892,971
Loan to non-controlling shareholder of Braskem Idesa	-	-	-	4,747,673	4,747,673
Leniency agreement (Note 25)	399,039	313,562	852,766	-	1,565,367
Lease	870,587	641,313	898,124	1,070,768	3,480,792
At December 31, 2020	22,123,364	5,676,738	10,155,612	84,604,597	122,560,311

4.4 Capital management

The Company's policy is to maintain solid capital management to ensure the continuity and development of its business and to maintain the trust of investors, creditors and the general market. The ideal capital structure, according to Braskem's Management, considers the balance between own capital and the sum of all payables less the amount of cash and cash equivalents and financial investments. This composition meets the Company's objectives of perpetuity and of offering an adequate return to shareholders and other stakeholders. This structure also permits borrowing costs to remain at adequate levels to maximize shareholder remuneration.

Due to the impact of the U.S. dollar on the Company's operations, the Management of Braskem believes that the own capital used for capital management purposes should be measured in this currency and on a historical basis. Moreover, the Company may temporarily maintain a capital structure that is different from this ideal. This occurs, for example, during periods of growth, when the Company may finance a large portion of its projects through borrowings, provided that this option maximizes return for shareholders once the financed projects start operating. In order to adjust and maintain the capital structure, the Management of Braskem may also consider the sale of non-strategic assets, the issue of new shares or even adjustments to dividend payments.

As is the case of liquidity, capital is managed at the consolidated level, except for the liquidity and capital of Braskem Idesa, whose specific management is concentrated at the subsidiary level.

5 Cash and cash equivalents

See accounting policies in Notes 20(a) and 20.5(b).

	2020	2019
Cash		
Domestic market	111,278	13,495
Foreign market	(i) 1,835,685	2,289,736
Cash equivalents:		
Domestic market	8,271,312	1,963,185
Foreign market	(i) 3,644,577	2,537,464
Total	13,862,852	6,803,880

- (i) On December 31, 2020, it includes cash of R\$284,856 and R\$619,577 of cash equivalents (R\$598,591 of cash and R\$418,644 of cash equivalents on December 31, 2019) of the subsidiary Braskem Idesa, which cannot be used by the other subsidiaries of the Company.

This item includes cash, bank deposits and highly liquid financial investments available for redemption within three months from the date of purchase. These assets are convertible into a known cash amount and are subject to insignificant risk of change in value.

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Cash equivalents in Brazil are mainly represented by fixed-income instruments and time deposits held by the funds FIM Jupiter and FIM Netuno. Cash equivalents abroad comprise fixed-income instruments (time deposit).

6 Financial investments

See accounting policies in Notes 3.2.6(a) and 20(a).

	<u>2020</u>	<u>2019</u>
Amortized cost		
Time deposit investments	53,941	38,759
Fair value through profit or loss		
<i>LFT's and LF's</i>	(i) 2,163,042	1,588,426
Restricted funds investments	(ii) 1,338,289	9,708
Other	87,519	60,319
Total	<u>3,642,791</u>	<u>1,697,212</u>
Current assets	3,627,227	1,687,504
Non-current assets	15,564	9,708
Total	<u>3,642,791</u>	<u>1,697,212</u>

- (i) These refer to Brazilian floating-rate government bonds ("LFTs") issued by the Brazilian federal government and floating-rate bonds ("LFs") issued by financial institutions. These bonds have original maturity above three months, immediate liquidity in the secondary market and Management expects their realization in the short term.
- (ii) Includes the following amounts: R\$1,322,725 in restricted funds used in the program for relocation of residents in Alagoas (Note 26.1(ii)); and R\$15,564 of bank deposits with yields of approximately 100% of the Interbank Deposit Rate ("CDI"), and their use is related to the fulfillment of the contractual obligations of the debentures.

7 Trade accounts receivable

Refer to Notes 20.5(a) for credit quality of trade accounts receivable.

The Company's average receivables term is generally 30 days; therefore, the amount of the trade accounts receivable corresponds to their fair value. The Company realizes part of its trade accounts receivable through the sale of trade notes to funds and financial institutions that acquire receivables. These operations are not entitled to recourse and the risks and benefits over the receivables are substantially transferred, for which reason the trade notes are derecognized. At December 31, 2020, the total amount of the trade accounts receivables negotiated was R\$1.8 billion (R\$2 billion on December 31, 2019), with interest expense of R\$12 million recorded under Financial Expenses.

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Customers			
Domestic market			
Third parties		2,304,212	1,049,412
Related parties	9	20,863	8,814
		<u>2,325,075</u>	<u>1,058,226</u>
Foreign market			
Third parties		2,603,140	1,477,748
		<u>2,603,140</u>	<u>1,477,748</u>
Allowance for doubtful accounts	(i)	(173,007)	(229,323)
Total		<u>4,755,208</u>	<u>2,306,651</u>
Current assets		4,731,979	2,285,750
Non-current assets		23,229	20,901
Total		<u>4,755,208</u>	<u>2,306,651</u>

- (i) Company's expected credit losses are determined based on the following stages:

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Stage 1 – in this stage, expected credit losses are calculated based on the actual experience of credit loss (write-off) over the last five years, segregating customers in accordance with their Operating Risk.

Stage 2 – when there is deterioration in the credit risk, the Company considers receivables that were renegotiated and that could be collected in court, regardless of their maturity.

Stage 3 – includes financial assets that have objective evidence of impairment; the trigger for evidence of impairment is the delay, without previous negotiation, of more than 180 days.

The following table shows the Company's expected credit loss for each stage:

		<u>Estimated loss percentage</u>	<u>Trade accounts receivable</u>	<u>Allowance for doubtful accounts</u>
Stage 1 (Performing)	Operation risk 1	Minimum risk	2,976,880	
	Operation risk 2	Minimum risk	1,121,976	
	Operation risk 3	0.80%	577,145	4,617
	Operation risk 4	1.65%	55,033	908
			<u>4,731,034</u>	<u>5,525</u>
Stage 2 (Significant Increase in Loss Risk)	Operation risk 1 and 2	Minimum risk	20,619	
	Operation risk 3 and 4	20%	2,812	562
	1st Renegotiation lower than or equal to 24 months	25%	1,273	318
	Between 90 and 180 days	30%	8,393	2,518
			<u>33,097</u>	<u>3,398</u>
Stage 3 (No payment performance - Indicative of impairment)	Operation risk 5	100%	12,675	12,675
	Above 180 days	100%	10,797	10,797
	Legal	100%	140,612	140,612
			<u>164,084</u>	<u>164,084</u>
			<u>4,928,215</u>	<u>173,007</u>
Total				

The changes in the allowance for doubtful accounts are presented below:

	<u>2020</u>	<u>2019</u>
Balance of provision at the beginning of the year	(229,323)	(233,625)
Provision in the year	(65,571)	(59,885)
Reversal in the year	28,563	45,501
Write-offs	93,324	18,686
Balance of provision at the end of the year	<u>(173,007)</u>	<u>(229,323)</u>

The breakdown of trade accounts receivable by maturity is as follows:

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	<u>2020</u>	<u>2019</u>
Accounts receivables not past due	4,368,714	2,001,326
Past due securities:		
Up to 90 days	396,953	318,852
91 to 180 days	6,272	15,368
As of 180 days	156,276	200,428
	<u>4,928,215</u>	<u>2,535,974</u>
Allowance for doubtful accounts	(173,007)	(229,323)
Total customers portfolio	<u>4,755,208</u>	<u>2,306,651</u>

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

8 Inventories

	<u>2020</u>	<u>2019</u>
Finished goods	4,258,561	4,634,192
Raw materials, production inputs and packaging	2,008,510	1,665,797
Maintenance materials	749,536	608,693
Advances to suppliers	86,745	68,382
Imports in transit	1,298,334	664,345
Total	<u>8,401,686</u>	<u>7,641,409</u>
Current assets	8,383,650	7,625,084
Non-current assets	18,036	16,325
Total	<u>8,401,686</u>	<u>7,641,409</u>

Inventory cost is based on the average cost of purchases principle. The value of finished products includes raw materials, ancillary and maintenance materials used, depreciation of industrial facilities, expenses with Company's and third-party personnel involved in industrial production and maintenance, and logistics expenses with the transfer of these products from the plants to the sale terminals. The production overheads are allocated to products based on normal operating capacity.

Inventories are measured at the lower of cost and net realizable value and, when necessary, an impairment is recognized. For this estimate, the Company considers the sale price, reduced by all costs of sale, projected for the period during which it expects to sell the product.

The effect of the provision for inventories at the year is shown below:

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Balance at December 31, 2018	20,159
Additions	72,672
Utilization/reversals	(10,636)
Balance at December 31, 2019	82,195
Additions	120,483
Utilization/reversals	(80,106)
Balance at December 31, 2020	122,572

	Balances at December 31, 2020				Balances at December 31, 2019							
	Novonor and subsidiaries and associates	Petrobras and subsidiaries	Other	Total	Novonor and subsidiaries and associates	Petrobras and subsidiaries	Other	Total				
Balance sheet												
Assets												
Current												
Trade accounts receivable		6,354	14,509	20,863		4,257	4,557	8,814				
Inventories		35,998		35,998		17,242		17,242				
Dividends and interest on capital			165	165			3,074	3,074				
Total assets		42,352	14,674	57,026		21,499	7,631	29,130				
Liabilities												
Current												
Trade payables	33,100	601,203	9,641	643,944	12,402	133,759	9,819	155,980				
Payable notes					58			58				
Other payables		478	119	597		1,420	136	1,556				
Non-current												
Loan to non-controlling shareholders of Braskem Idesa				3,222,493			2,395,887	2,395,887				
Total liabilities	33,100	601,681	3,232,253	3,867,034	12,460	135,179	2,405,842	2,553,481				
	Year ended December 31, 2020				Year ended December 31, 2019				Year ended December 31, 2018			
	Novonor and subsidiaries and associates	Petrobras and subsidiaries	Other	Total	Novonor and subsidiaries and associates	Petrobras and subsidiaries	Other	Total	Novonor and subsidiaries and associates	Petrobras and subsidiaries	Other	Total
Transactions												
Sales of products		182,521	326,825	509,346		665,417	588,785	1,254,202		1,225,443	736,192	1,961,635
Purchases of raw materials, finished goods												
services and utilities	(133,127)	(14,566,840)	(20,350)	(14,720,317)	(293,501)	(12,584,453)	(10,738)	(12,888,692)	(460,480)	(15,540,144)	(3,800)	(16,004,424)
Financial income (expenses), net	(452)	(3,810)	(818)	(5,080)	(96)	(5)	(10,967)	(11,068)		(49)	(106,516)	(106,565)
Other income (expenses)					(34,873)			(34,873)	4,214			4,214
General and administrative expenses												
Post-employment benefits plan ("EPE")												
Private pension ("Vexty")			(46,738)	(46,738)			(50,889)	(50,889)			(48,514)	(48,514)

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(a) New and/or renewed agreements with related companies

As provided for in the Company's bylaws, the Board of Directors has the exclusive power to decide on any contract with related parties that exceed R\$20,000 per transaction or R\$60,000 collectively per year. This is valid for contracts between Braskem and its subsidiaries and: (i) direct or indirect subsidiaries of Braskem in whose capital an interest is held by the controlling shareholder, by any direct or indirect subsidiaries thereof or by Key Personnel of such entities; (ii) associates of Braskem and subsidiaries of such entities; and (iii) joint ventures in which Braskem participates and any subsidiaries thereof.

As part of its control to identify related parties, Key Personnel annually inform whether they, or their close relatives, hold full or shared control of any company. All companies that conducted transactions with Braskem and its subsidiaries are provided in this Note.

The related parties that have significant relationship with the Company are as follows:

Novonor and its direct and indirect subsidiaries:

- Tenenge Montagem e Manutenção Ltda. ("Tenenge").

Petrobras and its indirect joint venture:

- Petróleo Brasileiro S.A. ("Petrobras")
- Companhia de Gás da Bahia ("BahiaGás")
- Gás de Alagoas S.A. ("Algás")
- Petrobras Transporte S.A. ("Transpetro").

Joint ventures of Braskem:

- Refinaria de Petróleo Riograndense S.A. ("RPR").

Associate of Braskem:

- Borealis Brasil S.A. ("Borealis").

Non-controlling shareholders of Braskem Idesa:

- Etileno XXI, S.A. de CV.
- Grupo Idesa, S.A. de CV.

In the fiscal year ended December 31, 2020, the main transactions with related parties are as follows:

- (i) Sales of gasoline and gasoil to Refinaria de Petróleo Riograndense S.A. ("RPR") are negotiated monthly. Sales in the fiscal year amounted to R\$93,632 (R\$257,295 in 2019).
- (ii) In January 2020, Braskem entered into an agreement with Tenenge, a subsidiary of Novonor S.A., to provide industrial maintenance services for shutdowns of large-scale equipment and occasional services on other types of equipment. This agreement has an estimated maximum value of R\$669,000 and a term of seven years. The procurement of services rendered in the period amounted to R\$45,408.
- (iii) In February 2020, the Company signed the 5th amendment to the Polypropylene and Polyethylene thermoplastic resins sales agreement with Borealis. The agreement has an estimated maximum amount of R\$1,260,000 and is valid through December 17, 2025. In the fiscal year, transactions amounted to R\$213,830.

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- (iv) In March 2020, the Company entered into a petroleum sales agreement with Petrobras, which is valid for 30 days after its execution. The agreement has an estimated maximum amount of R\$76,161 and was fully received.
- (v) In April 2020, the Company entered into an agreement for the purchase of up to 220 kton of naphtha with Petrobras, with additional volumes to those contracted for April 2020, to supply Braskem units in the states of Bahia, Rio Grande de Sul and São Paulo with Petrobras. In the fiscal year, transactions amounted to R\$89,100.
- (vi) In June 2020, the Company entered into two naphtha supply agreements with Petrobras from 200 to 450 kton/y, respectively, from the Landulpho Alves Refinery ("RLAM"), with delivery to our industrial unit in Bahia, and from the Alberto Pasqualini Refinery ("REFAP"), to our unit in Rio Grande do Sul. The agreements are in force from December 23, 2020 to December 31, 2025. The maximum estimated amounts of the agreements are R\$5 billion and R\$2.5 billion, respectively. In the fiscal year, transactions amounted to R\$18,200.
- (vii) In June 2020, the Company entered into a sales option agreement for up to 2,850 kton/y of petrochemical naphtha to Petrobras with mandatory purchase by Braskem. The agreements are in force from January 1, 2021 to December 31, 2025. The maximum estimated amount is R\$30 billion.
- (viii) In June 2020, the Company entered into two contract amendments with Transpetro for vessel loading and unloading services, product storage and leasing of the OSCAN 16 pipeline and tanks located at the Almirante Dutra Terminal ("TEDUT"), that are in force from November 1, 2020 to June 30, 2024. The maximum estimated amounts of the agreements are R\$620,500 and R\$107,361, respectively. In the fiscal year, transactions amounted to R\$53,688 (R\$79,123 on December 31, 2019).
- (ix) In June 2020, the Company entered to a contractual amendment with Petrobras for the transfer of 80,000 m³ of space for storing products owned by Braskem in tanks at the Alberto Pasqualini Refinery (REFAP), that are in force from November 1, 2020 to December 31, 2025. The maximum estimated amount is R\$240,000. In the fiscal year, transactions amounted to R\$31,730 (R\$24,981 on December 31, 2019).
- (x) In September 2020, the Company executed an amendment to extend the agreement with Petrocoque, for acquisition estimated at 350.4 kton/year of steam by Polyethylene units. This amendment, summed to total amount of the original agreement, executed in September 2009, amounts to R\$325.6 million and is valid until March 2021. In the fiscal year, these acquisitions totaled R\$34,141 (R\$42,835 on December 31, 2019).
- (xi) In December 2020, the Company entered into an agreement with Petrobras to purchase ethane and propane to produce up to 580,000 tons of ethylene equivalent and sell up to 58.4 million Nm³ of hydrogen. This agreement is effective from January 1, 2021 to December 31, 2025. The estimated amount of the agreement is R\$9.2 billion.
- (xii) In December 2020, the Company entered into a sale agreement with Petrobras for up to 2 million tons of petrochemical naphtha per year, for us in Braskem's industrial unit in São Paulo. This agreement is effective from December 23, 2020 to December 31, 2025. The estimated amount is R\$25 billion. In the fiscal year, the transactions amounted to R\$2,800.
- (xiii) In December 2020, the Company entered into the second amendment to the agreement governing the supply of natural gas by Algás to Braskem, via local gas pipeline. The duration of the agreement was extended via the first amendment executed in September 2019, effective until December 2021, with

Notes to the consolidated financial statements**at December 31, 2020****All amounts in thousands, except as otherwise stated**

estimated amount of R\$268,338. In the fiscal year, the transactions amounted to R\$183,476 (R\$236, 913 at December 31, 2019).

- (xiv) In December 2020, the Company entered into an amendment to the agreement governing the supply of natural gas by Bahiagás to Braskem, via local gas pipeline. In October 2014, Braskem and Bahiagás executed a natural gas supply agreement, effective until December 2017. This agreement is being extended via annual amendments, with the current amendment effective until December 2021, and estimated amount of R\$482,400. In the fiscal year, the transactions amounted to R\$592,013 (R\$901,574 at December 31, 2019).
- (xv) In December 2020, the Company entered into an agreement with Transpetro involving the provision of logistics services for the water terminals (management and operation) of the port terminals TERG (Rio Grande) and TESC (Santa Clara). This agreement is effective from January 4, 2021 to December 31, 2024. The estimated maximum amount is R\$28,878.
- (xvi) Loan payable to the non-controlling shareholders of Braskem Idesa, with maturity in December 2029 and interest of 7% per annum. These funds were used by Braskem Idesa to finance its construction project.

(b) Key management personnel compensation

The expenses related to the remuneration of key management personnel, including the Board of Directors, the Fiscal Council, and the Statutory Executive Board, recorded in the profit or loss for the year, are shown as follows:

Statement of profit or loss transactions	2020	2019	2018
Remuneration			
Short-term benefits	74,943	70,366	60,922
Post-employment benefit	961	1,104	989
Long term incentive plan	7,456	14,724	4,404
Total	83,360	86,194	66,315

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (see Note 27).

10 Taxes recoverable

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		<u>2020</u>	<u>2019</u>
Parent Company and subsidiaries in Brazil			
IPI		1,435	477
Value-added tax on sales and services (ICMS) - normal operations	(a)	293,193	255,945
ICMS - credits from PP&E		163,847	166,824
Social integration program (PIS) and social contribution on revenue (COFINS) - normal operations		199	45,604
PIS and COFINS - credits from PP&E		353,928	316,973
REINTEGRA program	(b)	16,799	19,848
Federal tax credits	(c)	1,109,122	2,459,293
Other		40,234	5,434
Foreign subsidiaries			
Value-added tax ("IVA")		277,175	217,630
Other		9,470	7,701
Total		<u>2,265,402</u>	<u>3,495,729</u>
Current assets		1,192,665	1,238,011
Non-current assets		1,072,737	2,257,718
Total		<u>2,265,402</u>	<u>3,495,729</u>

(a) ICMS – normal operations

Accumulated ICMS credits over the past few years arise mainly from interstate acquisitions of electric power subject to tax substitution method and domestic sales subject to deferred taxation.

The Management of the Company has been prioritizing a series of actions to maximize the use of these credits and currently does not expect losses on the realization of cumulative balances.

(b) REINTEGRA Program

The REINTEGRA program aims to refund to exporters the federal taxes levied on the production chain for goods sold abroad.

Such credits may be realized in two ways: (i) by offsetting own debits overdue or undue related to taxes levied by the Federal Revenue Service; or (ii) by a cash reimbursement.

At the year ended December 31, 2020, the Company recognized credits in the amount of R\$7,494 (R\$9,157 in 2019) and offset the amount of R\$9,959 (R\$9,532 in 2019). In the Statement of profit or loss, credits were recognized in the item "Cost of Products Sold."

(c) Federal tax credits

The main tax credit refers to the exclusion of ICMS from the PIS/COFINS calculation basis. During 2020, the final and unappealable decisions of proceeding filed by Braskem and other proceedings, originally filed by merged companies, were certified. The oldest period retroactive to 1991.

The effects of these decisions were assessed by the Company and, during 2020, a total of R\$438,044 (R\$2,048,782 in 2019) was recognized related to PIS and COFINS taxes overpaid, with R\$310,557 recorded under "Other operating income (expenses)" (R\$1,904,206 in 2019) and R\$127,488 under "Financial income" (R\$207,582 in 2019).

Notes to the consolidated financial statements

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The balance on December 31, 2020 is R\$1,002,605, recorded under current assets. The balance on December 31, 2019 was R\$2,350,817 (current assets of R\$783,199 and non-current assets of R\$1,567,618).

The Company has other lawsuits related to other acquired companies discussing the same tax matter, for which there was no final judgment (Note 24.4(ii)).

11 Investments

See accounting policies in Notes 2.3.

(a) Information on equity method investee

		Interest in total and voting capital (%)			Net profit (loss) for the year	Equity	
		Direct and indirect	2020	2019	2018	2020	2019
Jointly-controlled investment							
RPR	(i)	33.20	(63,525)	29,687	6,358	32,217	93,025
Odebrecht Comercializadora de Energia S.A. ("OCE")	(ii)				(48)		
Associate							
Borealis	(iii)	20.00	6,019	17,622	(2,900)	161,363	164,086

(i) RPR – its main activities are the refine, processing and sale and import of oil, its byproducts and correlated products.

(ii) Entity closed in June 2018.

(iii) Borealis – its main activities are the production and commercialization of petrochemical byproducts and correlated products.

(b) Changes in equity method investees

	Domestic associate			
	Borealis	RPR	Other	Total
Balance at 2018	32,776	33,094	84	65,954
Dividends and interest on equity	(3,002)	(4,295)		(7,297)
Equity in results of investees	3,042	9,857		12,899
Other comprehensive income		(7,769)		(7,769)
Other			56	56
Balance at 2019	32,816	30,887	140	63,843
Dividends and interest on equity	(1,748)	(164)		(1,912)
Equity in results of investees	1,204	(21,093)		(19,889)
Other comprehensive income		1,067		1,067
Other			44	44
Balance at 2020	32,272	10,697	184	43,153

(c) Impact on the consolidation of Braskem Idesa

The Company is presenting the financial information of the subsidiary in which the non-controlling shareholder holds interest, and the material effects on the Company's consolidated information.

In light of the allegations of undue payments related to the Ethylene XXI project, which were originally published in the media in Mexico and were included in the testimony by the former CEO of PEMEX to the Office of the Attorney General of Mexico ("Allegations"), Braskem S.A., together with Braskem Idesa, in

Notes to the consolidated financial statements

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compliance with the standards established by Braskem's Global Compliance System Policy and Braskem Idesa's governance guidelines, approved the hiring of an U.S. law firm with proven experience in similar cases to conduct an independent internal investigation of the Allegations ("Investigation").

The investigation is ongoing. At the moment, the Company cannot estimate the conclusion date of the investigation, nor the outcome or impacts, if any, on the financial statements, including disclosures. If the investigation identifies evidence to support any of the allegations, such findings could affect the Company's business, financial condition, internal controls over financial reporting, and operating results, as well as the liquidity.

Braskem S.A.

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Balance sheet

	Consolidated Braskem without the effect of Braskem Idesa consolidated		Braskem Idesa consolidated(i)		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Current								
Cash and cash equivalents	12,958,419	5,786,645	904,433	1,017,235			13,862,852	6,803,880
Financial investments	3,627,227	1,687,504					3,627,227	1,687,504
Trade accounts receivable	4,386,825	1,973,414	577,530	331,838	(232,376)	(19,502)	4,731,979	2,285,750
Inventories	7,876,485	7,028,641	507,165	596,443			8,383,650	7,625,084
Taxes recoverable	1,144,355	1,084,055	48,310	153,956			1,192,665	1,238,011
Income tax and social contribution	1,547,916	439,933					1,547,916	439,933
Derivatives	33,769	4,712					33,769	4,712
Judicial deposits		2,571,683						2,571,683
Other receivables	688,944	393,593	121,242	339,404			810,186	732,997
	32,263,940	20,970,180	2,158,680	2,438,876	(232,376)	(19,502)	34,190,244	23,389,554
Non-current								
Financial investments	15,564	9,708					15,564	9,708
Taxes recoverable	847,399	2,257,652	225,338	66			1,072,737	2,257,718
Income tax and social contribution	72,267	239,847					72,267	239,847
Deferred tax	6,658,276	1,713,837	1,871,696	948,759			8,529,972	2,662,596
Related parties	9,122,666	6,729,486		(ii)	(9,122,666)	(6,729,486)		
Derivatives	34,091	17,877					34,091	17,877
Judicial deposits	196,911	1,508,880					196,911	1,508,880
Other receivables	251,398	295,586	17,347	505			268,745	296,091
Investments	43,153	63,843					43,153	63,843
Property, plant and equipment	22,295,803	20,488,870	14,436,012	12,537,615(iii)	(802,666)	(711,304)	35,929,149	32,315,181
Intangible	2,568,869	2,568,347	259,822	193,741			2,828,691	2,762,088
Right of use of assets	2,509,484	2,309,506	392,911	296,148			2,902,395	2,605,654
	44,615,881	38,203,439	17,203,126	13,976,834	(9,925,332)	(7,440,790)	51,893,675	44,739,483
Total assets	76,879,821	59,173,619	19,361,806	16,415,710	(10,157,708)	(7,460,292)	86,083,919	68,129,037
Liabilities and shareholders' equity								
Current								
Trade payables	9,753,762	8,903,168	424,929	233,323	(232,376)	(19,502)	9,946,315	9,116,989
Borrowings	1,318,931	774,924					1,318,931	774,924
Debentures	54,436	46,666					54,436	46,666
Braskem Idesa Borrowings			7,660,128	744,408			7,660,128	744,408
Payroll and related charges	776,134	598,147	38,432	25,576			814,566	623,723
Taxes payable	927,039	306,453	25,650	16,433			952,689	322,886
Income tax and social contribution	284,129	34,856					284,129	34,856
Lease	821,695	619,217	73,414	57,074			895,109	676,291
Provision - geological event in Alagoas	4,349,931	1,450,476					4,349,931	1,450,476
Other financial liabilities		516,933						516,933
Other payables	1,947,569	1,798,865	163,371	109,143			2,110,940	1,908,008
	20,233,626	15,049,705	8,385,924	1,185,957	(232,376)	(19,502)	28,387,174	16,216,160
Non-current								
Loan agreements	40,413,192	28,242,052					40,413,192	28,242,052
Braskem Idesa Borrowings			4,399,110	9,237,318			4,399,110	9,237,318
Debentures	181,679	227,901					181,679	227,901
Accounts payable to related parties			9,140,064	6,714,236(ii)	(9,140,064)	(6,714,236)		
Loan to non-controlling shareholders of Braskem Idesa		(v)	3,222,493	2,395,887			3,222,493	2,395,887
Income tax and social contribution	576,174						576,174	
Deferred income tax and social contribution	1,234,398	273,036					1,234,398	273,036
Provision for losses on subsidiaries	5,283,264	3,082,173		(iv)	(5,283,264)	(3,082,173)		
Lease	1,962,235	1,767,314	350,542	233,291			2,312,777	2,000,605
Provision - geological event in Alagoas	4,825,846	1,932,591					4,825,846	1,932,591
Other payables	4,274,837	3,625,695	122,757	33,086			4,397,594	3,658,781
	58,751,625	39,150,762	17,234,966	18,613,818	(14,423,328)	(9,796,409)	61,563,263	47,968,171
Shareholders' equity								
Attributable to the Company's shareholders	(2,202,306)	4,886,089	(6,259,084)	(3,384,065)	6,259,084	3,383,274	(2,202,306)	4,885,298
Non-controlling interest in subsidiaries	96,876	87,063			(1,761,088)	(1,027,655)	(1,664,212)	(940,592)
	(2,105,430)	4,973,152	(6,259,084)	(3,384,065)	4,497,996	2,355,619	(3,866,518)	3,944,706
Total liabilities and shareholders' equity	76,879,821	59,173,619	19,361,806	16,415,710	(10,157,708)	(7,460,292)	86,083,919	68,129,037

(i) Consolidation of Braskem Idesa with its direct subsidiary Braskem Idesa Serviços.

(ii) Loan from Braskem Holanda as part of shareholders' contribution to the Braskem Idesa project.

(iii) Adjustment corresponding to the capitalization of a portion of financial charges of the abovementioned loan.

(iv) Provision recorded in the subsidiary Braskem Holanda for the negative shareholders' equity of Braskem Idesa.

(v) Loan payable, maturing December 2029 and 7% p.a., to the non-controlling shareholders of Braskem Idesa. These proceeds were used by Braskem Idesa to fund its construction project.

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Statement of profit or loss

	Consolidated Braskem without the effect of Braskem Idesa consolidated			Braskem Idesa consolidated			Eliminations			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Net revenue	55,779,528	49,961,286	54,851,243	4,046,581	3,050,420	3,766,371	(1,282,615)	(688,181)	(617,748)	58,543,494	52,323,525	57,999,866
Cost of products sold	(45,563,723)	(44,111,980)	(44,928,721)	(3,112,129)	(2,509,060)	(2,314,998)	1,344,438	741,922	667,062	(47,331,414)	(45,879,118)	(46,576,657)
	10,215,805	5,849,306	9,922,522	934,452	541,360	1,451,373	61,823	53,741	49,314	11,212,080	6,444,407	11,423,209
Income (expenses)												
Selling and distribution	(1,609,844)	(1,582,794)	(1,495,507)	(242,211)	(200,661)	(193,672)				(1,852,055)	(1,783,455)	(1,689,179)
(Loss) reversals for impairment of trade accounts receivable	(55,074)	(4,772)	87,008	(178)	(2,297)					(55,252)	(7,069)	87,008
General and administrative	(1,739,541)	(2,082,002)	(1,669,277)	(179,350)	(141,269)	(123,576)	144	(909)	(332)	(1,918,747)	(2,224,180)	(1,793,185)
Research and development	(250,648)	(247,730)	(219,256)							(250,648)	(247,730)	(219,256)
Results from equity investments	(1,026,922)	(326,427)	76,821				1,007,524	336,645	(77,709)	(19,398)	10,218	(888)
Other income	748,923	2,102,684	656,725	1,826	305,750	370,497				750,749	2,408,434	1,027,222
Other expenses	(7,573,874)	(4,466,450)	(502,795)	(364,747)	19,508	(51,918)				(7,938,621)	(4,446,942)	(554,713)
	(1,291,175)	(758,185)	6,856,241	149,792	522,391	1,452,704	1,069,491	389,477	(28,727)	(71,892)	153,683	8,280,218
Financial results												
Financial expenses	(3,851,233)	(3,009,471)	(2,227,544)	(1,505,628)	(1,205,412)	(1,090,019)	443,496	332,098	310,012	(4,913,365)	(3,882,785)	(3,007,551)
Financial income	1,032,530	1,135,118	867,185	11,150	47,534	31,879	(443,496)	(332,098)	(310,012)	600,184	850,554	589,052
Exchange rate variations, net	(4,823,269)	(1,768,850)	(2,014,205)	(482,125)	75,610	(232,064)	6,683	(31,280)	(10,714)	(5,298,711)	(1,724,520)	(2,256,983)
	(7,641,972)	(3,643,203)	(3,374,564)	(1,976,603)	(1,082,268)	(1,290,204)	6,683	(31,280)	(10,714)	(9,611,892)	(4,756,751)	(4,675,482)
(Loss) profit before income tax and social contribution	(8,933,147)	(4,401,388)	3,481,677	(1,826,811)	(559,877)	162,500	1,076,174	358,197	(39,441)	(9,683,784)	(4,603,068)	3,604,736
IR and CSL - current and deferred	2,253,684	1,873,207	(639,394)	414,794	89,463	(97,157)				2,668,478	1,962,670	(736,551)
	2,253,684	1,873,207	(639,394)	414,794	89,463	(97,157)				2,668,478	1,962,670	(736,551)
(Loss) profit for the year	(6,679,463)	(2,528,181)	2,842,283	(1,412,017)	(470,414)	65,343	1,076,174	358,197	(39,441)	(7,015,306)	(2,640,398)	2,868,185

Braskem S.A.
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Statement of cash flows	Consolidated Braskem without the effect of Braskem Idesa consolidated			Braskem Idesa consolidated			Eliminations			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
(Loss) profit before income tax and social contribution	(8,933,147)	(4,401,388)	3,481,677	(1,826,811)	(559,877)	162,500	1,076,174	358,197	(39,441)	(9,683,784)	(4,603,068)	3,604,736
Adjustments for reconciliation of profit (loss)												
Depreciation and amortization	2,995,609	2,732,181	2,228,978	1,114,439	952,916	810,581	(61,967)	(52,832)	(48,982)	4,048,081	3,632,265	2,990,577
Results from equity investments	1,026,922	326,427	(76,821)				(1,007,524)	(336,645)	77,709	19,398	(10,218)	888
Interest and monetary and exchange variations, net	8,541,980	3,050,987	4,658,342	1,921,975	1,062,843	1,344,888	(6,683)	31,280	10,714	10,457,272	4,145,110	6,013,944
Reversal of provisions	336,838	320,439	23,725							336,838	320,439	23,725
Provision - geological event in Alagoas	6,901,828	3,383,067								6,901,828	3,383,067	
PLS and COFINS credits - exclusion of ICMS from the calculation basis	(310,557)	(1,904,206)	(519,830)							(310,557)	(1,904,206)	(519,830)
Loss (reversals) for impairment of trade accounts receivable	55,252	7,069	(87,008)							55,252	7,069	(87,008)
Provision for losses and write-offs of long-lived assets	8,794	224,825	69,270		379	3,200				8,794	225,204	72,470
	10,623,519	3,739,401	9,778,333	1,209,603	1,456,261	2,321,169				11,833,122	5,195,662	12,099,502
Changes in operating working capital												
Other financial assets	3,746,107	(3,680,460)								3,746,107	(3,680,460)	
Financial investments	(1,860,827)	797,445	98,349							(1,860,827)	797,445	98,349
Trade accounts receivable	(2,247,729)	677,176	251,683	(152,971)	325,820	(7,348)	212,874	(107,950)	(20,917)	(2,187,826)	895,046	223,418
Inventories	(309,492)	825,236	(1,337,618)	56,958	42,581	(199,672)				(252,534)	867,817	(1,537,290)
Taxes recoverable	1,584,911	1,216,225	1,068,637	(52,357)	(20,798)	(46,395)				1,532,554	1,195,427	1,022,242
Prepaid expenses	(172,027)	85,549	(67,051)	465,812	117,183	(38,112)				293,785	202,732	(105,163)
Other receivables	44,513	(242,727)	(12,596)	352,590	(30,938)	(236,392)				397,103	(273,665)	(248,988)
Trade payables	(2,926,585)	330,633	1,113,381	137,895	(156,138)	209,077	(212,874)	107,950	20,917	(3,001,564)	282,445	1,343,375
Taxes payable	965,191	(485,309)	(828,222)	(515,430)	(84,484)	(149,026)				449,761	(569,793)	(977,248)
Advances from customers	224,764	176,189	(218,623)	(25,776)	21,776	18,665				198,988	197,965	(199,958)
Leniency agreement	(349,842)	(341,605)	(330,006)							(349,842)	(341,605)	(330,006)
Sundry provisions	(158,915)	(226,519)	(116,458)	13,560	10,971					(145,355)	(215,548)	(116,458)
Other payables	(1,399,928)	348,916	415,468	33,810	13,287	417,759				(1,366,118)	362,203	833,227
Cash generated from operations	7,763,660	3,220,150	9,815,277	1,523,694	1,695,521	2,289,725				9,287,354	4,915,671	12,105,002
Interest paid	(1,946,931)	(1,576,526)	(1,328,420)	(789,890)	(661,919)	(588,381)				(2,736,821)	(2,238,445)	(1,916,801)
Income tax and social contribution paid	(252,479)	(403,614)	(937,557)	(5,063)	(8,337)	(274)				(257,542)	(411,951)	(937,831)
Net cash generated by operating activities	5,564,250	1,240,010	7,549,300	728,741	1,025,265	1,701,070				6,292,991	2,265,275	9,250,370
Proceeds from the sale of fixed assets and intangible assets	33,140	12,590	95,133							33,140	12,590	95,133
Proceeds from the sale of investments			81,000									81,000
Funds received in the investments' capital reduction			2,254									2,254
Dividends received	4,822	3,513	41,791							4,822	3,513	41,791
Acquisitions to property, plant and equipment and intangible assets	(2,653,009)	(2,578,558)	(2,635,906)	(106,780)	(103,964)	(70,422)				(2,759,789)	(2,682,522)	(2,706,328)
Other investments			(2,167)									(2,167)
Net cash used in investing activities	(2,615,047)	(2,562,455)	(2,417,895)	(106,780)	(103,964)	(70,422)				(2,721,827)	(2,666,419)	(2,488,317)
Short-term and long-term debt												
Acquired	13,049,459	20,586,103	4,301,626							13,049,459	20,586,103	4,301,626
Payments	(8,734,505)	(17,425,409)	(6,592,197)							(8,734,505)	(17,425,409)	(6,592,197)
Braskem Idesa borrowings												
Acquired					3,497,622						3,497,622	
Payments				(905,210)	(4,398,453)	(812,929)				(905,210)	(4,398,453)	(812,929)
Related parties												
Acquired loans (payment of loans)			72,880	(37,618)	(72,880)					(37,618)		
Lease	(610,392)	(407,320)		(51,676)	(46,870)					(662,068)	(454,190)	
Dividends paid	(2,380)	(668,904)	(1,499,900)							(2,380)	(668,904)	(1,499,900)
Other financial liabilities	(534,456)	499,999								(534,456)	499,999	
Cash generated (used) in financing activities	3,167,726	2,584,469	(3,717,591)	(994,504)	(947,701)	(885,809)				2,173,222	1,636,768	(4,603,400)
Exchange variation on cash of foreign subsidiaries	1,054,845	(59,659)	(309,941)	259,741	80,278	(76,168)				1,314,586	20,619	(386,109)
Increase in cash and cash equivalents	7,171,774	1,202,365	1,103,873	(112,802)	53,878	668,871				7,058,972	1,256,243	1,772,544
Represented by												
Cash and cash equivalents at the beginning of the year	5,786,645	4,584,280	3,480,407	1,017,235	963,357	294,686				6,803,880	5,547,637	3,775,093
Cash and cash equivalents at the end of the year	12,958,419	5,786,645	4,584,280	904,433	1,017,235	963,357				13,862,852	6,803,880	5,547,637
Increase in cash and cash equivalents	7,171,774	1,202,365	1,103,873	(112,802)	53,878	668,671				7,058,972	1,256,243	1,772,544

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12 Property, plant and equipment

See accounting policies regarding judgments on the useful life of assets in note 3.1(a) and impairment tests and analysis in note 3.2.2.

(a) Reconciliation of carrying amount

	Land	Buildings and Improvements	Machinery, Equipment and Facilities	Projects and Stoppage in Progress (i)	Other	Total
Cost	602,299	6,676,549	43,024,738	5,102,393	1,784,807	57,190,786
Accumulated depreciation and amortization	-	(2,026,559)	(22,238,530)	-	(1,165,807)	(25,430,896)
Balance as of December 31, 2018	602,299	4,649,990	20,786,208	5,102,393	619,000	31,759,890
Acquisitions	0	1,280	61,213	2,658,070	3,701	2,724,264
Capitalized financial charges	0	-	-	198,201	-	198,201
Foreign currency translation adjustment	0	11,508	675,400	105,701	3,536	1,085,263
Cost	11,508	366,939	860,672	105,701	10,109	1,354,929
Depreciation	-	(77,821)	(185,272)	-	(6,573)	(269,666)
Transfers by concluded projects	-	21,382	884,606	(993,024)	87,036	-
Transfers to inventory	-	-	-	(47,696)	(2,866)	(50,562)
Transfers to intangible	-	-	-	(6,433)	-	(6,433)
Disposals	-	(634)	(223,514)	(7,739)	(3,659)	(235,546)
Cost	-	(1,178)	(392,033)	(7,739)	(31,264)	(432,214)
Depreciation	-	544	168,519	-	27,605	196,668
Depreciation and amortization	0	(388,869)	(2,534,637)	-	(138,395)	(3,061,901)
Transfers to right of use of assets	-	-	-	-	(97,995)	(97,995)
Cost	0	-	-	-	(125,497)	(125,497)
Depreciation	0	-	-	-	27,502	27,502
Net book value	0	613,807	4,939,108	5,208,094	622,536	32,845,153
Cost	0	613,807	7,064,972	44,439,196	7,009,473	60,853,474
Accumulated depreciation	0	-	(2,492,705)	(24,789,920)	(1,255,668)	(28,538,293)
Balance as of December 31, 2019	0	613,807	4,572,267	7,009,473	470,358	32,315,181
Acquisitions	-	590	60,130	2,609,565	4,030	2,674,315
Capitalized financial charges	-	-	-	252,427	-	252,427
Foreign currency translation adjustment	69,244	818,725	1,984,408	1,136,671	27,937	4,036,985
Cost	69,244	1,132,817	2,982,072	1,136,671	74,856	5,395,660
Depreciation	-	(314,092)	(997,664)	-	(46,919)	(1,358,675)
Transfers by concluded projects	-	105,702	6,248,845	(6,542,755)	188,208	-
Transfers to inventory	-	-	-	(53,903)	76,709	22,806
Transfers to intangible	-	-	-	(22,373)	(18,619)	(40,992)
Cost	-	-	-	(22,373)	(18,587)	(40,960)
Depreciation	-	-	-	-	(32)	(32)
Disposals	(20)	(2,358)	(22,652)	-	(1,945)	(26,975)
Cost	(20)	(22,657)	(328,411)	-	(12,576)	(363,664)
Depreciation	-	20,299	305,759	-	10,631	336,689
Depreciation	-	(372,687)	(2,787,042)	-	(144,869)	(3,304,598)
Net book value	-	683,031	5,122,239	4,389,105	601,809	35,929,149
Cost	-	683,031	8,281,424	53,401,832	2,038,666	68,794,058
Accumulated depreciation	-	-	(3,159,185)	(28,268,867)	(1,436,857)	(32,864,909)
Balance as of December 31, 2020	-	683,031	5,122,239	25,132,965	4,389,105	601,809

- (i) On December 31, 2020, the amounts recorded under this item corresponded to overhaul costs with scheduled shutdowns in Brazil and at overseas plants that are either in the preparation phase or ongoing in the amount of R\$924,747 (R\$1,400,667 in 2019), capitalized financial charges in the amount of R\$233,963 (R\$419,244 in 2019), inventories of spare parts in the amount of R\$405,497 (R\$430,418 in 2019), strategic projects ongoing in Brazil in the amount of R\$256,873 (R\$98,879 in 2019) and in Braskem America in the amount of R\$313,080 (R\$2,611,034 in 2019). The remainder corresponds mainly to various projects for maintaining the production capacity of plants.

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The machinery, equipment and facilities require inspections, replacement of components and maintenance in regular intervals. The Company makes

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shutdowns in regular intervals that vary from two to six years to perform these activities. These shutdowns can involve the plant as a whole, a part of it, or only relevant pieces of equipment, such as industrial boilers, turbines and tanks. Shutdowns that take place every six years, for example, are usually made to maintain industrial plants as a whole. Expenses with each scheduled shutdown are included in property, plant and equipment items that were the stoppage's subject matter and are fully depreciated until the beginning of the following related stoppage. The expenditures with personnel, the consumption of small materials, maintenance and the related services from third parties are recorded, when incurred, as production costs.

Property, plant and equipment items are depreciated on a straight-line basis (see note 3.1(b) for judgments on the useful life of assets). Projects in progress are not depreciated. Depreciation begins when the assets are available for use.

Borrowing costs are capitalized into ongoing projects, using: (i) the average rate of the financings; and (ii) the exchange variation portion that corresponds to any positive difference between the average rate of financing in the domestic market and the rate cited in item (i).

In 2020, the capitalized charges amounted to R\$252,427 (R\$198,201 in 2019). The average rate of these charges in the year was 7.85% p.a. (6.47% p.a. in 2019).

At December 31, 2020, the acquisition of property, plant and equipment with payment installments is R\$160,877 (R\$103,315 in 2019).

(b) Property, plant and equipment by country

	<u>2020</u>	<u>2019</u>
Brazil	15,105,253	15,682,081
Mexico	13,632,787	11,826,309
United States of America	6,823,655	4,545,974
Germany	363,975	258,291
Other	3,479	2,526
	<u>35,929,149</u>	<u>32,315,181</u>

(c) Impairment loss

The Company performed the impairment analyses, as described in Note 3.2.2(a). Management of Braskem believes that the plants will operate at or near their planning capacity, within the projected period. The prices of products manufactured by the Company are quoted in international markets, in the short or medium term, and follow the prices of raw materials to preserve the business's historical margins.

As a result, the carrying amount do not exceed its recoverable amount on December 31, 2020 and 2019.

13 Intangible assets

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	Goodwill	Bands and Patents	Software licenses	Customers and Suppliers Agreements	Total
Cost	3,187,678	437,384	799,960	392,180	4,817,202
Accumulated amortization	(1,128,804)	(191,087)	(565,828)	(190,501)	(2,076,220)
Balance as of December 31, 2018	2,058,874	246,297	234,132	201,679	2,740,982
Acquisitions		112	61,414		61,526
Foreign currency translation adjustment		12,957	2,704		15,661
Cost		13,919	6,356		20,275
Amortization		(962)	(3,652)		(4,614)
Transfers from projects and stoppage in progress			6,433		6,433
Amortization		(7,751)	(32,747)	(22,016)	(62,514)
Net book value	2,058,874	251,615	271,936	179,663	2,762,088
Cost	3,187,678	451,415	874,159	392,180	4,905,432
Accumulated amortization	(1,128,804)	(199,800)	(602,223)	(212,517)	(2,143,344)
Balance as of December 31, 2019	2,058,874	251,615	271,936	179,663	2,762,088
Acquisitions		1,789	38,660	66	40,515
Foreign currency translation adjustment		38,409	21,531		59,940
Cost		46,311	56,422		102,733
Amortization		(7,902)	(34,891)		(42,793)
Transfers from property, plant and equipment projects and stoppage in progress			40,992		40,992
Amortization		(6,753)	(46,075)	(22,016)	(74,844)
Net book value	2,058,874	285,060	327,044	157,713	2,828,691
Cost	3,187,678	499,515	1,010,201	392,246	5,089,640
Accumulated amortization	(1,128,804)	(214,455)	(683,157)	(234,533)	(2,260,949)
Balance as of December 31, 2020	2,058,874	285,060	327,044	157,713	2,828,691
Average annual rates of amortization		2.96%	14.50%	6.01%	

The Company adopts the following accounting practice for each class of intangible assets:

(a) Goodwill

See accounting policies regarding impairment test and analysis in note 3.2.2(b).

The existing goodwill was determined in accordance with the criteria established by the accounting practices adopted in Brazil before the adoption of the IASB pronouncements and represents the excess of the amount paid over the amount of equity of the companies acquired. Such goodwill was amortized until December 2008. From 2009 on, it has been subject to annual impairment tests.

In December 2020, Braskem performed an impairment test using the value in use method (discounted cash flow), as shown below:

	Allocated goodwill	Recoverable amount	Book value (i)	CF/Book value
Northeastern petrochemical complex	475,780	14,846,391	3,540,498	4.2
Southern petrochemical complex	1,390,741	32,417,808	4,583,414	7.1
Vinyls unit	192,353	2,168,594	2,073,351	1.0

(i) The book value includes, in addition to goodwill, tangible and intangible assets with defined useful lives and the working capital.

The assumptions adopted to determine the discounted cash flow are described in Note 3.2.3(b). The WACC used was 9.99% p.a. The inflation rate considered for perpetuity was 2.76%.

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Given the potential impact on cash flows of the “discount rate” and “perpetuity”, Braskem conducted a sensitivity analysis based on changes in these variables, with cash flows shown in the table below:

	+0.5% on discount rate	-0.5% on perpetuity
Northeastern petrochemical complex	13,745,276	14,209,808
Southern petrochemical complex	30,218,367	31,168,593
Vinyls unit	1,930,200	2,029,886

The main assumptions used for projecting cash flows are related to the projection of macroeconomic indicators, international prices, and global and local demand in the countries where Braskem has operational production plants.

Macroeconomic indicators are provided by a widely recognized consulting firm and include items such as: exchange, inflation, and interest rates, among others.

Prices for key petrochemical products are obtained from projections produced by specialized third party consulting firm, which are reviewed and supplemented based on Management’s experience. Also, final prices take into consideration meetings of specific internal committees and the knowledge of the Company’s experts in preparing the benchmarks for each market. In most cases, for the projected period, the internally projected prices have gone through a new revision compared to those originally projected by international consulting firm.

Similar to prices, global demand is also contracted from a specific consulting firm. In the markets where the Company operates more directly, they consider additional variables for the local demand composition.

(b) Intangible assets with definite useful lives

See accounting policies regarding judgments on the useful life of assets in note 3.1(a) and impairment tests and analysis in note 3.2.2.

(b.1) Brands and patents

The technologies acquired from third parties, including those acquired through business combination, are recorded at the cost of acquisition and/or fair value and other directly attributed costs, net of accumulated amortization and provision for impairment, when applicable. Technologies that have definite useful lives and are amortized using the straight-line method based on the term of the purchase agreement (between 10 and 20 years). Expenditures with research are accounted for in profit or loss as they are incurred, and development expenses are capitalized when projects are viable.

(b.2) Customers and suppliers’ agreements

Customers and suppliers’ agreements arising from a business combination were recognized at fair value at the respective acquisition dates. These customers and suppliers’ agreements have a definite useful life and are amortized using the straight-line method over the term of the respective purchase or sale agreement (between 14 and 28 years).

(b.3) Software licenses

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All software booked has definite useful life estimated between 5 and 10 years and is amortized using the straight-line method. Costs associated with maintaining computer software programs are recognized in profit or loss as incurred.

(c) Intangible assets by country

	<u>2020</u>	<u>2019</u>
Brazil	2,517,470	2,521,941
Mexico	259,822	193,741
United States of America	25,156	24,313
Germany	26,211	22,077
Other	32	16
	<u>2,828,691</u>	<u>2,762,088</u>

14 Right-of-use assets and lease liability

Beginning January 1, 2019, the Company assesses whether a contract is or contains a lease based on the definition of a lease, according to IFRS 16 Leases. The Company leases various offices, railcars, vessels, pieces of equipment and vehicles. Such leases are negotiated individually and are subject to various terms and conditions.

As a lessee, the Company to determine the enforceable term of the lease, the management considers all facts and circumstances that create an economic incentive for exercising the option of extension or create economic disincentives for not exercising the option of early termination.

(a) Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability on the date on which the leased asset becomes available to the Company. For each right-of-use asset measured, an equivalent liability was recorded.

The right-of-use asset is measured at the cost composed of:

- The amount initially measured of the lease liabilities;
- Any payment made up to the start of the lease, deducting any incentive received;
- Any initial direct cost; and
- Renovation costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

Changes in right-of-use assets:

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	Balance as of 12/31/2019	Acquisitions	Depreciation	Disposal	Foreign currency translation adjustment	Balance as of 12/31/2020
Buildings and constructions	212,170	65,176	(54,712)		37,262	259,896
Computer equipment and goods	12,523	9,341	(5,499)		334	16,699
Machinery and equipment	743,248	227,690	(198,441)	(25,801)	3,032	749,728
Ships	865,387	258,193	(286,905)	(12,687)	10,860	834,848
Rail cars	746,040	244,199	(180,146)		197,243	1,007,336
Vehicles	26,286	21,502	(14,473)		573	33,888
Total	2,605,654	826,101	(740,176)	(38,488)	249,304	2,902,395

	Balance as of 12/31/2018	Transfers from property, plant and equipment	Initial addition on 01/01/2019	Acquisitions	Depreciation	Disposal	Foreign currency translation adjustment	Balance as of 12/31/2019
Buildings and constructions			207,524	153,771	(27,759)	(122,488)	1,122	212,170
Computer equipment and goods	2,726		4,932	6,179	(1,446)		132	12,523
Machinery and equipment	7,956		526,318	344,928	(136,615)		661	743,248
Ships			906,495	150,670	(191,778)			865,387
Rail cars	87,313		633,492	103,169	(132,728)		54,794	746,040
Vehicles			35,479	1,073	(10,493)		227	26,286
Total		97,995	2,314,240	759,790	(500,819)	(122,488)	56,936	2,605,654

The expense related to the low-value leases recognized in the 12-month period ended December 31, 2020 was R\$981 (R\$1,070 on December 31, 2019).

To optimize lease costs during the lease term, the Company must provide guaranteed residual amounts for the leased asset. For certain lease agreements for freight cars, which were classified until December 31, 2018 as financial leases, the Company guaranteed any difference between the flow of contractual payments and the fair value of these assets upon the end of the enforceable term, limited to R\$62,256 (US\$12,559) as of December 31, 2020 and R\$50,662 (US\$12,559) as of December 31, 2019.

(b) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability considers the net present value of the following lease payments:

- Fixed payments discounting any incentive received;
- Variable payments based on rates or indexes;
- Expected payables to the lessor referring to the guaranteed residual amount;
- Exercise price of a purchase option, if it is reasonably certain that lessee will exercise such option; and
- Payment of fines for termination of the lease if the contractual terms provide for lessee's exercise option.

The Company's incremental borrowing rate corresponds to the one the Company would have pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The weighted average incremental rate applied upon December 31, 2020 was 7.30% p.a. (5.58% p.a. in 2019). The lease liability is measured at amortised cost using the effective interest method.

Reconciliation of lease liability carrying amount:

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	2019
Balance at December 31, 2018	100,557
Initial adoption IFRS 16	2,191,908
Balance at January 01, 2019	2,292,465
Acquired	911,619
Disposals	(122,488)
Interests and monetary and exchange variations, net	121,061
Currency translation adjustments	56,805
Payments	(454,190)
Interest paid	(128,376)
Balance at December 31, 2019	2,676,896
	2020
Balance at December 31, 2019	2,676,896
Acquired	826,101
Disposals	(38,488)
Interests and monetary and exchange variations, net	327,135
Currency translation adjustments	267,493
Payments	(662,068)
Interest paid	(189,183)
Balance at December 31, 2020	3,207,886
Current liability	895,109
Non-current liability	2,312,777
Total	3,207,886

The minimum annual commitments are shown below:

	2020
2021	870,587
2022	641,313
2023	494,331
2024	403,793
2025+	1,070,768
Total	3,480,792

The above table presents the amounts of obligations related to leasing agreements, which are not discounted and shown by maturity. The lease liability disclosed in the statement of financial position is measured at the fair value of these obligations.

(c) Extension Options

Some leases contain extension options exercisable by the Company. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is

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reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

(d) Non-cash transactions

The net effect of additions and disposals of leasing that does not affect the cash flow in 2020 are R\$787,613 (R\$580,055 in 2019).

(e) Lease arrangements not yet effective

The Company is part of lease arrangements not effective at the year-end. The present value of the commitments corresponds to R\$828 million.

15 Trade account payables

See accounting policies in note 20. Information about the Company's exposure to currency and liquidity is included in Note 4.

	Note	2020	2019
Trade payables:			
Domestic market			-
Third parties		1,077,679	1,006,391
Third parties (drawee risk)	(i)	239,512	74,685
Related parties	9	97,900	155,980
Related parties (drawee risk)	(i)	546,044	-
Foreign market	(ii)	-	-
Third parties		8,023,032	7,964,536
Present value adjustment - foreign market	(iii)	(30,619)	(80,766)
		9,953,548	9,120,826
Current liabilities		9,946,315	9,116,989
Non-current liabilities		7,233	3,837
Total		9,953,548	9,120,826

- (i) The Company participates in a finance programme under which its suppliers may elect to receive early payment of their invoices from a bank by factoring their receivable from the Company. Under the arrangement there is no change in the instruments issued by the supplier and amount and payment terms are maintained.
- (ii) Considers R\$4.7 billion (R\$6.5 billion in 2019) in raw material purchases due in up to 360 days for which the Company provides letters of credit issued by financial institutions that indicate the suppliers as beneficiaries.
- (iii) The rate for calculating the Present Value Adjustment (PVA) applied to the external market payments with terms equal to or longer than 90 days is calculated based on the average rate for lengthening the term of trade payables.

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16 Borrowings

See accounting policies in note 20. Information about the Company's exposure to currency and liquidity is included in Note 4.

(a) Borrowings

	Annual financial charges	2020	2019
Foreign currency			
Bonds	Note 16 (b)	34,963,651	24,583,325
Export prepayment	Note 16 (c)	2,207,762	863,293
Investments	Note 16 (d)	996,531	751,376
Other	Note 16 (e)	2,755,200	1,952,667
Transactions costs		(688,814)	(499,194)
		40,234,330	27,651,467
Current liabilities		1,206,084	676,831
Non-current liabilities		39,028,246	26,974,636
Total		40,234,330	27,651,467
Local currency			
Export credit notes	100.00 of CDI + 0.70	402,739	405,642
Commercial notes	100.00 of CDI + 0.85	545,171	554,307
BNDES		1,538	19,998
BNDES	IPCA + 6.04	490,963	270,520
FINEP/FINISA		26,154	78,776
FINAME	TLP + 6.00		324
BNB-FNE (Fundo Constitucional de Financiamentos do Nordeste)	IPCA + interest between 2.39 and 2.78	5,639	5,582
Fundo de Desenvolvimento do Nordeste (FDNE)		27,196	32,152
Other			237
Transactions costs		(1,607)	(2,029)
		1,497,793	1,365,509
Current liabilities		112,847	98,093
Non-current liabilities		1,384,946	1,267,416
Total		1,497,793	1,365,509
Foreign currency and local currency			
Current liabilities		1,318,931	774,924
Non-current liabilities		40,413,192	28,242,052
Total		41,732,123	29,016,976

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(b) Bonds

Issue date	Issue amount US\$	Outstanding amount US\$	Maturity	Interest (% per year)	2020	2019
Oct-2010	450,000	250,000	no maturity date	7.38	1,299,175	1,025,428
Jul-2011	500,000	500,000	Jul-2041	7.13	2,679,603	2,078,372
Feb-2012	250,000	250,000	no maturity date	7.38	1,299,175	1,025,428
May-2012	500,000	286,267	May-2022	5.38	1,500,304	1,175,799
Jul-2012	250,000	250,000	Jul-2041	7.13	1,339,801	1,039,186
Feb-2014	500,000	500,000	Feb-2024	6.45	2,667,250	2,068,790
May-2014	250,000	250,000	Feb-2024	6.45	1,333,625	1,034,395
Oct-2017	500,000	195,760	Jan-2023	3.50	1,034,179	847,715
Oct-2017	1,250,000	1,250,000	Jan-2028	4.50	6,633,913	5,145,440
Nov-2019	1,500,000	1,500,000	Jan-2030	4.50	7,941,207	6,090,640
Nov-2019	750,000	750,000	Jan-2050	5.88	3,992,933	3,052,132
Jul-2020	(i) 600,000	600,000	Jan-2081	8.50	3,242,486	-
Total	7,300,000	6,582,027			34,963,651	24,583,325

(i) This Bond is recorded as a financial liability. According to the specific methodology adopted by some rating agencies, only for the purposes of calculating leverage, the referred bond is classified as a hybrid capital instrument. Accordingly

The Company and its subsidiaries may, from time to time, acquire in the secondary market bonds issued by the Company and/or its subsidiaries.

(c) Export pre-payment

Issue date	Initial amount of the transaction (US\$ thousand)	Outstanding amount US\$	Maturity	Charges (% per year)	2020	2019
Sep-2017	135,000	97,500	Mar-2027	US dollar exchange variation + semiannual Libor + 1.61	509,141	457,712
Oct-2019	100,000	100,000	Oct-2024	US dollar exchange variation + quarterly Libor + 1.75	521,469	405,581
Aug-2020	225,000	225,000	Feb-2031	US dollar exchange variation + semiannual Libor + 1.70	1,177,152	-
Total	460,000	422,500			2,207,762	863,293

(d) Capital raised for construction of new plant in United States

The subsidiary Braskem America contracted a credit facility in the amount of up to US\$225 million (R\$1,1693.3 million) that is secured by Euler Hermes, a German export credit agency, which was used to finance a portion of the investment in the new PP plant located in La Porte, Texas. The funds will be released in accordance with the progress of the project's construction and the remaining funding is expected to occur in the first half of 2021.

Issue date	Initial amount of the transaction (US\$)	Outstanding amount US\$	Maturity	Charges (% per year)	2020	2019
July-2018	(i) 203,742	191,757	Dec-2028	Us dollar exchange variation + semianual Libor + 0.65	996,531	751,376
Total	203,742	191,757			996,531	751,376

(i) US\$130,650 released in July 2018, US\$13,677 in September 2018, US\$13,823 in December 2018, US\$7,688 in March 2019, US\$6,231 in June 2019, US\$4,549 in September 2019, US\$2,780 in December 2019, US\$4,158 in March 2020, US\$5,738 in June 2020, US\$5,068 in September 2020, US\$2,380 in December 2020 and capitalized interest in the amount of US\$7,000.

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(e) Others

Identification	Issue date	Initial amount of the transaction (US\$)	Outstanding amount US\$	Maturity	Charges (% per year)	2020	2019
SACE	(i) Nov-2018	295,125	236,100	Nov-2028	Us dollar exchange variation + semianual Libor + 0.90	1,228,285	1,073,526
SACE	(i) Dec-2019	150,000	135,000	Dec-2029	Us dollar exchange variation + semianual Libor + 0.90	702,027	605,448
MONFORTE	(ii) Apr-2019	72,345	57,811	Apr-2026	Us dollar exchange variation + semianual Libor + 1.00	300,434	273,693
ING	(iii) Jan-2020	100,000	100,000	Jan-2025	Us dollar exchange variation + semianual Libor + 1.65	524,454	
Total		617,470	528,911			2,755,200	1,952,667

- (i) Credit facility contracted by the subsidiary Braskem Netherlands B.V. with guarantee from SACE, an Italian export credit agency.
(ii) Credit facility contracted by Braskem S.A. with a term of 7 years. To consummate this facility, certain assets of the Company's plants were pledged to the financial institution in amount higher than financing.
(iii) Credit facility contracted by the subsidiary Braskem Netherlands B.V. with a term of 5 years.

(f) Payment schedule

The maturity profile of the long-term amounts is as follows:

	2020	2019
2021		380,324
2022	2,086,460	1,549,976
2023	1,824,477	1,416,730
2024	5,653,432	4,418,409
2025	1,121,748	369,725
2026	580,062	350,320
2027	514,819	297,382
2028	6,986,264	5,314,976
2029	217,418	71,326
2030	7,951,181	6,068,078
2031 and thereafter	13,477,331	8,004,806
Total	40,413,192	28,242,052

(g) Guarantees

Braskem has given collaterals for part of its borrowings as follows:

Loans	Maturity	Total debt 2020	Total guaranteed	Guarantees
BNDES	Jan-2021	1,538	1,538	Mortgage of plants, land and property, pledge of machinery and equipment
FINEP	Jul-2024	22,736	22,736	Bank surety
FINISA	Dec-2023	3,418	3,418	Bank surety
BNB-FNE	Jun-2027	5,639	5,639	Bank surety and pledge of reserve liquidity fund.
Total		33,331	33,331	

Braskem S.A. has fully and unconditionally guaranteed the debt securities issued by Braskem Finance, Braskem America Finance and Braskem Netherlands Finance B.V., 100-percent-owned subsidiaries of Braskem. There are no significant restrictions on the ability of Braskem to obtain funds from these subsidiaries.

17 Braskem Idesa Financing

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Identification	Principal amount US\$	Outstanding amount US\$	Maturity	Charges (% per year)		2020	2019
Project finance							
				Us dollar exchange variation + quarterly Libor +			
Project finance I	700,000	467,519	feb-2027	3.25	0	2,444,515	2,149,002
Project finance II	210,000	131,591	feb-2027	Us dollar exchange variation + 6.17	0	690,311	608,260
Project finance III	600,000	409,870	feb-2029	Us dollar exchange variation + 4.33	0	2,145,326	1,849,896
				Us dollar exchange variation + quarterly Libor +			
Project finance IV	660,000	462,463	feb-2029	3.88	0	2,419,920	2,078,545
Total under current liabilities	2,170,000	1,471,443				7,700,072	6,685,703
Bond	900,000	900,000	nov-2029	Us dollar exchange variation + 7.45		4,729,587	3,640,381
Transactions costs						(370,421)	(344,358)
Total						12,059,238	9,981,726
Current liabilities						7,660,128	744,408
Non-current liabilities						4,399,110	9,237,318
Total						12,059,238	9,981,726

- (i) Partial prepayment of US\$10,630.
(ii) Partial prepayment of US\$9,111.
(iii) Partial prepayment of US\$13,212.

In line with the Company's Financial Policy, the investment in the Braskem Idesa petrochemical complex was financed under a Project Finance model, under which the construction loan is paid exclusively using the cash generated by the Company itself and the shareholders provide limited guarantees. This financing includes the guarantees typical to Project Finance transactions, such as assets, receivables, cash generation and other rights of Braskem Idesa. The financing also contains various other covenants typical to contracts of this kind, such as: debt service reserve account and contingent equity commitment. At December 31, 2020, such guarantees corresponded to US\$194 million (R\$1 billion) and US\$208 million (R\$1.1 billion), respectively.

On the reporting date of the financial statements of December 31, 2020, certain non-monetary covenants established in the contracts remained unfulfilled. As a result, the entire balance of non-current liabilities, in the amount of R\$6,538,646, was reclassified to current liabilities, in accordance with IAS 1 (Presentation of Financial Statements).

In accordance with the aforementioned accounting standards, reclassification is required in situations in which the breach of certain contractual obligations entitles creditors to request from Braskem Idesa the prepayment of obligations in the short term. In this context, note that none of the creditors requested said prepayment of obligations and that Braskem Idesa has been settling its debt service obligations in accordance with their original maturity schedule.

Furthermore, Braskem Idesa has been negotiating the waiver of such breaches with its creditors in order to reclassify the entire amount reclassified from current liabilities back to non-current liabilities.

The following amortization schedule presents the maturities considering the breach of contractual obligations and the original contractual terms:

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	With breach of contractual obligations		Original contractual maturities	
	2020	2019	2020	2019
2020		744,408		744,408
2021	7,660,128	800,752	1,121,482	800,752
2022		699,090	907,343	699,090
2023		892,568	1,157,584	892,568
2024		978,479	1,268,619	978,479
2025		883,333	1,145,377	883,333
2026		743,566	964,410	743,566
2027		329,718	428,750	329,718
2028		257,117	334,753	257,117
2029	4,399,110	3,652,695	4,730,920	3,652,695
Total	12,059,238	9,981,726	12,059,238	9,981,726

18 Debentures

Issue date	Issuer	Series	Maturity	Annual financial charges (%)	2020	2019
Mar-2013	DAC	Single	Mar-2025	IPCA + 6%	177,009	202,992
Sep-2013	Cetrel	Single	Sep-2025	126.5% of CDI	59,106	71,575
					236,115	274,567
Current liabilities					54,436	46,666
Non-current liabilities					181,679	227,901
Total					236,115	274,567

(a) Payment schedule

The maturity profile of the long-term debentures is as follows:

	2020	2019
2021		52,078
2022	53,406	52,100
2023	53,417	52,125
2024	53,443	52,153
2025	21,413	19,445
Total	181,679	227,901

(b) Guarantees

The issuers entered into agreements for the fiduciary sale of credit rights, in which attached accounts are maintained to cover debt service for the three months of the installments coming due, under the terms of the instruments of assignment.

19 Reconciliation of borrowing activities in the statement of cash flow

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	Borrowings, debentures and Braskem Idesa financing					Current and non-current		
	Borrowings	Debentures	Total borrowings and debentures	Braskem Idesa financing	Loan to non-controlling shareholders of Braskem Idesa	Lease	Dividends	Other financial liabilities
Balance at December 31, 2019	29,016,976	274,567	29,291,543	9,981,726	2,395,887	2,676,896	6,502	516,933
Acquired	13,049,459		13,049,459					
Payments	(8,699,033)	(35,472)	(8,734,505)	(905,210)	(37,618)	(662,068)	(2,380)	(534,456)
Cash used in financing activities	4,350,426	(35,472)	4,314,954	(905,210)	(37,618)	(662,068)	(2,380)	(534,456)
Other changes								
Interest paid	(1,754,199)	(24,945)	(1,779,144)	(754,829)	(13,665)	(189,183)		
Interest and monetary and exchange variations, net	4,664,034	21,965	4,685,999	1,044,110	188,074	327,135		17,523
VAT on loan					68,149			
Acquired						826,101		
Disposal						(38,488)		
Currency translation adjustments	5,454,886		5,454,886	2,693,441	621,666	267,493		
Additional dividends of subsidiary							2,450	
Prescribed dividends							(1,110)	
Other							(6)	
	8,364,721	(2,980)	8,361,741	2,982,722	864,224	1,193,058	1,334	17,523
Balance at December 31, 2020	41,732,123	236,115	41,968,238	12,059,238	3,222,493	3,207,886	5,456	

20 Financial instruments

(a) Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment or debt instrument; or fair value through profit or loss (FVTPL), depending on the characteristics of the contractual cash flows of the Company's financial asset and the business model for the management of these financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset can also be measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets – Subsequent measurement and gains and losses

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Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see Note 20.3 for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method and. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and, when applicable, impairment loss are recognized in profit or loss. Other net gains and losses are recognized in “Other Comprehensive Income”. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents clearly a recovery of a portion of the investment cost. Other net gains and losses are recognized in OCI and never reclassified to profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(b) Derecognition**Financial Asset**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company transfers the rights to receive the contractual cash flows in a transaction in which either:

- i. substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- ii. the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, the financial assets are not derecognized.

Financial Liabilities

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The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(c) Offsetting

Financial assets or financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(d) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Refer to Note 2.4 and 4.1 for the effects due to interest rate benchmark reform.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (OCI).

The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in OCI remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on

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its initial recognition or, for other cash flow hedges, it is classified to profit or loss in the same period or periods as the hedged expected future cash flows affect the profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in OCI are immediately reclassified to profit or loss.

20.1 Fair Value

(a) Fair value measurement

Fair value is the price to be received in the sale of an asset or paid for the transfer of a liability in a transaction not forced between market players on the measurement date, in the main market or, in the case of a lack of one, the most advantageous market in which the Company has access on said date.

The following methods and assumptions were used to estimate the fair value:

- (i) Financial assets classified as fair value through profit and loss or as fair value through other comprehensive income are measured in accordance with the fair value hierarchy (Level 1 and Level 2), with inputs used in the measurement processes obtained from sources that reflect the most recent observable market prices.
- (ii) Trade accounts receivable and trade payables, mostly classified as amortized cost, corresponds to their respective carrying amounts due to the short-term maturity of these instruments. When purchase or sale prices include material financial charges, the securities are adjusted to their present value.
- (iii) The fair value of borrowings is estimated by discounting future contractual cash flows at the market interest rate, which is available to Braskem in similar financial instruments.
- (iv) The fair value of bonds is based on prices negotiated in financial markets, plus the respective carrying amount of interests.

The fair values of the remaining assets and liabilities correspond to their carrying amount. The assessment model for liabilities (Note 20.2) considers the present value of expected payments, discounted by a discount rate adjusted to the risk.

(b) Fair value hierarchy

The fair value of the Company's financial instruments mainly determined and categorized into a fair value hierarchy as follows:

Level 1 – fair value obtained through prices quoted (without adjustments) in active markets for identical assets or liabilities, such as the stock exchange; and

Level 2 – fair value obtained from financial models using directly observable market data, such as discounted cash flow, when the instrument is a forward purchase/sale or a swap contract, or such as the Black-Scholes model, when the instrument has the characteristics of an option. To measure the credit risk of the parties involved in derivative instruments, Braskem uses CVA (Credit Valuation Adjustment) or DVA (Debt Valuation Adjustment) models, applied flow by flow on the mark-to-market value of each instrument. The Company adopts the ratings of the other parties for positive flows and its own rating for negative flows, both available in the market and disclosed by renowned rating agencies, as a necessary assumption to define the probability of default.

20.2 Non-derivative financial instruments and other liabilities

	Note	Classification by category	Fair value hierarchy	Book value		Fair value	
				2020	2019	2020	2019
Cash and cash equivalents	5						
Cash and banks		Amortized cost		1,946,963	2,303,231	1,946,963	2,303,231
Financial investments in Brazil		Fair value through profit or loss	Level 2	8,271,312	1,963,185	8,271,312	1,963,185
Financial investments abroad		Fair value through profit or loss	Level 2	3,644,577	2,537,464	3,644,577	2,537,464
				13,862,852	6,803,880	13,862,852	6,803,880
Financial investments	6						
LFT's and LF's		Fair value through profit or loss	Level 2	2,163,042	1,588,426	2,163,042	1,588,426
Time deposit investments		Amortized cost		53,941	38,759	53,941	38,759
Other		Fair value through profit or loss	Level 2	1,425,808	70,027	1,425,808	70,027
				3,642,791	1,697,212	3,642,791	1,697,212
Trade accounts receivable	7	Amortized cost		4,677,092	2,246,248	4,677,092	2,246,248
Trade accounts receivable	7	Fair value through other comprehensive income	Level 2	78,116	60,403	78,116	60,403
Trade payables	15	Amortized cost		9,953,548	9,120,826	9,953,548	9,120,826
Borrowings	16	Amortized cost					
Foreign currency - Bond			Level 1	34,963,651	24,583,325	37,155,060	25,790,532
Foreign currency - other borrowings			Level 2	5,959,493	3,567,336	6,371,070	3,218,410
Local currency			Level 2	1,499,400	1,367,538	2,591,920	1,075,803
				42,422,544	29,518,199	46,118,050	30,084,745
Braskem Idesa borrowings	17	Amortized cost					
Project Finance			Level 2	7,700,072	6,685,703	11,486,114	6,116,434
Bond			Level 1	4,729,587	3,640,381	4,411,259	3,892,878
				12,429,659	10,326,084	15,897,373	10,009,312
Debentures	18	Amortized cost	Level 2	236,115	274,567	248,778	293,282
Loan to non-controlling shareholder of Braskem Idesa		Amortized cost		3,222,493	2,395,887	3,222,493	2,395,887
Leniency agreement	25	Amortized cost		1,474,350	1,742,268	1,474,350	1,742,268
Other financial liabilities	(i)	Amortized cost			516,933		516,933

(i) Amount received due to the assignment of an agreement to supply ethylene to the client, without recourse, settled in 2020.

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20.3 Derivative financial instruments

20.3.1 Changes

Operation characteristics					Extrinsic value	Accumulated OCI (equity) Intrinsic value	Fair value	Net (Asset)/ Liability/ 2019	Change in fair value	Financial settlement	Net (Asset)/ Liability/ 2020
Identification	Note	Fair value hierarchy	Principal exposure	Derivatives							
Non-hedge accounting transactions											
Exchange swap		Level 2	Argentine peso	Dollar				296	540	(839)	(3)
NCE swap		Level 2	Real	Dollar				25,604	129,297	(9,757)	145,144
Swap ACC		Level 2	Dollar	Real					16,259	(16,259)	
Swap C3/PGP		Level 2	Propane	Propene					66,223	(2,322)	63,901
Swap Nafta/Gasolina		Level 2	Gasoline	Naphtha					7,046		7,046
								25,900	219,365	(29,177)	216,088
Hedge accounting transactions											
Dollar call and put options	(a.i)	Level 2	Real	Dollar	(43,948)	(100,853)	(144,801)	(2,298)	594,780	(447,681)	144,801
Dollar swap	(a.ii)	Level 2	Real	Dollar+Fixed rates				38,620	12,091	(50,711)	
Interest rate swaps	(a.iii)	Level 2	Libor	Fixed rates			(266,889)	26,707	162,615	(33,547)	155,775
Dollar swap CDI	(a.ii)	Level 2	Real	Dollar+Fixed rates			(566,641)	107,246	459,394		566,640
					(43,948)	(100,853)	(978,331)	170,275	1,228,880	(531,939)	867,216
Derivatives											
Current assets								(4,712)			(33,769)
Non-current assets								(17,877)			(34,091)
Current liabilities								49,251			592,251
Non-current liabilities								169,513			558,913
								196,175			1,083,304

The counterparties in these contracts are constantly monitored based on the analysis of their respective ratings and Credit Default Swaps ("CDS"). Braskem has many bilateral risk mitigators in its derivative contracts, such as the possibility of depositing or requesting deposits of a guaranteed margin from the counterparties it deems convenient.

Hedge financial instruments held at December 31, 2020 were contracted on both internationally recognized stock exchanges and on Over the Counter ("OTC") markets with large financial counterparties under global derivative contracts in Brazil or abroad.

Braskem's Financial Policy provides for the active management and continued protection against undesired fluctuations in currencies and rates arising from its operations and financial items, with the possibility of contracting derivative instruments (swaps, NDFs, options, etc.). The other market risks are addressed on a case-by-case basis for each transaction. In general, Braskem assesses the need for hedging in the analysis of prospective transactions and seeks to customize the hedge and keeps it in place for the hedged period transaction.

Braskem may elect derivatives for the application of hedge accounting in accordance with IFRS 9. The hedge designation is not mandatory. In general, Braskem will elect to designate financial instruments as hedges when the application is expected to provide a significant improvement in presenting the offsetting effect on the changes in the hedged items.

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(a) Hedge accounting transactions

(a.i) Dollar call and put option

On December 31, 2020, Braskem held a total notional amount of put options of R\$2.0 billion, with an average strike price of 4.33 R\$/US\$. Simultaneously, the Company also held a total notional amount of call options of R\$1.5 billion, with an average strike price of R\$/US\$5.94. The operations have a maximum term of 24 months.

Dollar-denominated future sales in Brazilian Real were designated for hedge accounting, with the months of revenue recognition always coinciding with the months of the options. The future elements of forward exchange contracts are excluded from the designation of hedge instrument and are separately recorded as hedging cost, which is recognized under shareholders' equity in the other comprehensive income.

Identification	Operation characteristics		Accumulated OCI (equity)		
	Principal exposure	Derivatives	Extrinsic value	Intrinsic value	Fair value
Dollar call and put option	Real	Dollar	(43,948)	(100,853)	(144,801)

(a.ii) Dollar Swap

In 2018, the Company contracted foreign exchange derivative operations ("swaps") in the aggregate amount of R\$1.3 billion, with annual maturities over the following 5 years starting January 2019. The amount payable in January 2020 was subject to the variation in the IPCA index. The remaining maturities are subject to the variation in the CDI. These operations were designated to cash flow hedge accounting, where the hedging instruments are foreign exchange derivatives and the hedged objects are highly probable future revenues in the domestic market subject to fluctuations in Brazilian Real/U.S. dollar price. Accordingly, the mark-to-market adjustment of the effective portion of the hedge will be recognized under shareholders equity in the line "Other comprehensive income" and will be recognized in the financial result only upon the maturity of each installment. The future elements of forward exchange contracts are excluded from designation of hedge instrument and are separately recorded as hedging cost, which is recognized under shareholders' equity in the hedge cost reserve.

(a.iii) Hedge operation by the subsidiary Braskem Idesa related to Project Finance

Interest rate swap linked to Libor

Identification	Nominal value	Hedge (interest rate per year)	Maturity	Fair value, net	
	US\$			2020	2019
Swap Libor I to VI	616,519	1.9825%	Aug-2025	155,775	26,707
Total	616,519			155,775	26,707
Derivatives					
Current liabilities				53,838	5,768
Non-Current liabilities				101,937	20,939
Total				155,775	26,707

Braskem Idesa contracted swap operations with the purpose of offsetting part of the Libor variation arising from the financings mentioned in Note 15. This hedge operation shares the same guarantees with the Project Finance.

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20.4 Non-derivative financial liabilities designated to hedge accounting**(a.i) Future exports in U.S. dollars**

On May 1, 2013, Braskem S.A. designated non-derivative financial instrument liabilities, denominated in U.S. dollars, as a hedge for the flow of its highly probable future exports. Thus, the impact of exchange rates on future cash flows in dollars derived from these exports is offset by the foreign exchange variation on the designated liabilities, partly eliminating the volatility of results. The exchange rate on the date of the designation was US\$ 1: R\$2.0017. Additionally, on October 10, 2017, Braskem S.A. designated new financial instruments for the future sales hedging, which mature in 2028. The hedged exchange rate was US\$1: R\$3.1688. In 2019, three new designations were made, as follows: with maturity in 2025, at an initial rate of US\$1: R\$3.6694; with maturity in 2025, at an initial rate of US\$1: R\$3.9650; and with maturity between 2030 and 2031, at an initial rate of US\$1: R\$3.9786. The main actions carried out in 2020 are detailed below:

- January 2, 2020: Designation of US\$600 million of future sales with maturity in 2032 (hedged exchange rate of US\$1: R\$4.0213);
- March 31, 2020: Discontinuation of hedge accounting of US\$362 million of flows in 2020 (discontinuation rate of US\$1: R\$5.1987).

On December 31, 2020, the exports that were designated not yet realized and not discontinued are shown below:

	Total nominal value US\$
2021	336,000
2023	200,000
2024	688,854
2025	400,000
2028	1,250,000
2030	800,000
2031	800,000
2032	800,000
	5,274,854

The following table shows the changes in financial instruments designated for this hedge in the year:

	2019	Hedge discontinued	Realized discontinued hedge	Designations	US\$ 2020
Designated balance	5,398,854	(1,086,000)	362,000	600,000	5,274,854

The Company considers these exports in the selected period (2021/2032) as highly probable, based on the following factors:

- In recent years, Braskem S.A. exported an average US\$2.8 billion per year, which represents around 3 to 4 times the annual exports of the hedged exports.
- Hedged exports represent between 20% and 30% of the export flows planned by the Company.

The exports of the Company are not sporadic or occasional but constitute an integral part of its strategy and of the petrochemical business, in which competition is global.

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On December 31, 2020, the maturities of financial liabilities designated, within the scope of the consolidated statement of financial position, were as follows:

	Total nominal value US\$
2021	336,000
2023	200,000
2024	688,854
2025	400,000
2028	1,250,000
2030	800,000
2031	800,000
2032	800,000
	5,274,854

The following table provides the balance of discontinued hedge accounting in the year ended December 31, 2020 (US\$1,617,372), which is recorded in shareholders' equity under "Other comprehensive income" and will be transferred to financial income (expenses) in accordance with the schedule of future hedged sales:

	Total nominal value US\$	Conversion rate at Inception RS/US\$	Closing rate RS/US\$	Gross nominal value
Hedge discontinued - From third to fourth quarter 2021	380,000	2.0017	3.9786	751,222
Hedge discontinued - From first to fourth quarter 2022	719,000	2.0017	3.9786	1,421,391
Hedge discontinued - From first to third quarter 2023	518,372	2.0017	3.9786	1,024,770
	1,617,372			3,197,383

To ensure the continuity of the hedging relationship, the Company refinances and/or replaces these hedge instruments to adjust them to the hedged exports' schedule and value depending on the availability of financial liabilities designated as hedging item.

The following table provides the balances of exchange variation recognized in the Company's net financial income (expenses) due to the realization of exports designated, for this hedge in the 12-month period ended December 31, 2020:

	Total nominal value US\$	Conversion rate at Inception RS/US\$	Closing rate RS/US\$	Gross nominal value
First quarter	181,000	2.0017	4.2119	400,047
Second quarter	181,000	2.0017	5.1987	578,657
Third quarter	181,000	2.0017	5.1987	578,657
Fourth quarter	181,000	2.0017	5.5194	636,698
	724,000			2,194,059

The changes in foreign exchange variation and Income Tax and Social Contribution under "Other comprehensive income" of this hedge are as follows:

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	Exchange variation	IR and CSL	Net effect
At December 31, 2019	(8,408,164)	2,858,775	(5,549,389)
Exchange variation recorded in the period on OCI / IR and CSL	(6,881,183)	2,339,602	(4,541,581)
Exchange variation transferred to profit or loss / IR and CSL	2,194,059	(745,980)	1,448,079
At December 31, 2020	(13,095,288)	4,452,397	(8,642,891)

The realizations expected for 2021 will occur in conformity with the initial designation schedule, and the exchange variation recorded in "Other comprehensive income" will be recycled to the financial results. For the two first quarters of the year, realizations will be made at the weighted average exchange rate of exports in the corresponding period; for the remaining quarters, they are made at the discounted cash flow rates. The quarterly schedule of hedged exports in the following quarters of 2021 follows:

	Total nominal value US\$
First quarter	150,000
Second quarter	186,000
Third quarter	180,000
Fourth quarter	200,000
	716,000

(a.ii) Liabilities related to the Project Finance of future sales in U.S. dollar

On October 1, 2014, the subsidiary Braskem Idesa designated its liabilities in the amount of R\$2,878,936 related to Project Finance, denominated in U.S. dollar, as hedge instruments to protect highly probable future sales flows. Due to the disbursements by the project's lenders in 2015, Braskem Idesa designated new amounts in April and September 2015, of US\$290,545 and US\$23,608, respectively, for hedge accounting. Therefore, the impact of exchange variation on future flows of sales in U.S. dollar derived from these sales in dollar will be offset by the exchange variation on the designated liabilities, partially eliminating the volatility in the results of the subsidiary.

The Management of Braskem Idesa believes these future sales are highly probable, based on the following:

- In Mexico, domestic sales can be made in U.S. dollar. In 2016, the Company began to operate and sell products, including sales in U.S. dollar in the domestic and international markets.
- The hedged flow corresponds to less than 35% of the planned revenue flow of the project over the quarterly designation period. The current amount of sales already meets the volume of designated hedge, which confirms the highly probable nature of the designated cash flow.
- The financing was obtained through a Project Finance structure and will be repaid exclusively through the cash generation of the project (Note 17). Therefore, the existence of the debit is directly associated with the highly probable nature of the future sales in U.S. dollar.

As of December 31, 2020, designated and unrealized sales were as follows:

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	Nominal value US\$
2021	208,946
2022	183,318
2023	230,992
2024	251,884
2025	227,775
2026	192,651
2027	89,516
2028	71,341
2029	15,020
2030	225,000
2031	225,000
2032	225,000
2033	225,000
	2,371,443

The following table shows the changes in financial instruments designated for this hedge in the year:

	2019	Discontinued hedge	Rebalanced hedge	New designations	US\$ 2020
Designated balance	2,552,407	(267,577)	86,613		2,371,443

In 2020, the designated financial liabilities to hedge future sales were distributed as follows:

	Nominal value US\$
2021	208,946
2022	183,318
2023	230,992
2024	251,884
2025	227,775
2026	192,651
2027	89,516
2028	71,341
2029	15,020
2030	225,000
2031	225,000
2032	225,000
2033	225,000
	2,371,443

The following table provides the total amount of hedge accounting discontinued up to December 31, 2020 (US\$752,870), which was transferred from “Other comprehensive income” to “profit and loss” of Braskem Idesa:

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	Total nominal value US\$	Conversion rate at Inception MXN/US\$	Closing rate MXN/US\$	Total nominal value MXN	Gross nominal value
Hedge discontinued in May 16, 2016	10,493	13.4541	17.9915	47,611	10,160
Hedge discontinued in December 2, 2019	712,823	13.6664	19.6113	4,237,661	904,317
Hedge discontinued in December 10, 2019	28,740	13.4541	19.3247	168,721	36,005
Hedge discontinued in February 18, 2020	814	13.4541	18.5712	4,165	889
	752,870			4,458,158	951,371

The following table provides the balances of exchange variation recognized in Braskem Idesa's financial income (expenses) due to the realization of sales designated and discontinued for this hedge in the 12-month period ended December 31, 2020:

	Total nominal value US\$	Conversion rate at Inception MXN/US\$	Closing rate MXN/US\$	Total nominal value MXN	Gross nominal value
First quarter	61,369	13.6555	18.9637	325,759	75,162
Second quarter	65,612	13.6539	22.4746	578,744	139,205
Third quarter	69,855	13.6542	21.4351	543,535	133,798
Fourth quarter	69,855	13.6534	20.3032	464,522	123,563
	266,691			1,912,560	471,728

The changes in foreign exchange variation and Income Tax and Social Contribution under "Other comprehensive income" are as follows:

	Exchange variation	IR	Net effect
At December 31, 2019	(2,560,436)	768,865	(1,791,571)
Exchange variation recorded in the period on OCI / IR	(445,427)	133,632	(311,795)
Exchange variation transferred to profit or loss / IR	471,728	(141,518)	330,210
At December 31, 2020	(2,534,135)	760,979	(1,773,156)

Effectiveness tests were conducted and all operations were deemed effective in reducing the dispersion of revenue from sales designated for hedge, when evaluated in Pesos.

The realizations expected for 2021 will occur in accordance with the initial designation schedule, and the exchange variation recorded in "Other comprehensive income" will be written off to the financial results. Below is the quarterly schedule of hedged sales in U.S. dollars in 2021:

	Nominal value US\$
First quarter	69,855
Second quarter	75,848
Third quarter	77,094
Fourth quarter	80,594
	303,391

20.5 Credit quality of financial assets

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(a) Trade accounts receivable

Virtually none of Company's clients have risk ratings assigned by credit rating agencies. For this reason, the Company developed its own credit rating system for all accounts receivable from clients in Brazil and abroad.

On December 31, 2020 and 2019, considering the stages 1, 2 and 3 of expected credit losses, the percentage of trade accounts receivable by risk ratings was as follows:

		(%)
	2020	2019
1 Minimal Risk	67.52	74.23
2 Low Risk	20.08	14.89
3 Medium Risk	10.43	7.82
4 High Risk	1.10	1.06
5 Very High Risk	0.86	1.99

(i)

(i) Most clients in this group are inactive and the respective accounts are in the process of collection actions in the courts. Clients in this group that are still active buy from Braskem and pay in advance.

Default indicators:

	Last 12 months	
	Domestic market	Export market
December 31, 2020	0.05%	0.14%
December 31, 2019	0.05%	0.17%
December 31, 2018	0.08%	0.45%

This calculation considers the accounts receivable figure overdue more than 30 days, divided by consolidated gross revenue in the last 12 months.

For the export market, around 80% of the portfolio has guarantees, consisting primarily of credit insurance. For the domestic market, around 27% of the portfolio has guarantees, mainly surety from the partners of counterparties, complemented by credit insurance.

(b) Other financial assets

In order to determine the credit ratings of counterparties of financial assets classified under cash and cash equivalents, and financial investments, the Company uses the risk rating of agencies Standard & Poor's, Moody's and Fitch Ratings, within the limits established in its financial policy approved by the Board of Directors.

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	2020	2019
Financial assets with risk assessment		
AAA	13,639,273	5,475,075
AA+	412,612	109,933
AA	735,755	
AA-	199,405	1,458,424
A+	1,336,334	159,848
A	53,941	121,132
A-	91,487	1,171,746
BBB+	982,225	
BBB	49	
	17,451,081	8,496,158
Financial assets without risk assessment		
Other financial assets with no risk assessment	(i) 54,562	4,934
	54,562	4,934
Total	17,505,643	8,501,092

(i) Investments approved by the Management of the Company, in accordance with the financial policy.

20.6 Sensitivity analysis

Financial instruments, including derivatives, may be subject to changes in their fair value as a result of the variation in commodity prices, foreign exchange rates, interest rates, shares and share indexes, price indexes and other variables. The sensitivity of the derivative and non-derivative financial instruments to these variables are presented below:

(a) Selection of risks

On December 31, 2020, the main risks that can affect the value of Company's financial instruments are:

- U.S. dollar/Brazilian Real exchange rate;
- Mexican peso/Brazilian Real exchange rate;
- Libor floating interest rate;
- IPCA inflation rate;
- Selic interest rate; and
- CDI interest rate.

For the purposes of the risk sensitivity analysis, the Company presents the exposures to currencies as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in other foreign exchange rates that could be directly influenced by it.

(b) Value at risk

The value at risk of the derivatives held by the Company which is defined as the loss that could result in one month as from December 31, 2020, with a probability of 5%, and under normal market conditions, was estimated by the Company at US\$91,437 for put options and call options (Note 20.3.1 (a.i)), US\$1.280 for the swap of Libor related to Braskem Idesa project (Note 20.3.1 (a.iii)), US\$29,511 for Dollar swap (Note 20.3.1(a.ii)) and US\$8,623 for NCE swap.

(c) Selection of scenarios

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The Focus Market Readout published by the Central Bank of Brazil ("BACEN") was used to create the probable scenario for the U.S. dollar/Brazilian Real exchange rate, the Selic interest rate and the CDI interest rate as at December 31, 2020. The Selic rate is used as benchmark for sensitivity analysis of the CDI rate.

According to the Market Readout, at the end of 2021, the U.S. dollar will remain at approximately R\$5.14, while the Selic rate should remain at 2.00% p.a. The Selic rate is used as benchmark for sensitivity analysis of the CDI rate.

Since the Market Readout survey does not include consensus forecasts for the Libor rate, the average projection of the U.S. Federal Reserve for the Federal Funds rate at the end of the year was used, published in December 2020, in comparison with the Treasury Rate curve on December 31, 2020.

For each variable analyzed in the sensitivity analysis, the Company has considered estimating annualized variations corresponding to 1 and 3 standard deviations of monthly averages of the last five years. They are equivalent to approximately 15.866% and a 0.135% probability of occurrence for the reasonably possible and possible scenarios, respectively. Then, these changes are applied to the current market levels of each variable.

Effects of COVID-19

The assumptions of the future value adopted in the construction of the probable scenario and the current value of each variable in this analysis are referenced to the reporting date December 31, 2020. Given the instability in the current economic scenario caused by the COVID-19 pandemic, interest rates and foreign exchange rates are affected daily. Therefore, during the period for reporting these financial statements, the current value and the probable scenario of these parameters may have changed. However, Braskem's gains and losses in these probable stress scenarios are analyzed by increasing each variable according to the aforementioned reporting date.

The sensitivity values in the table below are the changes in the value of the financial instruments in each scenario.

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Instrument / Sensitivity	Gain (losses)		
	Probable	Reasonably possible (14%)	Possible (41%)
Brazilian real/U.S. dollar exchange rate			
Bonds	433,084	(5,443,471)	(16,330,414)
Braskem Idesa borrowings	84,014	(1,055,976)	(3,167,929)
Export prepayments	11,245	(141,336)	(424,009)
Investments	10,873	(136,663)	(409,988)
SACE	21,061	(264,720)	(794,160)
Dollar call and put options (i)	43,060	(568,577)	(2,117,282)
Swap NCE	5,973	(75,052)	(225,210)
Dollar swap x CDI	20,419	(256,577)	(769,919)
MONFORTE	3,278	(41,201)	(123,603)
Nexi	12,844	(161,433)	(484,299)
Other	5,699	(71,635)	(214,904)
Financial investments abroad	(52)	648	1,943

Instrument / Sensitivity	Gain (losses)		
	Probable	Reasonably possible (40%)	Possible (120%)
Libor floating interest rate			
Export prepayments	(2,232)	(5,344)	(16,031)
Swap	4,386	10,536	31,419
Braskem Idesa borrowings	(39,804)	(95,278)	(285,834)
Nexi	(18,355)	(43,936)	(131,809)
SACE	(20,954)	(50,158)	(150,473)
MONFORTE	(1,228)	(2,940)	(8,819)
Investments	(9,734)	(23,301)	(69,902)
Other	(1,178)	(2,820)	(8,460)

Instrument / Sensitivity	Gain (losses)		
	Probable	Reasonably possible (15%)	Possible (45%)
CDI interest rate			
Export credit notes		(3,942)	(11,905)
Debentures		(848)	(2,574)
Financial investments in local currency		36	108
Other non commercial paper		(3,486)	(10,493)

Instrument / Sensitivity	Gain (losses)		
	Probable	Reasonably possible (54%)	Possible (161%)
IPCA interest rate			
Debentures	(268)	(21,395)	(68,834)
BNDIS	(2,493)	(212,224)	(780,565)
BNB/ FINEP/ FUNDES/FINISA/FINAME/FNE	(9)	(715)	(2,336)

Instrument / Sensitivity	Gain (losses)		
	Probable	Reasonably possible (15%)	Possible (45%)
Selic interest rate			
Leniency agreement		(6,164)	(18,516)

(i) The Company is in the short position of a possible counterparty call.

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21 Taxes payable

	2020	2019
Brazil		
IPI	125,338	58,945
ICMS	403,422	184,728
PIS and COFINS	284,944	150,664
Other	43,560	37,857
Other countries		
Value-added tax	16,027	11,933
Other	80,768	8,112
Total	954,059	452,239
Current liabilities	952,689	322,886
Non-current liabilities	1,370	129,353
Total	954,059	452,239

22 Income tax ("IR") and social contribution ("CSL")

Income tax expense comprises current and deferred tax. It is recognised in profit, or items recognised directly in equity or in OCI.

(a) Current income tax and social contribution

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Income tax and social contribution, presented in current assets, amount to R\$1,547,916 on December 31, 2020. Out of this total, R\$982 million relates to the tax refund from a U.S. Government program. On March 27, 2020, the U.S. government approved a program to assist U.S. companies that were enacted in response to the economic impacts caused by Covid-19, called the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act).

The act enables Braskem America to opt for a tax benefit involving the deduction of 100% of the depreciation of the costs of assets put into operation in 2020 ("bonus depreciation"), which enabled taxpayers to offset the tax losses generated as from January 1, 2021, or in the five prior fiscal years. With the benefit from the bonus depreciation, Braskem America determined a tax refund of R\$982 million, recorded as income tax recoverable.

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(b) Amounts recognized in profit and loss

	2020	2019	2018
(Loss) before IR and CSL	(9,683,784)	(4,603,068)	3,604,736
IR and CSL at the rate of 34%	3,292,487	1,565,043	(1,225,610)
Permanent adjustments to the IR and CSL calculation basis			
IR and CSL on equity in results of investees	6,595	3,469	(302)
Thin capitalization	(695,741)	(221,337)	
Effect of the refund of Braskem America's tax benefit	(i) (737,841)		
Difference of rate applicable to each country	(ii) 252,323	293,647	468,129
Fine in leniency agreement	-	(25,390)	
Effect from the retrospective tax rate on bonus depreciation of Braskem America	334,460		
Other permanent adjustments	216,195	347,238	21,232
Effect of IR and CSL on results of operations	2,668,478	1,962,670	(736,551)
Breakdown of IR and CSL:			
Current IR and CSL expense			
Current year	(52,830)	(251,641)	(512,951)
Changes in estimates related to prior years	-	22,696	3,177
	(52,830)	(228,945)	(509,774)
Deferred IR and CSL expense			
Origination and reversal of temporary differences	2,677,328	2,062,501	(369,546)
Tax losses (IR) and negative base (CSL)	-	129,114	142,769
Recognition of previously unrecognised deductible temporary differences	43,980		
	2,721,308	2,191,615	(226,777)
Total	2,668,478	1,962,670	(736,551)
Effective rate	27.6%	42.6%	20.4%

(i) Considering Universal Basis Taxation ("TBU"), the tax refund provided by U.S. Government affects the tax calculation of Braskem S.A. arising from the offsetting of Income Tax and Social Contribution Tax (IRPJ/CSLL) in the years of use of the bonus depreciation benefit. The amount calculated was R\$738 million, which was recorded under current and non-current liabilities, in the item income tax and social contribution tax.

(ii) Includes the impact from the difference between IR/CSL tax rate in Brazil (34%) used for the preparation of this note and the tax rates in countries where the subsidiaries abroad are located, as follows:

	Headquarters (Country)	2020	2019	2018
				Official rate - %
Braskem Alemanha	Germany	31.18	31.18	31.18
Braskem America e Braskem America Finance	USA	21.00	21.00	21.00
Braskem Argentina	Argentina	30.00	30.00	30.00
Braskem Chile	Chile	27.00	27.00	27.00
Braskem Holanda, Braskem Holanda Finance and Braskem Holanda Inc	Netherlands	25.00	25.00	25.00
Braskem Idesa, Braskem Idesa Serviços, Braskem México	-	-	-	-
Braskem México Serviços and Braskem México Proyectos	Mexico	30.00	30.00	30.00
Braskem India	India	30.00		

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(c) Deferred income tax and social contribution

Refer to Note 3.2.1 for the uncertainties on assumptions and estimates regarding deferred tax assets.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(b.i) Changes in balances of deferred tax assets and liabilities

	As of December 31, 2018	Impact on the P&L	Impact on the equity	Other	As of December 31, 2019	Impact on the P&L	Other comprehensive income	As of December 31, 2020
Assets								
Tax losses (IR) and negative base (CSL)	2,021,578	129,114			2,150,692	1,127,492		3,278,184
Goodwill amortized	39,282	(17,605)			21,677	(15,157)		6,520
Exchange variations	39,959	1,092,392			1,132,351	2,685,264		3,817,615
Temporary adjustments (i)	802,170	1,555,097			2,357,267	2,639,070		4,996,337
Business combination	159,572	(74,033)			85,539	(29,328)		56,211
Tax credits	176,290	110,080		(236,537)	49,833	27,199		77,032
Other		62,288			62,288	(16,922)		45,366
	3,238,851	2,857,333		(236,537)	5,859,647	6,417,618		12,277,265
Liabilities								
Amortization of goodwill based on future profitability	723,336	(651)			722,685	(463)		722,222
Tax depreciation	1,009,912	893,115			1,903,027	1,834,142		3,737,169
Temporary adjustments	276,700	155,887			432,587	(274,355)		158,232
Business combination	1,302				1,302			1,302
Present value adjustment and amortized cost	57,167	(45,891)			11,276	68,644		79,920
Hedge accounting		(419,269)	419,269			1,788,568	(1,788,568)	
Amortization of fair value adjustments on the assets from the acquisition of Braskem Qpar	444,075	(50,302)			393,773	(114,452)		279,321
Long term incentive plan - LTI		(5,843)	5,843			(4,823)	4,823	
Health care		43,734	(43,734)			(8,020)	8,020	
Other	3,783	94,938	(93,284)		5,437	407,069	(408,981)	3,525
	2,516,275	665,718	288,094		3,470,087	3,696,310	(2,184,706)	4,981,691
Net	722,576	2,191,615	(288,094)	(236,537)	2,389,560	2,721,308	2,184,706	7,295,574
Presentation in the balance sheet:								
Non-current assets	1,104,158				2,662,596			8,529,972
(-) Non-current liabilities	381,582				273,036			1,234,398

(i) Temporary provisions include the deferred tax on provision for geological event in Alagoas (R\$3,190 million), contingencies (R\$424 million), among other provisions.

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(b.ii) Offset for the purpose of presentation in the statement of financial position

				2020
	Headquarters (Country)	Tax calculation	Offsetting	Balance
Assets				
Braskem S.A.	Brazil	8,626,703	(2,090,002)	6,536,701
Braskem Argentina	Argentina	2,850		2,850
Braskem America	USA	293,942	(293,942)	
Braskem Alemanha	Germany	47,277		47,277
Braskem Chile	Chile	287		287
Braskem Idesa	Mexico	3,213,624	(1,356,693)	1,856,931
Braskem Idesa Serviços	Mexico	14,765		14,765
Braskem México Serviços	Mexico	8,503		8,503
Cetrel	Brazil	23,645	(5,269)	18,376
DAC	Brazil	45,669	(1,387)	44,282
		12,277,265	(3,747,293)	8,529,972
Liabilities				
Braskem S.A.	Brazil	2,090,002	(2,090,002)	
Braskem America	USA	1,528,340	(293,942)	1,234,398
Braskem Idesa	Mexico	1,356,693	(1,356,693)	
Cetrel	Brazil	5,269	(5,269)	
DAC	Brazil	1,387	(1,387)	
		4,981,691	(3,747,293)	1,234,398
				2019
	Headquarters (Country)	Tax calculation	Offsetting	Balance
Assets				
Braskem S.A.	Brazil	3,679,547	(2,072,130)	1,607,417
Braskem Argentina	Argentina	1,010		1,010
Braskem Alemanha	Germany	28,176		28,176
Braskem Chile	Chile	162	(162)	
Braskem Idesa	Mexico	2,056,723	(1,117,641)	939,082
Braskem México Serviços	Mexico	9,677		9,677
Cetrel	Brazil	24,313	(5,846)	18,467
DAC	Brazil	60,039	(1,272)	58,767
		5,859,647	(3,197,051)	2,662,596
Liabilities				
Braskem S.A.	Brazil	2,072,130	(2,072,130)	
Braskem America	USA	271,285		271,285
Braskem Chile	Chile	1,913	(162)	1,751
Braskem Idesa	Mexico	1,117,641	(1,117,641)	
Cetrel	Brazil	5,846	(5,846)	
DAC	Brazil	1,272	(1,272)	
		3,470,087	(3,197,051)	273,036

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(b.iii) Realization of deferred income tax and social contribution

Assets	Note	Balance at December 31, 2020	Realization						
			2021	2022	2023	2024	2025	2026 to 2028	2029 thereafter
Tax losses (IR) and negative base (CSL)	(i)	3,278,184	223,932	362,165	419,451	566,290	629,925	1,076,421	
Goodwill amortized		6,520	4,020	323	323	323	323	968	240
Exchange variations	(ii)	3,817,615	1,002,396	155,813	81,553	422,587	88,013	1,050,218	1,017,035
Temporary adjustments	(iii)	4,996,337	1,444,987	1,033,617	627,483	39,853	17,380	1,432,993	400,024
Business combination	(iv)	56,211	28,963	27,248					
Tax credits	(v)	77,032	77,032						
Other		45,366							45,366
		12,277,265	2,781,330	1,579,166	1,128,810	1,029,053	735,641	3,560,600	1,462,665
Liabilities									
Amortization of goodwill based on future profitability	(vi)	722,222	330	303	280	913	1,370	1,917	717,109
Tax depreciation	(vii)	3,737,169	857,451	666,224	528,555	528,929	311,245	158,330	686,435
Temporary differences	(viii)	158,232	17,581	17,581	17,581	17,581	17,581	52,745	17,582
Business combination	(ix)	1,302							1,302
Present value adjustment and amortized cost	(x)	79,920	3,826	12,279	1,744	8,967	10,494	22,386	20,224
Amortization of fair value adjustments on the assets from the acquisition of Braskem Qpar		279,321	35,445	35,445	35,445	35,445	35,445	102,096	
Other		3,525							3,525
		4,981,691	914,633	731,832	583,605	591,835	376,135	337,474	1,446,177
Net		7,295,574	1,866,697	847,334	545,205	437,218	359,506	3,223,126	16,488

Basis for constitution and realization:

- (i) In Brazil, the use of tax losses is limited to 30% of the taxable profit for the year; however, the balance does not expire. Meanwhile, in Mexico there is no limit on the amount that can be used in the year; however, the tax losses expire in 10 years. The realization of Tax Losses in the consolidated results consider the taxable profit expected by the Company over a 10-year horizon. For the Braskem S.A., this realization is associated with the completion of administrative processes related to years in which such tax losses were sustained.
- (ii) In Brazil, the Company opted to tax exchange variation of assets and liabilities denominated in foreign currency under the cash method. Thus, this variation will be realized as assets and liabilities are received/paid. For accounting purposes, exchange variation is recognized under the accrual basis, which results in the recognition of deferred IR and CSL.
- (iii) Accounting expenses not yet deductible for calculating income tax and social contribution, whose recognition for tax purposes occurs in subsequent periods. In 2019 and 2020, the provisioning of expenses arising from the geological event in Alagoas produced a material impact.
- (iv) Refers to: tax-related goodwill and contingencies recognized from business combinations. Tax realization of goodwill occurs upon the merger of the investments and contingencies arising from write-offs due to the settlement or reversal of the processes involved.
- (v) Tax credits arising from the balance of tax paid on profit abroad and the worker's food program.
- (vi) Goodwill for the future profitability of the merged companies is not amortized since the adoption of Law 11.638/07. Tax realization is associated with the write-off of goodwill due to impairment or upon divestment.
- (vii) For calculation of IR and CSL, assets are depreciated at rates higher than those used for accounting purposes. As tax depreciation is exhausted, these deferred IR and CSL start to be realized.
- (viii) Accounting provisions of transaction costs in financing acquisitions.
- (ix) Fair value adjustments on property, plant and equipment and intangible assets identified in business combinations, whose tax realization is based on the depreciation and amortization of these assets.
- (x) Additional adjustment, upon adoption of Law 11.638/07, of property, plant and equipment, whose tax realization is based on the depreciation of assets.

Annually, the Company revises its projection of taxable income based on its Business Plan (Note 3.2.1). If this projection indicates that the taxable income will not be sufficient to realize the deferred taxes, the amount corresponding to portion of the deferred tax that will not be recovered is written off.

23 Sundry provisions

See accounting policies in Note 3.2.3.

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		2020	2019
Provision for environmental damages	(a)	602,490	365,155
Provision for customers rebates	(b)	123,465	84,110
Other		148,253	55,941
Total		874,208	505,206
Current liabilities		362,407	203,134
Non-current liabilities		511,801	302,072
Total		874,208	505,206

(a) Provision for recovery of environmental damages

Braskem operates in several countries and is subject to different environmental laws and regulations inherent to the operations and activities areas. Remediation expenses are incurred during several years due to their complexity and extension. New information on websites, new technologies or future developments, such as involvement in investigations by regulatory agencies, may require that we reevaluate our potential exposure related to environmental matters. The Company has identified areas where remediation actions will be necessary. Due to the high complexity in identifying potential environmental impacts, alternative solutions and recovery costs estimations, these estimates can only be made with reasonable assurance after the completion of all phases of the process to identify and investigate environmental liabilities, which are in accordance with the phases and protocols established by environmental agencies. The Company monitors the areas under study to capture any new facts and changes in circumstances that change the prognosis of actions to be adopted and consequently affect the estimation of provision for environmental remediations.

(b) Rebates

Some sales agreements of Braskem provide for a rebate, in products, should certain sales volumes be achieved within the year, six-month period or three-month period, depending on the agreement. The bonus is recognized monthly in a provision, assuming that the minimum contractual amount will be achieved. As it is recognized based on contracts, the provision is not subject to significant uncertainties with respect to their amount or settlement.

(c) Changes in provisions

	Rebate	Recovery of environmental damage	Other	Total
December 31, 2018	88,026	307,546	28,970	424,542
Additions, monetary adjustments and exchange variation	74,299	144,617	34,194	253,110
Write-offs through usage and payments	(78,215)	(87,008)	(7,223)	(172,446)
December 31, 2019	84,110	365,155	55,941	505,206
Additions, monetary adjustments and exchange variation	150,132	306,274	119,831	576,237
Write-offs through usage and payments	(110,777)	(68,939)	(27,519)	(207,235)
December 31, 2020	123,465	602,490	148,253	874,208

24 Contingencies

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Braskem is a defendant in lawsuits and administrative proceedings arising from the normal course of its business. These claims are of a tax, labor and social security, civil and corporate nature. Proceedings assessed as having a probable chance of loss are provisioned for, as described in Note 3.2.3. Proceedings assessed as having a possible chance of loss are not provisioned for.

In addition, Braskem also is a plaintiff to several lawsuits. In these cases, the Company discloses the contingent asset when the receipt of economic benefits is probable. However, when the realization of the benefit is virtually certain, the related asset no longer constitutes a contingent asset, and as such amount is recognized.

Any changes in the court's understanding of the position could cause future impacts on the financial statements of the Company due to such proceedings.

24.1 Claims with probable chance of loss and contingent liabilities arising from business combinations

		2020	2019
Labor claims	(a)	280,066	315,437
Tax claims	(b)		
Normal operations			
IR and CSL		57,662	22,284
PIS and COFINS	(i)	226,742	196,356
ICMS		14,104	70,645
Other tax claims		19,759	18,475
		318,267	307,760
Business Combination			
IR and CSL		3,680	3,581
PIS and COFINS	(ii)	65,041	63,291
ICMS - interstate purchases	(iii)	305,747	297,456
		374,468	364,328
Corporate claims	(c)	126,057	118,485
Civil claims and other		52,229	45,514
		1,151,087	1,151,524

(a) Labor claims

The provision on December 31, 2020 is related to 529 labor claims, including occupational health and security cases (604 in 2019). The Management of Braskem, based on its assessment and of its external legal advisors, estimate that the term for the termination of these types of claims in Brazil exceeds five years. The estimates related to the outcome of proceedings and the possibility of future disbursement may change in view of new decisions in higher courts.

(b) Tax claims

On December 31, 2020, the main claims are the following:

(i) Non-cumulative PIS and COFINS

The Company is charged amounts arising from compensation of Non-Cumulative PIS and COFINS tax credits in the years from 2005 to 2010 and from 2012 to 2016 that were not approved by the Federal Revenue Service of Brazil ("RFB"), mainly related to the following topics:

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- Offsetting Statements (“DCOMPs”), with credits in amounts that exceeded those declared in the respective Statement of Calculation of Social Contributions (“DACONs”);
- freight expenses: not associated with sales operations and/or operations without proven association and contracted in the country, but concerning imported products;
- credits arising from the acquisition of property, plant and equipment mostly related to acquired companies, whose documentation was not found;
- taxation of taxable revenues incorrectly classified as tax exempt, subject to zero tax rate or not taxed.

On December 31, 2020, the balance of this provision was R\$197,707 (R\$193,139 in 2019).

The Management of Braskem, based on its assessment and of its external legal advisors and considering the precedents on the matters at the Administrative Council of Tax Appeals (“CARF”), estimates that the administrative procedures will be concluded in 2025.

(ii) PIS and COFINS taxes

The Company is assessed for the payment of these taxes in many legal and administrative claims, such as:

- Insufficient payment of COFINS for the period from March 1999 to December 2000, from February 2001 to March 2002, from May to July 2002 and September 2002 due to alleged calculation errors, and non-compliance with the widening the tax calculation base and increasing the contribution rate envisaged in Law 9.718/98;
- Offset of the COFINS dues relating to September and October 1999 using the credit resulting from the addition of 1% to the COFINS rate;
- Rejection of the offset of PIS and COFINS dues relating to the period from February to April 2002 using the PIS credits under Decree-Laws 2.445 and 2.449, calculated between June 1990 and October 1995, under the argument that the time period for using said credits had expired; and
- Alleged non-taxation of revenue from foreign exchange variations, determined as a result of successive reductions in the capital of the associated company.

On December 31, 2020, the balance of this provision was R\$65,041 (R\$63,291 in 2019). The Management of Braskem, based on its assessment and of its external legal advisors. Management estimates the administrative procedures will conclude in 2023 and the court decisions in 2030.

Guarantees were offered for court claims in the form of bank guarantee and finished products, which, together, cover the amount of claims.

(iii) ICMS - interstate purchases

In 2009, the merged company Braskem Qpar was assessed by the Finance Department of the State of São Paulo for the payment of ICMS in view of allegedly committing the following violations:

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- Undue use of ICMS tax credits in the amount of R\$58,164, due to the recording of credits indicated in the invoices for the sale of “acrylonitrile,” “methyl acrylate” and “methyl methacrylate,” issued by Acrinor Acrilonitrila do Nordeste S/A and Proquigel Química S/A, since the products were to be exported, and were therefore exempt from payment of ICMS tax;
- The fine for the abovementioned tax offense corresponds to 100% of the principal value recorded, as per Article 527, item II, sub-item “j” jointly with paragraphs 1 and 10 of RICMS/SP;
- Fine in the amount of 30% on R\$480,389, which corresponds to the sum of the amounts indicated in tax documents whose outflow of goods was not identified by the tax authority, entered based on the provisions of Article 527, item IV, sub-item “b” jointly with paragraphs 1 and 10 of RICMS/SP; and
- Fine due to lack of presentation of tax documents requested under a specific deficiency notice, as per Article 527, item IV, sub-item “j” jointly with paragraphs 8 and 10 of RICMS/SP.

After ending the discussions in the administrative sphere in 2015 with the partial reduction in contingency, the Company proposed lawsuits to continue the discussion.

On December 31, 2020, the balance of this provision was R\$305,747 (R\$297,456 in 2019). The Management of Braskem, based on its assessment and of its external legal advisors. Management estimates the legal procedures will conclude in 2026.

These lawsuits are secured by a guarantee insurance.

(c) Corporate claims

It is an ordinary collection claim combined with a request for damages for losses, in which a former shareholder requests the payment of dividends and a share bonus arising from the class “A” preferred shares of the dissolved company Salgema Indústrias Químicas S.A.

Once the claims were granted, the amount effectively owed by Braskem began to be calculated. During this phase, the judge recognized that dividends and bonus related to the years prior to 1987 had become time-barred. However, the Alagoas State Court of Appeals reviewed the decision to include that the amounts related to such period also were owed by Braskem. Against the decision, Braskem filed a Special Appeal with the Superior Court of Justice (“STJ”), which was partially granted. Currently, the Company awaits the decision of the STJ regarding the merits of the appeal (i.e., the time-barring of the right of the shareholder to receive dividends for said period).

On December 31, 2020, Braskem recognized a provision for a possible negative ruling of R\$66,957 (R\$64,305 in 2019).

(d) Changes in claims with probable chance of loss

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	Labor claims	Tax claims	Corporate claims	Civil claims and other	Total
December 31, 2018	177,751	607,079	111,049	69,438	965,317
Additions, monetary adjustments and exchange variation	322,102	98,618	7,436	11,465	439,621
Payments	(83,189)	(6,348)		(3,918)	(93,455)
Reversals	(101,227)	(27,261)		(31,471)	(159,959)
December 31, 2019	315,437	672,088	118,485	45,514	1,151,524
Additions, inflation adjustments and exchange variation	140,386	130,302	10,242	32,207	313,137
Payments	(42,174)	(21,649)		(9,166)	(72,989)
Reversals	(133,583)	(88,006)	(2,670)	(16,326)	(240,585)
December 31, 2020	280,066	692,735	126,057	52,229	1,151,087

24.2 Claims and contingent liabilities with possible chance of loss

	Note	2020	2019
Tax claims	(a)	11,911,746	6,199,283
Civil claims - Alagoas	26	796,712	33,973,320
Civil claims - Other	(b)	708,120	769,126
Labor claims	(c)	663,448	642,229
Environmental claims	(d)	507,973	166,897
Social security claims	(e)	326,730	29,830
Other lawsuits	(f)	530,927	350,016
Total		15,445,656	42,130,701

(a) Tax

IR and CSL – Exchange variation on naphtha imports

In December 2017 and December 2020, the Company received a tax deficiency notice related to the disallowance of exchange variation expenses between the due date of commercial invoices and the effective payment of obligations related to naphtha imports, related to calendar years 2012 and 2015, respectively. Regarding calendar year 2012, disallowances led to the adjustment of tax losses and social contribution tax loss carryforwards. For 2015, a tax credit was registered accompanied by a qualified fine corresponding to 150% of the amount of the tax deficiency notice.

The tax deficiency notice issued in December 2020 also resulted in partial disallowance of the cost of naphtha imported from its subsidiary abroad, in an amount corresponding to the profit margin calculated by the subsidiary in the naphtha resale operations, carried out in 2014 and 2015.

The adjusted amount as of December 31, 2020 of said uncertain tax treatment is approximately R\$1 billion.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: i) the probability of loss is possible given the regularity of using trading in import operations; the exchange variation expense is accessory to the principal and, therefore, deductible; fluctuations in exchange rates are not predictable;

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there are errors in the calculation of the subsidiary's profit margin; ii) the administrative proceedings will be concluded in 2026.

ICMS – Credit reversal on output with tax deferral

In July and December 2020, the Company was notified, by the State of Alagoas, due to the lack of ICMS tax payment arising from the alleged lack of reversal of the tax credited in operations prior to outflows with tax deferral.

On December 31, 2020, the adjusted value of these cases was R\$569 million.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: i) the probability of loss is possible due to court precedents and evidence produced; and that the deferral is not a tax benefit and the establishment notified does not receive incentives, therefore the credit reversal is not necessary (whose maintenance, in addition, is assured by the legislation in force on said date); ii) the administrative proceedings should be concluded by 2025.

Tax on Financial Operations ("IOF")

The Company was a party to claims for the collection of IOF tax debits in administrative proceedings and lawsuits, which claimed: (i) non-payment of IOF on operations relating to Advances for Future Capital Increase (AFAC) and checking accounts conducted by the merged companies Quattor Participações S.A. and Quattor Química S.A., which were considered loans by Brazilian Federal Revenue; and (ii) requirement to pay IOF/credit on fund transfers and receipts between the Company and CPN Incorporated through a checking account contract and the single cash management related to the period from May 2002 to April 2004.

In April 2020, the administrative decision that deemed invalid the claim discussing the characterization of loans in AFAC operations and checking accounts became final and unappealable, reducing this contingency by R\$108 million. On December 31, 2020, the updated value of the remaining claims related to the topic corresponded to R\$59 million.

The external legal advisors of the Company estimate that the administrative proceedings should be concluded by 2027.

The Company offered guarantee that cover the full amount in litigation.

IRPJ and CSLL – Foreign earned income – Braskem America

In July 2020, the Company was notified by the Federal Revenue Service for not subjecting to taxation the income earned abroad by its subsidiary Braskem America Inc. in fiscal year 2015, given the nonconsideration of the tax credits obtained by this foreign subsidiary. The notification also involves allegations of undue offset of social contribution tax loss carryforwards for fiscal year 2016, due to the nonexistence of balances, given the disallowances arising from tax deficiency notices and the applications under tax amnesty programs.

At December 31, 2020, the updated amount of the taxes and tax effects from disallowances of income tax losses and social contribution tax loss carryforwards under said tax deficiency notice was R\$279 million.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that this administrative proceeding should be concluded by 2025.

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IRPJ and CSLL – Foreign earned income – Braskem Holanda

The Company received a deficiency notice from Brazilian Federal Revenue Service, referring to fiscal years 2015 and 2016, stating its disagreement with the application of the Agreement between Brazil and the Netherlands to avoid double taxation, which establishes that profits earned by Dutch companies cannot be taxed in Brazil.

Braskem's management, based on the assessment of its external legal advisors, understands that the profits earned by its subsidiary abroad are exempt from taxation in Brazil under Article 7 of said Agreement between Brazil and the Netherlands to avoid double taxation. It is pending in the administrative sphere. The updated amount as of December 31, 2020 of the uncertain tax treatment is approximately R\$3.7 billion.

The administrative proceeding should be concluded by 2025.

PIS, COFINS: taxation of liability reductions settled in connection with the installment plan under Provisional Executive Order ("MP") 470/09

The Company received notice for not applying to PIS and COFINS taxes the reductions for fines and interest, in view of the adoption of the installment plan offered under MP 470/09.

On December 31, 2020, the updated value of this proceeding amounted to R\$892 million.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that the probability of loss is possible, since the liability reductions arising from the amnesty and tax installment program, offered by the Federal Government, are not income taxable by PIS and COFINS and, even if so, should be considered financial income taxable, at the time, at a rate of zero.

The administrative proceeding should be concluded by 2021.

IR and CSL – Charges with goodwill amortization

The Company was served by the RFB for deducting amortization charges, from 2007 to 2013, relating to goodwill originated from acquisitions of shareholding interests in 2002. In that year, several business groups divested their petrochemical assets, which enables the consolidation of those petrochemical assets and consequently the formation of Braskem.

After definitive reductions made in the administrative instance, on December 31, 2020, the updated contingency is R\$1 billion.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: (i) the probability of loss is possible, since the equity interests were acquired with effective payment, a business purpose and the participation of independent parties; (ii) these administrative proceedings should be concluded by 2022, while the only current court proceeding should be concluded by 2030.

The Company offered a performance bond that covers the total amount involved in the court proceeding.

Non-cumulative PIS and COFINS taxes

The Company received a deficiency notice from the RFB due to the use of non-cumulative PIS and COFINS tax credits in the acquisition of certain goods and services consumed in its production process.

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The matters whose chance of loss is deemed as possible are mainly related to the following: (i) effluent treatment services; (ii) charges on transmission of electricity; (iii) freight for storage of finished products; (iv) extemporaneous credits from various acquisitions; and (v) property, plant and equipment. These matters have already been contested at the administrative and court level and comprise the period from 2006 to 2016.

On December 31, 2020, the amount under discussion of these notices is R\$1.3 billion (R\$1.2 billion in 2019).

The Management of Braskem, based on its assessment and of its external legal advisors, estimates that: (i) the administrative proceedings should be concluded by 2025, while the lawsuits should be concluded by 2030; and (ii) in the event of an adverse ruling for the Company, which is not expected, these contingencies could be settled for up to 50% of the amounts in dispute. These estimates are based on the probability of loss of the Company's defense thesis, based on previous administrative and court precedents.

The Company offered a performance bond that covers the total amount involved in the only current court proceeding.

Income Tax (IR) and Social Contribution (CSL) – Unlimited offsetting

In December 2009 and March 2017, the Company received tax deficiency notices claiming that the methodology used to offset tax losses and tax loss carryforwards that failed to observe the limit of 30% of the Taxable Profit and Social Contribution calculation base when offsetting such liabilities with Corporate Income Tax and Social Contribution liabilities in merger operations, respectively, in November 2017 and August 2013.

On December 31, 2020, the updated value of the contingency amounted to R\$352 million (R\$348 million in 2019).

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: (i) the probability of loss is possible for these proceedings, since the noncompliance with the 30% limit mentioned above was exclusively due to the last Corporate Income Tax Statements (DIPJ) submitted by the Company, which was dissolved due to its merger into Braskem S.A.; (ii) the court proceedings should be concluded by 2030.

The Company offered performance bonds that cover the total amount involved in the court proceeding.

ICMS

The Company is involved in many ICMS collection claims drawn up in the States of São Paulo, Rio de Janeiro, Rio Grande do Sul, Bahia, Pernambuco and Alagoas, which materialized in administrative and court proceedings. The matters assessed as possible losses include the following topics:

- ICMS credit on the acquisition of assets that are considered by the Revenue Services as being of use and consumption. The Revenue Service understands that the asset has to be a physically integral part of the final product to give rise to a credit. Most of the inputs questioned do not physically compose the final product. However, the Judicial branch has a precedent that says that the input must not necessarily be an integral part of the finished product, and can be consumed in the production process.
- ICMS credit arising from the acquisition of assets to be used in property, plant and equipment, which is considered by the Revenue Services as not being related to the production activity, such as laboratory equipment, material for the construction of warehouses, security equipment, etc.
- internal transfer of finished products for an amount lower than the production cost;

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- omission of the entry or shipment of goods based on physical count of inventories;
- lack of evidence that the Company exported goods so that the shipment of the goods is presumably taxed for the domestic market;
- non-payment of ICMS on the sale of products subject to tax substitution method and credit from acquisitions of products subject to tax substitution;
- fines for the failure to register invoices;
- nonpayment of ICMS tax on charges related to the use of the electricity transmission system in operations conducted in the Free Market of the Electric Power Trading Chamber; and
- usage of ICMS tax base below the level envisaged in legislation for internal transfers to another unit in the State of Alagoas of DCE (dichloroethane), between January 2013 and May 2016, which is a product that is not subject to deferral in such transactions. The payment represents 30% of the total contingency.

On December 31, 2020, the adjusted value of these proceedings was R\$883 million (R\$740 million in 2019).

The Management of Braskem, based on its assessment and of its external legal advisors, estimates that: (i) these administrative proceedings are expected to be terminated in 2025, while the court proceedings are expected to be terminated in 2030; and (ii) in the event of an unfavorable decision to the Company, which is not expected, these contingencies could be settled for up to 50% of the amounts in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

The Company offered performance bonds that cover the total amount involved in the current court proceedings.

PIS and COFINS sundry

The Company is involved in collection actions related to PIS and COFINS assessments in the administrative and judicial courts, with possible probability of loss, which discuss the alleged undue offsetting of credits arising from other administrative proceedings and lawsuits, including: (i) Income Tax prepayments; (ii) FINSOCIAL; (iii) tax on net income (ILL); (iv) PIS-Decrees – Federal Laws 2.445 and 2.449; and (v) the COFINS tax arising from the undue payment or payment in excess.

On December 31, 2020, the adjusted amounts involved of these assessments total R\$130 million.

The Management of Braskem, based on its assessment and of its external legal advisors, estimates that: (i) these judicial proceedings are expected to be terminated in 2024; and (ii) in the event of an unfavorable decision to the Company, these contingencies could be settled for up to 50% of the amounts in dispute. This estimate is based on the probability of loss of the Company's defense theory taking into consideration the case law at the administrative and judicial levels.

The Company offered guarantees that cover the total amount involved in the current court proceedings.

IRRF, IR and CSL – Commission expenses

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In December 2017, the Company received a tax deficiency notice from the Brazilian Federal Revenue arising from: (i) the disallowance of commission expenses paid by Braskem in 2011; (ii) the disallowance of commission expenses paid by Braskem Inc. in 2013 and 2014; (iii) lack of payment of withholding income tax (IRRF) on the payments referred to in the previous item; and (iv) the disallowance of advertising expenses incurred in 2013.

On December 31, 2020, the updated amount of taxes and tax effects from disallowances of income tax losses and social contribution tax loss carryforwards through said tax deficiency notice is R\$139 million (R\$133 million in 2019).

The assessment of possible loss in this claim is based on the following: (i) the expenses incurred in 2011 already are subject to the statute of limitations. Furthermore, the tax credit recognized by the Brazilian Federal Revenue considered the sum of the disallowances disputed in other administrative proceedings that are pending a final decision, which do not belong in the claim in question; (ii) the expenses incurred by Braskem INC already were paid by the Company itself, which led only to the reduction of its tax loss backlog, without the need to pay additional taxes; (iii) the IRRF claimed by the Brazilian Federal Revenue aims to reach a taxpayer located abroad, which as such is not subject to Brazilian tax law; and (iv) the disallowed advertising expenses are related to the Company's business activities.

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that this administrative proceeding should be concluded by 2022.

Isolated fine – failure to ratify DCOMPS

In 2016 through 2020, the Company received notifications of individual fines imposed due to the use of credits from: (i) non-cumulative PIS/COFINS taxes; (ii) negative balances of IRPJ/CSLL taxes; (iii) REINTEGRA credits; and iv) other credits, for offsets not approved by the Brazilian Federal Revenue.

On December 31, 2020, the updated value of these deficiency notices amounted to R\$345 million (R\$289 million in 2019).

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: (i) the probability of loss is possible, due to favorable court precedents, especially in the judicial sphere; (ii) these administrative proceedings should be concluded by 2025, while the only current lawsuit should be concluded by 2030.

The Company offered a performance bond that covers the total amount involved in the judicial proceeding.

IRPJ/CSLL – Negative Balance – Offset

The Company claims, at the administrative and judicial levels, that RFB denies offsets seeking to settle federal taxes with credits arising from negative balance of IRPJ and CSLL.

On December 31, 2020, the updated value of the taxes whose offset was not approved amounted to R\$182 million (R\$196 million in 2019).

Braskem's Management, based on its evaluation and that of its external legal advisors, estimates that: (i) the probability of loss is possible, given the court precedents and the evidence produced in records; (ii) the administrative proceedings should be concluded by 2024, while the court proceedings should be concluded by 2023.

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The Company offered guarantees that cover the total amount involved in the current court proceedings.

PIS and COFINS – DCide-Fuels Tax Offset

The Company is a party to lawsuits claiming PIS and COFINS tax liabilities arising from their offset using Cide-Fuels tax credits, as authorized under Federal Law 10.336/2001.

On December 31, 2020, the adjusted value of these cases was R\$116 million.

Braskem's Management, based on its evaluation and of its external legal advisors, estimates that this proceeding should be concluded by 2030.

The Company offered guarantee that cover the total amount involved in the current court proceedings.

Foreign exchange gains and deduction of interest paid to related parties – Braskem Mexico

In November 2020, the Mexican Tax Administration Services issued their observations from the tax audit performed for the fiscal year 2016 on Braskem México Proyectos S.A. de C.V., SOFOM ENR, regarding two matters: (i) the calculation of foreign exchange gains; and (ii) the deduction of interest paid to foreign related parties.

The tax audit observation letter received from the tax authority is not a tax assessment nor a conclusion of the audit inspection procedures. Management, based on its assessment and of its external legal advisors, considers that there are reasonable arguments for defending the methodology applied, which is in accordance with the applicable tax rules. The updated amount as of December 31, 2020 of said uncertain tax treatment is R\$96.1 million.

(b) Civil

Excess weight

Public-Interest Civil Action filed by the Federal Prosecution Office in Brasilia ("MPF"), with the objective of holding the company liable for damages caused to federal roads by trucks carrying excess weight, involving the amount of R\$61.8 million at December 31, 2020 (R\$61.2 million in 2019). The action seeks to indemnify the country for collective pecuniary damages and pain and suffering. A decision was rendered in the principal case denying all claims made by the MPF. The case is awaiting judgment of appeal filed by MPF at the STJ.

Caustic soda transportation

The Company is the defendant in civil lawsuits filed by the owner of a former distributor of caustic soda and by the shipping company that provided services to this former distributor. The claimants seek indemnity for damages related to the alleged non-performance of the distribution agreement by the Company.

In June 2020, the parties entered into an agreement in which Braskem undertakes to pay, as indemnification, the amount of R\$7.4 million (R\$65.8 million in 2019). The agreement was approved and paid in October 2020 and, for such reason, said proceedings were concluded.

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Resale of solvents

In January 2017, the Company became defendant in a civil lawsuit filed by former reseller of solvents, claiming alleged breach of a tacit distribution agreement. The lawsuit is pending judgment. On December 31, 2020, the claims prepared by the other party amounted to R\$222.8 million (R\$204.6 million in 2019).

The risk of this claim is assessed as possible.

Recourse action of insurer

Action for indemnity filed by the insurer of a client of the Company. The insurer seeks, in recourse, reimbursement for the amount paid to the client under the insurance agreement entered into with the client, whose amount adjusted as of December 31, 2020 is R\$84.9 million (R\$77.7 million in 2019). According to the Insurer, the losses sustained by the client, reimbursed by the insurer, allegedly were caused by products supplied by Braskem outside of specifications. The action is pending judgment.

Hashimoto Public-Interest Civil Action

The Public-Interest Civil Action was filed in June 2018 by the São Paulo State Public Prosecutor's Office against the Company and other firms that operate in the Capuava Petrochemical Complex, claiming the reparation and/or remediation of environmental damages supposedly arising from the emission of pollutants into the air, as well as the joint judgement of companies that comprise said complex seeking environmental moral damages in the inflation-adjusted amount of R\$144.4 million (R\$126.5 million in 2019). Braskem filed its defense in December 2020. The defense of the other defendants and the subsequent decision of the judge is pending.

The Management of Braskem, based on its assessment and of its external legal advisors, believes that the lawsuit possibly will be dismissed within a period of eight years.

(c) Environmental

Public-Interest Civil Action filed in September 2011 by the Local Government of the city Ulianópolis in Pará State against Braskem and other companies, claiming reparation and/or remediation of environmental damages allegedly resulting from the delivery of waste to the company CBB, which had not disposed of it properly, polluting an area of the Municipality of Município de Ulianópolis, as well as the joint and several liability of these companies for the payment of indemnification for environmental damage in the adjusted amount of approximately R\$277 million. The companies filed their defense and the judge's decision is pending.

Management of Braskem, based on its assessment and of its external legal advisors, believes that the lawsuit possibly will be dismissed within a period of eight years.

(d) Social security

In 2012, the Company withdrew sponsorship of the plans Petros Copesul and Petros PQU, whose private pension entity was Petros, remaining the obligation established under the Sponsorship Withdrawal Instrument to pay the mathematical reserves of Members, pursuant to Complementary Law 109/2001, which was met in 2015. However, after the payment, several beneficiaries filed individual and collective action regarding various claims, such as: (i) Difference of the Individual Withdrawal Fund; (ii) Change in base date; (iii) age limiter; (iv)

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90% of supplementation; (vi) Return of Contributions; (vii) Difference in Savings Account Reserve; (viii) Objection against legality of Sponsorship Withdrawal.

Currently, this portfolio is composed of 801 (771 in 2019) active cases deemed as possible in terms of financial contingency, representing an estimated disbursement of R\$326.7 million (R\$29.4 million in 2019).

(e) Other lawsuits

Incentivized Preferred Shares

The Company currently is subject to the liquidation of an award related to a lawsuit filed in 1988, whose decision required Polialden Petroquímica S.A., a company merged into Braskem, to pay certain non-controlling shareholders that hold preferred shares in Polialden the distribution of the remaining net profit of the company.

The liquidation of award aims to determine the value of the dividends to be paid in accordance with the terms of the decision. The process is awaiting the start of the expert evidence.

This plaintiff is split into several matters. The Company recorded a provision of R\$16.9 million for matters whose possibility of an outflow of resources is probable. The ones whose chance of loss is assessed as possible amounted to R\$206.4 million.

Social security – hazardous agents

The Company is a party to other administrative proceedings and lawsuits, which claim: (i) payments related to tax-deficiency notices for additional contribution for Occupational Accident Risk ("RAT") to fund the special retirement plan due to the alleged exposure of workers to hazardous agents; as well as financial penalty for not disclosing it in GFIP (from April 1999 to February 2006); (ii) the assessment of premium for RAT in view of workers' alleged exposure to hazardous agents (noise and carcinogenic agents) in the period from January 2016 to July 2018; and (iii) the claim in a tax foreclosure, of said additional payment for RAT, related to periods from November 2000 to January 2001 and from November 2001 to June 2002.

After the new tax notice received in May 2020, the total amount of these proceedings on December 31, 2020 is approximately R\$182 million (R\$47 million in 2019).

Braskem's Management, based on its assessment and that of its external legal advisors, estimates that the probability of loss is possible and the administrative proceedings should be concluded by 2024, while the only current court proceeding should be concluded by 2028.

No deposit or any other type of guarantee for the proceedings still pending in the administrative instance have been made, and the only lawsuit is secured by a guarantee insurance.

24.3 Class action

On August 25, 2020, an action was filed against Braskem and some of its current and former executives in the US District Court for the District of New Jersey, in the United States, on behalf of an alleged class of investors who acquired Braskem's shares between March 21, 2019 and July 8, 2020. The action is grounded in the U.S. Securities Exchange Act of 1934 and its rules, based on allegations that the defendants made false statements or omissions related to the geological event in Alagoas. On January 15, 2021, the Court named two plaintiffs to act as lead plaintiffs in the action. On April 28, 2021, the lead plaintiffs of the action filed a consolidated complaint with its initial arguments. The Company engaged a specialized US-based law office to represent it in the class action.

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Braskem's Management, based on its assessment and that of its external legal advisors, and given the initial phase of the potential class action mentioned above, it is not possible at the moment to reliably estimate the potential amount involved.

Braskem cannot reliably predict the future developments of this matter or the expenses arising from it, including rates and costs in solving the dispute. The Company may be named as a defendant in other legal actions.

24.4 Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the Company's control. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain, an asset is recognised in the financial position statement because that asset is no longer considered contingent.

(i) Compulsory loans Eletrobrás – Centrais Elétricas Brasileiras S.A.

The compulsory loan in favor of Eletrobrás was established by Federal Law 4.156/62, to finance the energy industry and remained effective until 1993. It was collected through the energy bills of industrial consumers with monthly consumption equal to or higher than 2000kwh and, after successive amendments to the law, the reimbursement, plus compensatory interest of 6% per year, was extended to 20 years, which can be anticipated through conversion of credits into shares issued by Eletrobrás.

Between 2001 and 2009, the companies merged into Braskem S/A filed proceedings seeking the recovery of amounts related to differences in the inflation adjustment of the compulsory loan, interest on arrears and compensatory interest and other related payments.

The Company obtained a favorable final and unappealable decision in the cases of the merged companies Alclor Química de Alagoas Ltda., Companhia Alagoas Industrial – Cinal, Companhia Petroquímica do Sul S.A. – Copesul and Trikem S. A., which are in the execution phase, discussing the amounts to be effectively returned. The cases of the merged companies Ipiranga Petroquímica S.A., Petroquímica Triunfo Ltda. and Quattor Química S.A are in the cognizance phase.

The term, form and amount to be realized are still uncertain, so it is not possible to determine the amount to be received and, for such reason, the asset does not meet the conditions to be recorded in the financial statements.

(ii) Exclusion of ICMS from the PIS and COFINS calculation basis

The main federal tax credit refers to the exclusion of ICMS from the PIS/COFINS calculation basis. The Company and its merged companies filed various lawsuits claiming recognition of the right to exclude ICMS from the calculation base for PIS and COFINS and the consequent repetition of undue payment. The oldest period of the lawsuit dates back to 1991. In 2020, the final and unappealable decisions of the lawsuit filed by Braskem S.A. itself and of another lawsuit filed originally by a merged company were certified. As a result of these decisions, during 2020, the amount of R\$438,044 (R\$2,048,782 in 2019) related to surpluses of PIS and COFINS taxes were recognized, of which R\$310,557 was recorded under "Other operating income (expenses)" (R\$1,904,206 in 2019) and R\$127,488 under "Financial income" (R\$207,582 in 2019).

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Of the total tax credit recorded by the Company related to this topic, since 2019, R\$2,067,215 already has been offset. On December 31, 2020, the balance was R\$1,002,605, recorded under current assets. The balance on December 31, 2019 was R\$2,350,817 (current assets of R\$783,199 and non-current assets of R\$1,567,618).

With regard to the lawsuits with final and unappealable decisions, certain decisions involve expressly the credit calculation criteria, while others were more generic, only determining the exclusion of this tax. The Company, assisted by specialized third party consulting firm, proceeded with the measurement of these tax credits, basically considering the amount of ICMS stipulated on the sales invoices and other tax information on the accessory obligations to ensure the consistency of the calculations, grounded in the legal opinion.

The Company has other lawsuits about the same topic that are still pending a final and unappealable decision. The oldest period of these lawsuits pending decisions dates back to 1999. On December 31, 2020, the Company estimates future recognition of R\$2 billion.

25 Leniency agreement

Global Settlement with authorities

In the context of allegations of undue payments in connection with Operation Car Wash in Brazil, the Company hired external experts in investigation to conduct an independent investigation into such allegations ("Investigation") and to report their findings. The Company cooperated and continues to cooperate with government authorities from various jurisdictions, including the Department of Justice of the United States (DoJ), the Securities and Exchange Commission of the United States (SEC), the Federal Prosecution Office (MPF) and the Swiss Office of the Attorney General (OAG).

In December 2016, the Company entered into Leniency Agreements with the Federal Prosecution Office ("MPF Agreement") and with U.S. and Swiss authorities ("Global Settlement"), in the approximate amount of US\$957 million (approximately R\$3.1 billion, at the time), which were officially ratified as follows:

1. In Brazil, the MPF Agreement was ratified by the 5th Coordination and Review Chamber of the MPF on December 15, 2016, with ratification by the 13th Federal Court of Curitiba on June 6, 2017.
2. The agreement with the U.S. Department of Justice ("DoJ") was confirmed by a U.S. court ruling on January 26, 2017 ("Plea Agreement").
3. The agreement with the Securities and Exchange Commission ("SEC") was confirmed on February 28, 2017.

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4. The agreement with the Swiss authorities did not require ratification to produce effects; on December 21, 2016, the OAG concluded its investigations and issued an order to conclude the case based on the Company's collaboration.

As disclosed to the market on July 10, 2018 and as per the material fact notice on May 27, 2019, the Company engaged in a process of cooperation and negotiation with the Ministry of Transparency and the Office of The Federal Controller General ("CGU") and the Office of the Attorney General ("AGU"), which culminated in the execution of the leniency agreement with such authorities on May 31, 2019 ("CGU/AGU Agreement" and, jointly with the Global Settlement, "Agreements").

The CGU/AGU Agreement addresses the same facts that are the subject of the Global Settlement entered into in December 2016 and provides for an additional disbursement of R\$409,877 million due to the calculations and parameters adopted by CGU/AGU. As ratified by the Federal, funds under the MPF Agreement were allocated to the payment of the CGU/AGU Agreement (the outstanding installments of the MPF Agreement will benefit from CGU/AGU Agreement and will be updated by SELIC from the signed date of the CGU/AGU Agreement).

The AGU, CGU and MPF agreed to allocate most of the amounts received under the Agreements to the reparation of victims of the wrongdoings, including other public authorities and agencies, and to adopt monitoring measures of such third parties with which Braskem comes to start negotiations in connection with the matters under the Agreements, seeking to avoid the duplication of compensation.

Of the aggregate amount of the Agreements, the Company already has paid approximately R\$2.7 billion, as follows:

1. US\$94,894 (R\$296,591) to the DoJ, paid on February 8, 2017;
2. US\$65,000 (R\$206,460) to the SEC, paid on April 27, 2017;
3. CHF30,240 (R\$104,307) to the Swiss Office of the Attorney General, paid on June 27, 2017;
4. R\$736,445 to the MPF, paid on July 6, 2017;
5. R\$267,985 to the MPF, related to the first of six annual installments due by 2023, paid on January 30, 2018;
6. CHF16,065 (R\$62,021) to the Swiss Office of the Attorney General, related to the first of four annual installments due by 2021, paid on June 28, 2018;
7. R\$278,034 to the MPF, related to the second of six annual installments payable until 2023, paid on January 30, 2019;
8. CHF16,065 (R\$58,034) to the Swiss Office of the Attorney General, related to the second of four annual installments payable until 2021, paid on June 27, 2019;
9. R\$257,256 paid on January 30, 2020 to the Federal Government corresponding to the annual installment of the leniency agreements entered into with the MPF and with the CGU and AGU, as described above;
10. CHF16,065 (R\$92,586) to the Swiss Office of the Attorney General, related to the third of four annual installments payable until 2021, paid on June 30, 2020; and
11. R\$302,640 paid on February 1, 2021 to the Federal Government corresponding to the annual installment of the leniency agreements entered into with the MPF and with the CGU and AGU.

The amount of outstanding installments is approximately R\$1.1 billion and will be paid as follows:

1. CHF16,065 to the Swiss Office of the Attorney General, corresponding to last outstanding annual installments, due on June 30, 2021;
2. Approximately R\$1 billion under the MPF Agreement and CGU/AGU Agreement, in four annual installments adjusted by the variation in the SELIC rate and payable until January 30 of 2025. To guarantee payment of the installments of these installments coming due, Braskem gave as collateral assets from its property, plant and equipment corresponding to one annual installment.

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In 2019, the Company also began negotiations with the Bahia State and Rio Grande do Sul State Prosecution Offices. Both adhered to the MPF Agreement. No additional payments are expected to be made by the Company.

The Agreements do not exempt the company from other third parties, with legitimate interest, seeking indemnity for damages caused by the facts covered by the Agreements, including other authorities that seek to impose new pecuniary sanctions or fines or initiate new investigations into the Company. Therefore, even if the Company does not anticipate the need for any additional payment, it cannot guarantee that the total amount agreed will be sufficient for full reparation of all any injured parties.

The Company will continue to cooperate with the competent public authorities, while improving its compliance and anti-corruption practices. For the last three years, the Company was subject to external independent monitoring as a result of the Agreements. The monitors were responsible for verifying compliance with the Global Settlement, as well as the efficacy of internal controls, policies and procedures of the Company in reducing the risk of noncompliance with anti-corruption laws.

In March 2020, based on the certification report issued by the independent monitors, the MPF confirmed the end of the monitorship, the effectiveness of the Company's compliance program and the fulfillment of the obligations under the MPF Agreement. Subsequently, on May 13, 2020, the DoJ and the SEC confirmed the conclusion of the monitorship established under the agreements signed on December 21, 2016 ("Agreements") with said authorities. As per the Material Fact notice disclosed by the Company at the time, "the decision of the DoJ and SEC was based on a final report by the independent monitors that attested to the implementation, by the Company, of all the recommendations for structuring and executing its compliance program and that found said program in compliance with the standards established in the Agreements."

The Company is in compliance with all of its obligations under the Agreements.

26 Geological event - Alagoas

See accounting police in Note 3.2.3.

The Company operated, until May 2019, salt mining wells located in the city of Maceió, state of Alagoas, with the purpose of supplying raw material to its chlor-alkali and dichloroethane plant. Right after a geological phenomenon in the region in March 2018, the Company started studies through independent specialist institutions to identify the causes of the geological phenomenon and measures to be taken.

In May 2019, the Brazilian Geological Service ("CRPM") issued a report on the phenomenon claiming its causes were related to Braskem's salt mining operations. Despite this, the geological phenomenon of unknown causes continued to be investigated, and a series of studies were conducted. In view of these events, on May 9, 2019, Braskem decided to suspend its salt mining activities and the operation of its chlor-alkali and dichloroethane plant.

With the support of independent institutions and nationally and internationally renowned specialists, the Company conducted and has been conducting a series of studies focusing on: (i) understanding the geological phenomenon and possible surface effects; and (ii) analyzing the situation of the wells. The studies have been shared with the National Mining Agency ("ANM") and other pertinent authorities, with which the Company has been maintaining constant dialogue.

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On November 14, 2019, Braskem presented to the ANM measures for shutting down its salt mining fronts in Maceió, with measures for the closure of its wells, and proposed the creation of a protective area surrounding certain wells as a precautionary measure to ensure public safety. These measures are based on a study conducted by the Institute of Geomechanics of Leipzig ("IFG"), in Germany, an international reference in the geomechanical analysis of areas of salt extraction by dissolution, and are being adopted in coordination with the Brazilian Civil Defense and other authorities.

On January 3, 2020, the 3rd Federal Court of Alagoas ratified the Agreement to Support the Relocation of People in Risk Areas ("Agreement"), entered into by Braskem and the State Prosecution Office ("MPE"), the State Public Defender's Office ("DPE"), the Federal Prosecution Office ("MPF") and the Federal Public Defender's Office ("DPU", and in conjunction with the MPE, DPE and MPF, the "Authorities"). The Agreement establishes cooperative actions for relocating residents from risk areas and guaranteeing their safety, which provides support, under the Financial Compensation and Support for Relocation Program ("PCF") implemented by Braskem, for the population in specified risk areas.

In June 2020, the Company received from the Authorities an official letter informing it of the updating of the Map of Sectors of Damages and Priority Action Lines by the Civil Defense of Maceió ("Civil Defense Map"), which expanded the area to be relocated. On July 15, 2020, the Company and the Authorities signed the First Amendment to the Agreement to incorporate this expansion into the PCF.

In September 2020, specialized and independent technical studies commissioned by the Company and carried out by internationally recognized entities ("Studies") were concluded. The Studies presented the potential impacts from the geological event on the surface of the region, bringing an analysis of scenarios in the short and long run, which include areas identified by the Civil Defense Map of June 2020. The Studies were submitted to the competent Authorities for definition of possible actions to be taken under mutual agreement. Given the update of the Civil Defense Map, in September 2020, the Company and the Authorities agreed to include additional properties in the PCF, with the execution of the Instrument of Resolutions in October 2020.

In parallel, as previously disclosed, the Company has been negotiating with the competent authorities the Public-Interest Civil Action for Socio-environmental Reparation proposed by the MPF, related to the geological event in Alagoas.

On December 30, 2020, the Company and the Authorities executed:

(i) the Second Amendment to the Agreement dated January 3, 2020 ("Agreement for Compensation of Residents") through which the parties agreed to include in the Financial Compensation and PCF the relocation of additional properties defined by the Map of Sectors of the Civil Defense, which was updated in December 2020 to consider, among other information, the areas with future surface impacts, including in the long term, according to the Studies and comprising the area affected and with potential to be affected by the geological event according to these documents; and

(ii) the "Agreement to Dismiss the Public-Interest Civil Action on Socio-Environmental Reparation" and the "Agreement to define the measures to be adopted regarding the preliminary injunctions of the Public-Interest Civil Action on Socio-Environmental Reparation" with the MPF and MPE, the latter as intervening-consenting party (jointly referred to as "Agreement for Socio-Environmental Reparation"), both detailed in Note 26.1(ii). Moreover, the Agreement for Socio-Environmental Reparation envisages the inclusion of other parties, and should be negotiated in the coming months.

As assessed by the Company and its external advisors, considering the short- and long-term effects of technical studies and the existing information and better estimates of expenses for implementing several measures

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connected with the geological event in Alagoas, the provision recorded on December 31, 2020 is R\$9,175,777 with R\$4,349,931 under current liabilities and R\$4,825,846 under non-current liabilities. On December 31, 2019, the provision was R\$3,383,067, with R\$1,450,476 under current liabilities and R\$1,932,591 under non-current liabilities.

The following table shows the changes in the provision in the fiscal year:

	Consolidated
Balance at December 31, 2019	3,383,067
Provisions	7,116,146
Constitution of present value adjustment	(214,319)
	6,901,827
Write-offs (*)	(1,181,931)
Realization of present value adjustment	72,814
Balance at December 31, 2020	9,175,777
Current liability	4,349,931
Non-current liability	4,825,846
	9,175,777

(*) Of this amount, R\$1,137,736 refers to payments made and R\$44.195 was reclassified to suppliers.

The amounts included in the provision may be divided among the following action fronts:

- a. Support for relocating and compensating the residents and owners of the properties located in the risk protection and monitoring areas, including properties that require special measures for their relocation, such as hospitals, schools and public equipment.

For this action front, a provision was accrued in the amount of R\$5,227,254 (R\$5,194,627 net of adjustment to present value), which comprises expenses related to the relocation actions, such as relocation allowance, rent allowance, household goods transportation and the negotiation of individual agreements for compensation the residents and third parties affected.

- b. Actions for closing and monitoring the salt wells. Based on the findings of sonar and technical studies, Braskem has defined stabilization and monitoring actions for all 35 existing salt mining wells. For four of them, the recommendation is to be filled with solid material, a process that should take three years. For the other 31 wells, the recommended actions are: conventional closure using the buffering technique, which consists of pressuring the cavity, a method adopted worldwide for cavities post-operation; confirmation of natural filling status; and, for certain wells, monitoring using sonar. The monitoring system implemented by Braskem provides for actions to be developed during and after the closure of wells, which basically are as follows: (i) monitoring using sonar or through pressure and temperature measurement in salt cavities; (ii) subsidence monitoring system; (iii) monitoring of vibrations using seismographs and microseismographs; and (iv) monitoring by tiltmeter and e inclinometer.

The actions conducted by the Company are based on technical studies by contracted experts, with the recommendations presented to the competent authorities. The Company is implementing the actions approved by ANM.

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The plans to close wells have a certain level of uncertainty, given that they may be updated until the cavities reach stabilization. Continuous monitoring is essential for confirming the results of the current recommendations. In addition, the conclusion of the studies to confirm the natural filling of certain cavities and the assessment of the future behavior of cavities to be monitored using sonar could indicate the need for certain additional measures to stabilize them.

The total provision for implementing the measures defined for the 35 wells is R\$1,610,095 (R\$1,585,366 net of adjustment to present value). The amount was calculated based on existing techniques and solutions planned for the current conditions of the wells, including expenses with technical studies and their monitoring. The amount provisions could be changed in the future, in accordance with the results of the monitoring of the wells, the progress of implementing the plans to close wells, the monitoring of the ongoing measures and other possible natural alterations.

The definition of the necessary measures for the recovery of areas potentially impacted by the geological phenomena depends on a more concrete diagnosis of the situation of the area and further discussion between the Company and the competent authorities (including the ANM).

- c. Social and urban actions, in accordance with the Agreement for Socio-environmental Reparation signed on December 30, 2020, allocating R\$1,580,000 (R\$1,515,498 net of adjustment to present value) for the adoption of actions and measures in vacated areas, urban mobility and social compensation actions, with R\$300 million going to indemnification for social damages and collective pain and suffering and possible contingencies related to the actions in the vacated areas and urban mobility actions.
- d. Additional measures, for which the provision amounts to R\$899,934 (R\$880,286 net of adjustment to present value), for expenses with: (i) actions related to the Technical Cooperation Agreements entered into with the Civil Defense; (ii) the hiring of external advisors to support the execution of the relocation actions and compensation of the families; (iii) infrastructure to provide services to residents (Residents Center); (iv) expenses with managing the event in Alagoas related to communication, compliance, legal services, etc.; and (v) other matters classified as a present obligation for the Company, even if not yet formalized.

The Company's provisions are based on current estimates and assumptions and may be updated in the future due to new facts and circumstances, including timing changes, extension and way of execution; effectiveness of action plans, and the conclusion of current and future studies that indicate recommendations of experts, and other new developments on the topic.

Braskem continues to face and could still face various lawsuits filed by individuals or legal entities not included in the PCF or that disagree with the individual proposal of the agreement, as well as potential claims by public utility concessionaires.

The measures related to the mine closure plan are subject to the analysis and approval of ANM, the monitoring of results of the measures and implementation, as well as the changes related to the dynamic nature of geological events.

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The actions to repair, mitigate or offset potential environmental impacts and damages, as provided for in the Socio-environmental Reparation Agreement, to be financed by Braskem, will be defined after the conclusion of the Environmental Diagnosis, to be conducted by a specialized and independent company. At this time, it is impossible to predict the outcome of these Environmental Diagnosis studies or their potential implications for additional disbursements to the costs already provisioned for by the Company. Furthermore, the Socio-Environmental Reparation Agreement envisages the potential adherence by other parties, including the municipality of Maceió, which is under negotiation and will continue over the coming months. To date, the Company cannot predict the results of any discussions or any of their associated costs.

Therefore, the Company cannot eliminate the possibility of future developments related to the topic or related expenses, and the costs to be incurred by Braskem may differ from its estimates.

The Company is negotiating with its insurers the coverage of its insurance policies. The payment of compensation will depend on technical assessment of the insurance coverage under these policies, taking into consideration the complexity of the subject. For this reason, no payment of compensation was recognized in the financial statements of the Company.

26.1 Lawsuits pending

In the context of this event, the following lawsuits were filed against the Company:

(i) Public-Interest Civil Action (ACP) filed by the Alagoas State Prosecution Office (MPE) and the Alagoas State Public Defender's Office – Reparation for Residents

Public-Interest Civil Action for Socio-environmental Reparation claiming the payment of indemnification for damages caused to the buildings and the residents of areas affected in the Pinheiros district and surrounding areas (currently includes the Mutange, Bebedouro and Bom Parto districts), in the total minimum amount of R\$6.7 billion, with initial request for provisional measure to freeze the Company's financial and other assets in the same amount. Successive orders to freeze funds resulted in the court blocking of R\$3.7 billion (*) in assets, with the issue by the Company of a performance bond in the total amount of R\$6.4 billion. Once the case reached the Federal Courts, the Federal Prosecution Office started to participate in the action.

(*) The unfreezing occurred in January 2020. On December 31, 2019, the updated amount is presented in the caption judicial deposits in current assets in the amount of R\$2,571,683 and in non-current assets in the amount of R\$1,174,424 corresponding to the long-term portion of the payment schedule.

The first agreement under the Public-Interest Civil Action for Socio-environmental Reparation was approved on January 3, 2020. The Agreement to Support the Relocation of People in Risk Areas ("Agreement"), entered into by Braskem and the State Prosecution Office ("MPE"), the State Public Defender's Office ("DPE"), the Federal Prosecution Office ("MPF") and the Federal Public Defender's Office ("DPU", and jointly with the MPE, DPE and MPF, the "Authorities"), establishes cooperative actions for relocating people in risk areas and guaranteeing their safety, which provides support, under the Financial Compensation and Support for Relocation Program ("PCF") implemented by Braskem, for the population in specified risk areas. The Agreement enabled the unfreezing of the Company's assets, the replacement of the former performance bond policies for two new policies in the aggregate amount of R\$3 billion (with R\$2 billion as guarantee of this ACP and R\$1 billion for guaranteeing the ACP described in item (ii) below) and the cessation of new asset freezing orders.

In July 2020, the first Amendment to the Agreement was executed to include properties in the relocation area and support under the PCF, based on the update of the Map of Sectors of Damages and Priority Action Lines by the Civil Defense of Maceió ("Civil Defense Map"). The Company and the Authorities agreed to include properties in the service area in October, as a result of a new update of the Civil Defense Map after the conclusion of the independent technical and specialized studies engaged by the Company, which indicated potential impacts from the geological event on the region's surface ("Studies").

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On December 30, 2020, the Company and the Authorities executed a second amendment to the Agreement (“Agreement for Compensation of Residents”) to dismiss the Public-Interest Civil Action, through which the parties agreed to include in PCF the relocation of additional properties defined in the most recent version of the Civil Defense Map and in the Studies. The Agreement for Compensation of Residents includes the area currently affected by the geological event, according to the Civil Defense, and the areas with potential future impacts indicated in the Studies. The Company estimates that the total number of properties covered by PCF after the execution of the second amendment is around 15,000 properties.

Moreover, the Company and the Authorities agreed to: (i) created a technical group to monitor the geological event and study the areas adjacent to the Civil Defense Map for a period of five years; (ii) transfer R\$1 billion to Braskem’s bank account specifically to cover the costs of the PCF, in ten monthly installments of R\$100 million each, starting in January 2021; and (iii) reduce the performance bond in force, from R\$2 billion to R\$1.8 billion.

With the approval by the courts of the Agreement for Compensation of Residents on January 6, 2021, this Public-Interest Civil Action was dismissed.

To implement the actions envisaged in the Agreement, the Company undertook to maintain R\$2.7 billion in a checking account (R\$1.7 billion under the Agreement and an additional R\$1 billion under the Amendment), with minimum working capital of R\$100 million, whose transactions will be verified by an external audit company. On December 31, 2020, arising from the costs incurred during 2020 related to the PCF, the balance of this checking account corresponded to R\$1,322,725 under current assets. During 2021, the Company will allocate R\$1 billion to this checking account, in ten monthly installments of R\$100 million starting January 2021, as provided for in the Agreement for Compensation of Residents.

(ii) Public-Interest Civil Action filed by the Alagoas State Federal Prosecution Office (MPF-AL) – Social-environmental reparation

Public-Interest Civil Action claiming the payment by the Company of indemnification for socio-environmental damages and other collective damages, as well as the adoption of corrective and environmental compliance measures, with preliminary injunction requiring the freezing of assets, suspension of borrowings with the BNDES, formation of an own private fund in the initial amount of R\$3.1 billion and the pledging of guarantees in the amount of R\$20.5 billion. The original amount of the action, initially at R\$28.3 billion, was adjusted by a court decision to R\$27.6 billion.

In January 2020, the judge of the 3rd Federal Court of Alagoas denied the preliminary requests of the MPF, which filed appealed the decision. To avoid the risk of any new freezing of funds arising from this action, the Company presented a performance bond in the amount of R\$1 billion in the process, as defined in the Agreement described in item (i) above.

On December 30, 2020, the Agreement for Socio-environmental Reparation was executed, with the Company mainly undertaking to: (i) adopt the necessary measures to stabilize the cavities and monitor the soil; (ii) repair, mitigate or compensate potential impacts and environmental damages arising from salt mining in the municipality of Maceió; and (iii) repair, mitigate or compensate potential impacts and social and urban damages arising from salt mining in the municipality of Maceió, as detailed below:

(i) To stabilize the cavities and monitor the soil, the Company will continue to implement the action plans involving the closure of mines prepared by Braskem and pending approval by the ANM, whose measures can be adjusted until the stability of cavities is verified.

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(ii) Regarding the potential environmental impacts and damages resulting from salt mining in the municipality of Maceió: as agreed with the MPF, the Company hired a specialized independent company to identify and recommend measures for recovering, mitigating or compensating any environmental impacts identified as the result of salt mining activities in Maceió. After the study is concluded, the Company will implement and pay for any measures recommended by the study and agreed upon between the Company and the MPF. Since the study is in progress, we cannot anticipate its outcome or if it will entail additional provisions.

(iii) Regarding potential impacts and social and urban damages arising from salt mining in the city of Maceió: to allocate the total amount of R\$1,280 million to adopt actions and measures in vacated areas, urban mobility actions and social compensation actions.

Moreover, the Company and the MPF agreed to: (i) allocate the additional amount of R\$300 million for indemnification for social and collective pain and suffering and possible contingencies related to actions in vacated areas and in urban mobility actions; (ii) constitute a security interest on certain assets of the Company in the amount of R\$2.8 billion to replace the performance bond of R\$1 billion; and (iii) engage specialized consulting firms to support the definition of actions established in the Agreement for Socio-environmental Reparation and the update of the Company's socio-environmental compliance program.

With court approval of the Agreement for Socio-environmental Reparation on January 6, 2021, the Public-Interest Civil Action for Socio-environmental Reparation was dismissed with regard to Braskem. Moreover, this agreement provides for the possibility of including other parties, at the discretion of the main parties.

(iii) Action for Damages – Pinheiro District Property

Action for Damages filed by Construtora H. Lobo (under court-supervised reorganization), a Contractor that claimed it suffered damages and loss of profits due to an agreement to purchase from Braskem a property in the District of Pinheiro. Said agreement was terminated by Braskem due to lack of payment by the Contractor. Nevertheless, the Contractor claims that Braskem omitted information on the existence of structural problems in the deactivated salt mining wells located on said property. As of December 31, 2020, the amount of this action is R\$181 million.

The Management, supported by the opinion of the external legal advisors, classifies the probability of loss in this case as possible.

(iv) Civil Investigation – Urban Damages

On June 19, 2020, the Company took cognizance of the Civil Investigation launched by the Alagoas State Prosecution Office (MPE) to: (i) calculate the extent of the urban damages caused by the geological event that occurred in Maceió; (ii) seek, jointly with those entitled, necessary and adequate architectural solutions for the destination, restoration and or use of the cited empty spaces left in the districts impacted; (iii) calculate, if applicable, potential compensatory liabilities for the damages caused to the urban order.

On July 13, 2020, the Company was requested to provide preliminary information on the planned use of the region. The object of this Investigation is similar to that of the Public-Interest Civil Action filed by the Federal Prosecution Office in Alagoas related to socio-environmental damages referred to in item (ii) above. In the Socio-environmental Reparation Agreement, executed on December 30, 2020 with the intervention of the MPE, the extinction of the investigation was agreed. On January 21, 2021, was determined the dismissal and the establishment of an administrative procedure was determined, with a view to monitoring and inspecting compliance with the Socio-environmental Reparations Agreement.

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(v) Individual actions – Indemnifications related to the impacts of subsidence and relocation of areas affected

On December 31, 2020, Braskem was defendant in several actions, that, in aggregate, involve the amount of approximately R\$573 million, filed by individuals in Brazil and abroad, seeking the payment of indemnifications related to the geological event in Maceió.

(vi) Indemnifying actions - Companhia Brasileira de Trens Urbanos (“CBTU”)

According to Note 37(c), on February 2, the Company was notified of a preliminary injunction requested by the Brazilian Company of Urban Trains (*Companhia Brasileira de Trens – CBTU*) to maintain the terms of the cooperation agreement signed previously by the parties. The request was denied in the first and second instances, given the fulfillment of the obligations undertaken by Braskem. On February 24, CBTU presented an amendment to the preliminary injunction to claim the payment of damages in the amount of R\$ 222,100, as well as obligations to do, including the construction of a new rail line to substitute the stretch that passes through the vacated area. CBTU attributes to the claim the approximate amount of R\$1.3 billion.

The Management, supported by the opinion of the external legal advisors, classifies the probability of loss in this case as possible. No judicial deposit or any other type of guarantee has been made.

26.2 Industrial activity

Since the shutdown of its salt mining activities, the Company has been working to adapt its chlor-alkali plant to operate with solid salt to be acquired in the domestic market and/or imported from other regions. The Company resumed its industrial activities in December 2020.

27 Benefits offered to team members**27.1. Short-term benefits**

The obligations of short-term benefits for employees are recognized as personnel expenses as the corresponding service is rendered. The liability is recognized at the amount of the expected payment if the Company has a legal or constructive obligation to pay the amount due to services rendered by an employee in the past and the obligation can be reliably estimated.

	2020	2019	2018
Health care	197,683	181,466	162,338
Private pension	94,302	90,687	84,525
Transport	66,752	67,761	64,714
Feeding	38,400	35,677	33,537
Life insurance	9,875	7,997	5,964
Training	14,892	26,261	27,463
Other	14,117	12,164	12,307
	436,021	422,013	390,848

Long-term incentive plan (“ILP Plan”)

The fair value at the issue date of share-based payments granted to employees is recognized as personnel

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expenses, with a corresponding increase in shareholders' equity, during the period the employees acquire the full right to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which there is an expectation that the service and performance requirements will be fulfilled, so that the final amount recognized as an expense is based on the number of awards that effectively fulfill the service and performance conditions on the vesting date. For share-based payment awards with non-vesting conditions, the fair value at the grant date of the share-based awards is measured to reflect such conditions and no further adjustments are made for the differences between the expected and actual results. The fair value of the amount payable to employees related to rights on stock price appreciation, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities during the period in which the employees acquire the full right to the payment. The liabilities are remeasured on each reporting date and on the settlement date, based on the fair value of the rights to stock price appreciation. Any changes in the fair value of the liability are recognized in the income statement as personnel expenses.

On March 21, 2018, the Extraordinary Shareholders Meeting approved the Long-Term Incentive Plan to align the interests of its participants with the interests of the Company's shareholders, as well as to encourage the participants to stay at the Company, with the purpose to provide eligible participants with an opportunity to receive restricted shares in the Company by means of voluntary investment using own funds and their maintenance until the end of the 3-year vesting period.

On March 28, 2018, the Board of Directors approved a new program, the "Long-Term Incentive Plan 2018 Program," under the terms and conditions of the Long-Term Incentive Plan, which includes a list of eligible people, the period for acquisition of own shares by the participants and the number of restricted shares to be delivered to participants as consideration for each share acquired. The maximum number of shares the Company expects to deliver to the participants of the Long-Term Incentive 2019 Program, after the vesting period and provided that the necessary requirements are met, is approximately 728,000 shares. The grant date of the program was April 6, 2018.

On March 13, 2019, the Board of Directors approved a new program, the "Long-Term Incentive Plan 2019 Program," under the terms and conditions of the Long-Term Incentive Plan, which includes a list of eligible people, the period for acquisition of own shares by the participants and the number of restricted shares to be delivered to participants as consideration for each share acquired. The maximum number of shares the Company expects to deliver to the participants of the Long-Term Incentive 2019 Program, after the vesting period and provided that the necessary requirements are met, is approximately 582,000 shares. The grant date of the program was March 19, 2019.

On March 19, 2020, the Board of Directors approved a new program, the "ILP Plan 2020," in accordance with the terms and conditions of the ILP Plan, which includes the list of eligible persons, the deadline for acquiring own shares by participants and the number of restricted shares to be delivered to participants as matching contribution for each own share acquired. The maximum number of shares the Company expects to deliver to the participants of the ILP Program 2020, after the vesting period and subject to compliance with all necessary requirements, is approximately 1.82 million shares. The program's grant date is April 1, 2020.

The shares to be delivered by the Company to participants of the ILP Program 2018 are those currently held in treasury or acquired through repurchase programs, and in the event said shares cannot be delivered, the Company will pay participants in cash the amount corresponding to the shares, based on the quote on the stock exchange on the second business day immediately prior to the respective payment date.

The fair value of the Company's consideration is calculated in accordance with the agreed terms. For the eligible people of the Braskem S.A., the fair value considers the price of the class A preferred shares (R\$16.27, referring exclusively to the ILP 2020 grant). For the eligible people of subsidiaries abroad, the fair value

considers the price of the American Depository Receipts - ADR (US\$9.01) on December 31, 2020.

The fair value, net of taxes, recorded under shareholders equity on December 31, 2020 is R\$11,629 (R\$13,573 on December 31, 2019).

27.2. Post-employment benefits

27.2.1. Retirement plans and health plans

The Company's net obligation for defined benefit plans is calculated for each of the plans based on the estimated amount of future benefit that employees will receive in return for services rendered in the current and prior periods. Such amount is discounted to its present value and is reported net of the fair value of any of the plan's assets. The calculation of the obligation of the defined benefit plan is made annually by a qualified accountant using the projected unit credit method.

When calculations result in a potential asset for the Company, the asset to be recognized is limited to the present value of economic benefits available as future plan reimbursements or as a reduction in future contributions to the plan. To calculate the present value of economic benefits, any applicable minimum cost requirements are taken into account. Remeasurements of net obligation, which include: actuarial gains and losses, return on plan assets (excluding interest) and the effects of the asset cap (if any, excluding interest), are immediately recognized in other comprehensive income.

The obligations for contributions to defined contribution plans are recognized in profit or loss as personnel expenses when the related services are provided by employees. The contributions paid in advance are recognized as an asset to the extent that a cash reimbursement or a reduction in future payments is possible.

For each of the below plans, the Company engaged a specialized company to prepare an actuarial report for measuring its future obligations.

(a) Braskem America

The subsidiary Braskem America administers the Novamont, which is a closed defined benefit pension plan for the employees of a plant located in the State of West Virginia. On December 31, 2020, there were 37 active participants, 151 employees with deferred benefits along with 170 participants (38 active participants, 157 employees with deferred benefits and 171 assisted participants in 2019) receiving benefits as stated within the current year actuarial report. Due to the current funding levels of the pension plan, Braskem America was not required to contribute to the plan during the 2020 plan year and, therefore, there were no additional cash contributions made by the subsidiary or the participants in 2020 and 2019.

(b) Braskem Alemanha ("Germany")

The subsidiary Braskem Alemanha is the sponsor of the defined benefit plans and defined contribution plans of its employees. At December 31, 2020, the plan has 158 participants (158 in 2019) and no contributions were made by Braskem Alemanha of the participants in 2020 and 2019.

(c) Braskem Holanda ("Netherlands")

The subsidiary Braskem Holanda is the sponsor of the defined contribution plans of its employees. At December 31, 2020, the plans have 8 participants (8 in 2019) and no contributions were made by Braskem Holanda or the participants in 2020 and 2019.

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(d) Braskem Idesa

The subsidiary Braskem Idesa is the sponsor of defined benefit plans for its team members. At December 31, 2020, the plan was composed of 833 active participants (823 in 2019). The contributions Braskem Idesa made in the year amounted to R\$3,037 (R\$2,056 in 2019). During 2020 and 2019, there were no contributions from participants.

(e) Health plan

According to Brazilian laws, the type of health plan offered by the Company, named contributory plan, ensures to the participant who retires or is dismissed without cause the right to remain in the plan with the same assistance coverage conditions they had during the employment term, provided they assume the full payment of the plan (Company's part + participant's part).

(i) Amounts in statement of financial position

	2020	2019
Defined benefit		
Novamont Braskem America	113,662	80,593
Braskem Idesa	17,243	11,408
Braskem Alemanha and Netherlands	239,955	153,564
	370,860	245,565
Health care		
Bradesco saúde	217,089	224,852
Total obligations	587,949	470,417
Fair value of plan assets		
Novamont Braskem America	(113,662)	(79,784)
Braskem Alemanha	(2,213)	(1,558)
	(115,875)	(81,342)
Consolidated net balance (non-current liabilities)	472,074	389,075

(ii) Change in obligations

	2020			2019			Consolidated 2018		
	Health insurance	Benefit plans	Total	Health insurance	Benefit plans	Total	Health insurance	Benefit plans	Total
Balance at beginning of year	224,852	245,487	470,339	90,679	183,609	274,288	83,233	156,957	240,190
Current service cost	4,678	12,486	17,164	2,698	8,233	10,931	1,398	5,842	7,240
Interest cost	17,097	6,482	23,579	8,663	6,133	14,796	8,293	4,906	13,199
Benefits paid	(5,949)	(7,409)	(13,358)	(5,817)	(4,677)	(10,494)	(2,669)	(3,845)	(6,514)
Change plan					8,068	8,068		1,391	1,391
Actuarial losses (gain)	(23,589)	25,803	2,214	128,629	38,437	167,066	424	(3,713)	(3,289)
Exchange variation		87,933	87,933		5,684	5,684		22,149	22,149
Balance at the end of the year	217,089	370,782	587,871	224,852	245,487	470,339	90,679	183,687	274,366

(iii) Change in fair value plan assets

Notes to the consolidated financial statements

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	2020	2019	2018
Balance at beginning of year	81,342	67,993	46,415
Actual return on plan assets	15,791	14,329	(3,200)
Employer contributions		285	20,544
Benefits paid	(4,973)	(3,966)	(3,712)
Exchange variation	23,715	2,701	7,868
Balance at the end of the year	115,875	81,342	67,915

(iv) Amounts recognized in profit and loss

	2020			2019			Consolidated 2018		
	Health insurance	Benefit plans	Total	Health insurance	Benefit plans	Total	Health insurance	Benefit plans	Total
Current service cost	4,678	12,486	17,164	2,698	8,233	10,931	1,398	5,842	7,240
Interest cost	17,097	6,482	23,579	8,663	6,133	14,796	8,293	4,906	13,199
Actuarial losses		15,461	15,461		28,936	28,936		2,500	2,500
	21,775	34,429	56,204	11,361	43,302	54,663	9,691	13,248	22,939

(v) Actuarial assumptions

	2020					2019					2018 (%)			
	Health insurance	United States	Mexico	Germany	Netherlands	Health insurance	United States	Mexico	Germany	Netherlands	Health insurance	United States	Germany	Netherlands
Discount rate	3.99	2.60	7.25	0.70	0.70	3.60	3.35	7.25	2.00	2.00	5.03	4.45	2.00	2.00
Inflation rate	3.25	n/a	4.00	2.00	2.00	4.00	n/a	4.00	2.00	2.00	4.50	n/a	2.00	2.00
Expected return on plan assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rate of increase in future salary levels	n/a	n/a	5.00	3.00	3.00	n/a	n/a	5.00	3.00	3.00	n/a	n/a	3.00	3.00
Rate of increase in future pension plan	n/a	n/a	n/a	1.75	1.75	n/a	n/a	n/a	1.75	1.75	n/a	n/a	1.75	1.75
Aging factor	2.50	n/a	n/a	n/a	n/a	2.50	n/a	n/a	n/a	n/a	2.50	n/a	n/a	n/a
Medical inflation	3.50	n/a	n/a	n/a	n/a	3.50	n/a	n/a	n/a	n/a	3.50	n/a	n/a	n/a
Duration	14.99	n/a	n/a	n/a	n/a	15.32	n/a	n/a	n/a	n/a	19.66	n/a	n/a	n/a

(vi) Fair value of assets hierarchy

On December 31, 2020, the balance of the fair value of assets is represented by the assets of the Novamont defined benefit plan, which has a level-1 fair value hierarchy.

(vii) Sensitivity analysis

	Premise change					Premise increase					Impact on the defined benefit obligation				
	Health insurance	United States	Mexico	Germany	Netherlands	Health insurance	United States	Mexico	Germany	Netherlands	Health insurance	United States	Mexico	Germany	Netherlands
Discount rate	1.0%	1.0%	1.0%	0.5%	0.5%	26,427	15,262	1,502	23,415	1,248	(32,925)	(13,210)	(1,796)	(27,317)	(1,446)
Real medical inflation	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rate of increase in future salary levels	n/a	n/a	n/a	0.5%	0.5%	n/a	n/a	n/a	14,158	740	n/a	n/a	n/a	(13,353)	(698)
Rate of increase in future pension plan	1.0%	n/a	n/a	0.25%	0.25%	(5,335)	n/a	n/a	6,978	365	5,391	n/a	n/a	(6,772)	(354)
Life expectancy	1.0%	n/a	n/a	1 year	1 year	41,186	n/a	n/a	5,985	313	(32,503)	n/a	n/a	(6,247)	(327)
Mortality rate	n/a	10.0%	n/a	n/a	n/a	n/a	6,215	n/a	n/a	n/a	n/a	(1,662)	n/a	n/a	n/a

	Health insurance - Impact on cost of services and interests costs					
	Premise change		Premise increase		Premise reduction	
	Cost of services	Interests costs	Cost of services	Interests costs	Cost of services	Interests costs
Discount rate	1.0%	1.0%	774	22	(1,017)	112
Life expectancy	1.0%	1.0%	654	3,035	(543)	(2,395)
Rate of increase in future pension plan	1.0%	1.0%	116	393	(120)	(397)

27.2.2. Retirement plan - defined contribution

The Company and the subsidiaries in Brazil sponsor a defined contribution plan for its team members managed by Vexty, a private pension plan entity. Vexty offers its participants, which are employees of the sponsoring companies, an optional defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts. For this plan, the sponsors pay contributions to private pension plan on contractual or voluntary bases. As soon as the contributions are paid, the sponsors do not have any further obligations related to additional payments.

At December 31, 2020, the number of active participants in Vexty sums 5,834 (5,764 in 2019) and the contributions made by the sponsors in the year amount to R\$46,689 (R\$50,888 in 2019) and the contributions made by the participants amounted to R\$74,980 (R\$74,814 in 2019).

28 Equity

(a) Capital

On December 31, 2020 and 2019, the Company's subscribed and paid up capital stock amounted to R\$8,043,222 and comprised 797,218,554 shares with no par value, distributed as follows:

							Amount of shares	
	Common shares	%	Preferred shares class A	%	Preferred shares class B	%	Total	%
Novonor	226,334,623	50.11	79,182,498	22.95			305,517,121	38.33
Petrobras	212,426,952	47.03	75,761,739	21.96			288,188,691	36.15
ADR			29,268,378	8.48			29,268,378	3.67
Other	12,907,077	2.86	159,612,179	46.26	500,230	100.00	173,019,486	21.70
Total	451,668,652	100.00	343,824,794	99.65	500,230	100.00	795,993,676	99.85
Treasury shares			1,224,878	0.35			1,224,878	0.15
Total	451,668,652	100.00	345,049,672	100.00	500,230	100.00	797,218,554	100.00
Authorised	535,661,731		616,682,421		593,818		1,152,937,970	

(i) American Depositary Receipts traded on the New York Stock Exchange (USA).

Changes in shares during the year:

	Note	Amount of shares	
		2019	2020
Outstanding shares			
Common shares		451,668,652	451,668,652
Preferred shares class A	(d)	343,823,073	343,824,794
Preferred shares class B		500,230	500,230
		795,991,955	795,993,676
Treasury shares			
Preferred shares class A	(d)	1,226,599	1,224,878
Total		797,218,554	797,218,554

(b) Capital reserves

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This reserve includes part of the shares issued in Subsidiary's several capital increases. This reserve can be used to absorb losses, to redeem, reimburse or purchase shares, and to incorporate into the capital stock.

The Company used the balance of this reserve to absorb the loss of the year 2020.

(c) Profit reserves

(i) Legal reserve

Under Brazilian Corporation Law, companies must transfer 5% of net profit for the year to a legal reserve until this reserve is equivalent to 20% of the paid-up capital. The legal reserve can be used for capital increase or absorption of losses.

The Company used the balance of this reserve to absorb the accumulated losses of the year of 2020.

(ii) Profit retention

Under Brazilian Corporation Law, portions of the net income of the year not allocated for distribution to the shareholders or other reserve accounts must be allocated to the income retention account.

The Company used the balance of this reserve to absorb the accumulated losses of the year of 2020.

(d) Share rights

Preferred shares carry no voting rights, but they ensure priority, non-cumulative annual dividend of 6% of their unit value, according to profits available for distribution. The unit value of the shares is obtained through the division of capital by the total number of outstanding shares. As common shares, only class "A" preferred shares will have the same claim on the remaining profit that exceed the minimum mandatory dividend of 6% and will be entitled to dividends only after the priority dividend is paid to preferred shareholders. Only class "A" preferred shares also have the same claim as common shares on the distribution of shares resulting from capitalization of other reserves. Class "A" preferred shares can be converted into common shares upon resolution of majority voting shareholders present at a General Meeting. Class "B" preferred shares can be converted into class "A" preferred shares at any time, at the ratio of two class "B" preferred shares for one class "A" preferred share, upon a simple written request to the Company, provided that the non-transferability period provided for in specific legislation that allowed for the issue and payment of such shares with tax incentive funds has elapsed.

In the period, the Company transferred to former employees 1,721 treasury shares as payment for the LTI Program (8,159 in 2019).

(e) Accumulated losses

The balance of accumulated losses in the year was partially absorbed by the profit reserves and capital reserves, as follows:

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	<u>2020</u>
Loss for the year	(6,691,720)
Equity valuation adjustments:	27,043
Other	<u>(2,585)</u>
Adjusted loss	(6,667,262)
Absorption through the use of reserves:	
Revenue reserves	
Retention of profits	1,174,301
Tax incentive	153,478
Legal reserve	<u>577,476</u>
	1,905,255
Capital reserve	232,460
Accumulated losses for the year	<u>(4,529,547)</u>

Notes to the consolidated financial statements

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(f) Other comprehensive income

	Deemed cost and additional indexation of PP&E (ii)	Fair value adjustments (iii)	Gain (loss) on interest in subsidiary (i)	Foreign sales hedge (iv)	Cash flow hedge (iv)	Attributed to shareholders' interest			Non-controlling interest in Braskem Idesa	Total
						Defined benefit plans actuarial Gain (loss) (v)	Foreign currency translation adjustment (vi)	Total Braskem shareholders' interest		
On December 31, 2017	178,893		(9,404)	(6,358,242)	(145,267)	(52,005)	1,220,533	(5,165,492)	(477,975)	(5,643,467)
Additional indexation										
Realization by depreciation or write-off assets	(40,481)							(40,481)		(40,481)
Income tax and social contribution	13,764							13,764		13,764
Deemed cost of jointly-controlled investment										
Realization by depreciation or write-off assets	(1,458)							(1,458)		(1,458)
Income tax and social contribution	496							496		496
Fair value adjustments										
Accounts receivable		(449)						(449)		(449)
Foreign sales hedge										
Exchange rate				(3,133,346)				(3,133,346)	4,170	(3,129,176)
Transfer to result				1,200,209				1,200,209	59,143	1,259,352
Income tax and social contribution				664,864				664,864	(18,994)	645,870
Fair value of Cash flow hedge										
Change in fair value					(196,790)			(196,790)	7,722	(189,068)
Transfer to result					26,964			26,964	10,386	37,350
Income tax and social contribution					59,914			59,914	(5,433)	54,481
Fair value of cash flow hedge from jointly-controlled (RPR)					(2,329)			(2,329)		(2,329)
Actuarial loss with post-employment benefits, net of taxes						(1,569)		(1,569)		(1,569)
ILP Plan fair value										
Change in fair value		9,297						9,297	133	9,430
Income tax and social contribution		(2,891)						(2,891)		(2,891)
Foreign currency translation adjustment							946,342	946,342	(145,119)	801,223
(Loss) gain from investments			(65)					(65)	65	
On December 31, 2018	151,214	5,957	(9,469)	(7,626,515)	(257,508)	(53,574)	2,166,875	(5,623,020)	(565,902)	(6,188,922)
Additional indexation										
Realization by depreciation or write-off assets	(40,481)							(40,481)		(40,481)
Income tax and social contribution	13,764							13,764		13,764
Deemed cost of jointly-controlled investment										
Realization by depreciation or write-off assets	(1,338)							(1,338)		(1,338)
Income tax and social contribution	455							455		455
Fair value adjustments										
Accounts receivable		15						15		15
Foreign sales hedge										
Exchange rate				(507,464)				(507,464)	116,202	(391,262)
Transfer to result				1,585,480				1,585,480	66,787	1,652,267
Income tax and social contribution				(344,567)				(344,567)	(54,897)	(399,464)
Fair value of Cash flow hedge										
Change in fair value					7,150			7,150	(23,078)	(15,928)
Transfer to result					54,450			54,450	16,752	71,202
Income tax and social contribution					(21,703)			(21,703)	1,898	(19,805)
Fair value of cash flow hedge from jointly-controlled (RPR)					(978)			(978)		(978)
Actuarial loss with post-employment benefits, net of taxes						(109,492)		(109,492)		(109,492)
ILP Plan fair value										
Change in fair value		19,415						19,415	348	19,763
Income tax and social contribution		(5,842)						(5,842)		(5,842)
Foreign currency translation adjustment							220,228	220,228	(83,506)	136,722
(Loss) gain from investments							(50)	(50)	(34)	(84)
Effect of CPC 42 / IAS 29 - hyperinflation							(3,561)	(3,561)		(3,561)
On December 31, 2019	123,614	19,545	(9,469)	(6,893,066)	(218,589)	(163,066)	2,383,492	(4,757,539)	(525,430)	(5,282,969)

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	Attributed to shareholders' interest							Non-controlling interest in Braskem Idesa	Total
	Deemed cost and additional indexation of PP&E (ii)	Fair value adjustments (iii)	Gain (loss) on interest in subsidiary (i)	Foreign sales hedge (iv)	Cash flow hedge (iv)	Defined benefit plans actuarial Gain (loss) (v)	Foreign currency translation adjustment (vi)	Total Braskem shareholders' interest	
On December 31, 2019	123,614	19,545	(9,469)	(6,893,066)	(218,589)	(163,066)	2,383,492	(4,757,539)	(5,282,9
Additional indexation									
Realization by depreciation or write-off assets	(39,853)						(39,853)		(39,8
Income tax and social contribution	13,551						13,551		13,5
Deemed cost of jointly-controlled investment									
Realization by depreciation or write-off assets	(1,123)						(1,123)		(1,1
Income tax and social contribution	382						382		382
Fair value adjustments									
Accounts receivable		113					113		113
Foreign sales hedge									
Exchange rate				(7,215,247)			(7,215,247)	(111,363)	(7,326,6
Transfer to result				2,547,855			2,547,855	117,932	2,665,7
Income tax and social contribution				1,587,701			1,587,701	(1,965)	1,585,7
Fair value of Cash flow hedge									
Change in fair value					(545,038)		(545,038)	7,613	(537,4
Transfer to result					(47,223)		(47,223)	(15,742)	(62,9
Income tax and social contribution					200,393		200,393	2,439	202,3
Fair value of cash flow hedge from jointly-controlled (RPR)					1,260		1,260		1,2
Actuarial loss with post-employment benefits, net of taxes						(648)	(648)	1	(6
ILP Plan fair value									
Change in fair value		16,452					16,452	(415)	16,0
Income tax and social contribution		(4,823)					(4,823)		(4,8
Foreign currency translation adjustment							3,054,126	3,054,126	(396,084)
Other			3,695				3,695		3,6
Effect of CPC 42 / IAS 29 - hyperinflation							8,077	8,077	8,0
On December 31, 2020	96,571	31,287	(5,774)	(9,972,757)	(609,197)	(163,714)	5,445,695	(5,177,889)	(6,100,9

(i) Transfer to the income statement when divestment or transfer of control of subsidiary.

(ii) Transfer to retained earnings as the asset is depreciated or written-off/sold.

(iii) For receivables classified as fair value through other comprehensive income, transfer to the income statement when attainment of jurisdiction or early liquidation. For the ILP Plan, Transfer to retained earnings according to the grace period of the plan.

(iv) Transfer to the income statement when maturity, prepayment or loss of efficacy for hedge accounting.

(v) Transfer to retained earnings when the extinction of the plan.

(vi) Transfer to the income statement when write-off of subsidiary abroad.

29 Earnings per share

Basic and diluted earnings (loss) per share is calculated by means of the division of profit for the year attributable to the Company's common and preferred shareholders by the weighted average number of these shares held by shareholders, excluding those held in treasury and following the rules for the distribution of dividends provided for in the Company's bylaws, as described in Note 28(d), particularly in relation to the limited rights enjoyed by class "B" preferred shares. In view of these limited rights, this class of share does not participate in losses. In this case, the diluted result takes into account the conversion of two class "B" preferred shares into one class "A" preferred share, as provided for in the bylaws of the Company.

Class A preferred shares participate in dividends with common shares after the mandatory dividends has been attributed in accordance with the formula provided for in the Company's bylaws, as described in Note 28(d) and there is no highest limit for their participation.

Diluted and basic earnings (losses) per share are equal when there is profit in the year, since Braskem has not issued convertible financial instruments.

The table below show the reconciliation of profit (loss) for the period adjusted to the amounts used to calculate basic and diluted earnings (loss) per share.

The table below shows the reconciliation of profit or loss for the period adjusted for the amounts used to calculate basic and diluted earnings per share.

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	2020	2019	Basic and diluted 2018
Profit (loss) for the year attributed to Company's shareholders	(6,691,720)	(2,540,995)	2,827,650
Distribution of priority dividends attributable to:			
Preferred shares class "A"			208,450
Preferred shares class "B"			303
			<u>208,753</u>
Distribution of 6% of unit price of common shares			273,840
Distribution of excess profits, by class:			
Common shares			1,331,513
Preferred shares class "A"			1,013,544
			<u>2,345,057</u>
Reconciliation of income available for distribution, by class (numerator):			
Common shares	(3,797,070)	(1,441,839)	1,605,353
Preferred shares class "A"	(2,890,444)	(1,097,559)	1,221,994
Preferred shares class "B"	(4,205)	(1,597)	303
	<u>(6,691,719)</u>	<u>(2,540,995)</u>	<u>2,827,650</u>
Weighted average number of shares, by class (denominator):			
Common shares	451,668,652	451,668,652	451,668,652
Preferred shares class "A"	343,823,811	343,820,162	343,808,699
Preferred shares class "B"	500,230	500,230	512,660
	<u>795,992,693</u>	<u>795,989,044</u>	<u>795,990,011</u>
(Loss) profit per share (in R\$)			
Common shares	(8.4068)	(3.1922)	3.5543
Preferred shares class "A"	(8.4068)	(3.1922)	3.5543
Preferred shares class "B"	(8.4068)	(3.1922)	0.5910

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Weighing of shares

	2020	
	Preferred shares	
	Class "A"	
	Outstanding shares	Weighted average
Amount at beginning of year	343,823,073	343,823,073
Incentive long term plan payments with treasury shares	1,721	738
Amount at the end of the year	343,824,794	343,823,811

	2019	
	Preferred shares	
	Class "A"	
	Outstanding shares	Weighted average
Amount at beginning of year	343,814,914	343,814,914
Incentive long term plan payments with treasury shares	8,159	5,248
Amount at the end of the year	343,823,073	343,820,162

	2018			
	Preferred shares			
	Class "A"		Class "B"	
	Outstanding shares	Weighted average	Outstanding shares	Weighted average
Amount at beginning of year	343,775,864	343,775,864	578,330	578,330
Conversion of preferred shares class "B" to "A"	39,050	32,835	(78,100)	(65,670)
Amount at the end of the year	343,814,914	343,808,699	500,230	512,660

30 Net revenues

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	2020	2019	2018
Sales revenue			
Domestic market			
Revenue	43,356,596	38,391,132	42,189,365
Rebates	(99,786)	(57,315)	(45,290)
	<u>43,256,810</u>	<u>38,333,817</u>	<u>42,144,075</u>
Foreign market			
Revenue	26,362,457	23,998,067	26,577,433
Rebates	(49,966)	(47,723)	(58,188)
	<u>26,312,491</u>	<u>23,950,344</u>	<u>26,519,245</u>
	<u>69,569,301</u>	<u>62,284,161</u>	<u>68,663,320</u>
Sales and services deductions			
Taxes			
Domestic market	(10,726,404)	(9,704,712)	(10,219,138)
Foreign market	(40,383)	(31,427)	(36,562)
Sales returns			
Domestic market	(161,207)	(138,749)	(148,918)
Foreign market	(97,813)	(85,748)	(258,836)
	<u>(11,025,807)</u>	<u>(9,960,636)</u>	<u>(10,663,454)</u>
Net sales and services revenue	<u>58,543,494</u>	<u>52,323,525</u>	<u>57,999,866</u>

Revenue from sales of products is recognized when the control of assets is transferred to the customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange of these assets. The performance obligations are met at a specific moment in time. The Company does not make sales with continued management involvement. Most of Braskem's sales are made to industrial customers and, in a lower volume, to resellers.

The specific moment when the legal right, as well as the risks and benefits, are substantially transferred to the client is determined as follows:

- (i) for contracts under which the Company is responsible for the freight and insurance, the legal right and the risks and benefits are transferred to the client when the risk of the goods is delivered at the destination established in the contract;
- (ii) for agreements under which the freight and insurance are a responsibility of the client, risks and benefits are transferred when the products are delivered to the client's carrier; and
- (iii) for contracts under which product delivery involves the use of pipelines, especially basic petrochemicals, the risks and benefits are transferred immediately after the Company's official markers, which is the point of delivery of the products and transfer of their ownership.

The cost of freight services related to sales, transfers to storage facilities and finished product transfers between Braskem establishments are included in cost of sales.

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(a) Net revenue by country

	2020	2019	2018
Brazil	32,369,199	28,523,327	31,801,222
United States	10,848,609	9,416,558	9,887,701
Mexico	2,765,815	2,335,198	4,168,140
Argentina	1,267,967	1,104,044	1,166,191
Singapore	1,183,838	1,162,432	756,069
Germany	1,106,877	1,157,431	1,385,482
Italy	811,787	690,422	650,605
Switzerland	633,512	759,189	315,254
Japan	618,940	240,579	245,208
Luxembourg	592,777	526,768	546,524
Chile	544,329	610,454	686,646
China	496,920	542,209	884,233
Peru	471,847	551,967	540,495
Netherlands	432,897	516,409	293,315
Uruguay	405,946	359,049	155,571
South Korea	360,704	279,900	314,517
Sweden	310,984	296,601	270,062
Canada	297,756	201,635	290,453
Poland	285,714	200,563	260,449
Spain	282,362	344,433	329,458
Paraguay	254,255	194,859	214,959
France	247,062	225,986	135,094
United Kingdom	204,953	359,937	366,328
Bolivia	190,447	231,848	250,048
Taiwan	176,400	191,593	274,566
Colombia	174,381	200,370	363,497
Other	1,207,216	1,099,764	1,447,779
	58,543,494	52,323,525	57,999,866

(b) Net revenue by product

	2020	2019	2018
PE/PP	41,137,288	34,287,597	37,979,148
Ethylene, Propylene	3,600,276	3,743,581	4,283,709
Naphtha, condensate and crude oil	915,807	676,044	476,311
Benzene, toluene and xylene	3,051,752	2,503,667	2,785,400
PVC/Caustic Soda/EDC	3,134,617	2,692,778	3,167,390
ETBE/Gasoline	2,170,289	2,319,253	2,928,993
Butadiene	1,372,428	1,609,264	2,023,465
Cumene	636,635	723,469	909,409
Solvents	654,793	505,804	248,313
Other	1,869,609	3,262,068	3,197,728
	58,543,494	52,323,525	57,999,866

(c) Main clients

The Company does not have any revenue arising from transactions with only one client that is equal to or higher than 10% of its total net revenue. In 2020, the most significant revenue from a single client amounts to

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approximately 2.2% of total net revenues of the Company and refers to the sale of resins.

31 Tax incentives**(a) Income Tax**

Since 2015, the Company obtained grant in lawsuits claiming the reduction of 75% of IR on income from the following industrial units: (i) PVC and Chlor-Alkali (*Cloro Soda*), established in the state of Alagoas; and (ii) Chemicals, PE, PVC and Chlor-Alkali units, established in the city of Camaçari (in Bahia State). The tax incentive granted by the Northeast Development Department (SUDENE) is calculated based on the Profit from Exploration of the incentivized activity, with an enjoyment period of 10 years. In 2020, the operations in Brazil recorded tax loss, therefore it is not possible to make any deductions as a tax incentive.

(b) PRODESIN - ICMS

The Company has ICMS tax incentives granted by the state of Alagoas, through the state of Alagoas Integrated Development Program – PRODESIN, which are aimed at implementing and expanding a plant in that state. This incentive is considered an offsetting entry to sales taxes. In 2020, the amount was R\$68,893 (R\$67,796 in 2019).

32 Other income (expenses), net

	Note	2020	2019	2018
Other income	0			
PIS and COFINS credits - exclusion of ICMS from the calculation basis	24.4	310,557	1,904,206	235,919
Tax Credits recovery	0	219,254	3,094	46,179
Fixed assets disposal results	0	-	11,140	93,814
Fine on supply contract of raw material, net	(i)	41,134	375,020	386,020
Other	0	179,804	114,974	265,290
	0	750,749	2,408,434	1,027,222
Other expenses 0				
Provision for damages - Alagoas	26	(6,901,828)	(3,383,067)	-
Provision for repairing environmental damage	0	(306,275)	(141,536)	(89,396)
Shutdowns and other plants expenses	0	(67,735)	(108,192)	(91,380)
Provision for losses on the fixed asset	0	(51,590)	(158,320)	(44,420)
Fine on sales contracts	0	(42,322)	(104,179)	(49,487)
Allowance for judicial claims, net of reversals	0	(4,008)	(136,135)	(83,280)
Other	0	(564,863)	(415,513)	(196,750)
		(7,938,621)	(4,446,942)	(554,713)

(i) The contractual penalty charged from a supplier for failing to supply feedstock to the subsidiary Braskem Idesa at December 31, 2019 is R\$335,281 (R\$338,125 in 2018).

33 Financial results

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	2020	2019	2018
Financial income			
Interest income	481,059	708,542	530,007
Other	119,125	142,012	59,045
	600,184	850,554	589,052
Financial expenses			
Interest expenses	(2,928,803)	(2,191,765)	(2,084,780)
Monetary variations on fiscal debts	(138,410)	(232,612)	(33,429)
Discounts granted	(81,920)	(80,404)	(141,223)
Loans transaction costs - amortization	(172,269)	(465,000)	(89,982)
Adjustment to present value - appropriation	(225,889)	(348,930)	(296,065)
Interest expense on leases	(164,166)	(137,903)	
Losses on derivatives	(809,150)	(115,050)	(58,102)
Other	(392,758)	(311,121)	(303,970)
	(4,913,365)	(3,882,785)	(3,007,551)
Exchange rate variations, net			
On financial assets	336,527	(31,137)	1,268,741
On financial liabilities	(5,635,238)	(1,693,383)	(3,525,724)
	(5,298,711)	(1,724,520)	(2,256,983)
Total	(9,611,892)	(4,756,751)	(4,675,482)

34 Expenses by nature and function

	2020	2019	2018
Classification by nature:			
Raw materials other inputs	(37,913,921)	(37,380,310)	(38,889,949)
Personnel expenses	(3,074,305)	(3,004,762)	(2,412,118)
Outsourced services	(2,219,413)	(3,242,373)	(2,306,048)
Depreciation and amortization	(4,048,081)	(3,632,265)	(2,990,577)
Freights	(2,321,740)	(2,204,453)	(2,275,375)
Costs of idle industrial plants	(518,528)	(309,742)	(138,242)
Provision - geological event in Alagoas	(6,901,828)	(3,383,067)	
PIS and COFINS credits - exclusion of ICMS from the calculation basis	310,557	1,904,206	235,919
Other general and administrative expenses	(1,908,729)	(927,294)	(942,370)
Total	(58,595,988)	(52,180,060)	(49,718,760)
Classification by function:			
Cost of products sold	(47,331,414)	(45,879,118)	(46,576,657)
Selling and distribution	(1,852,055)	(1,783,455)	(1,689,179)
(Loss) reversals for impairment of trade accounts receivable	(55,252)	(7,069)	87,008
General and administrative	(1,918,747)	(2,224,180)	(1,793,185)
Research and development	(250,648)	(247,730)	(219,256)
Other income	750,749	2,408,434	1,027,222
Other expenses	(7,938,621)	(4,446,942)	(554,713)
Total	(58,595,988)	(52,180,060)	(49,718,760)

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35 Segment information

The Company made changes to its organizational structure with a view to capturing synergies in all regions in which it operates for a more integrated operating performance. As a result of these changes, the Management revised the structure of its internal reporting with a focus on its operational expansion and internationalization with a view to simplifying and streamlining the work and decision-making processes, which led it to adopt a new structure for reporting segments by region. Starting in 2020, Braskem's organizational structure was formed by the following segments:

- Brazil: includes: (i) the production and sale of chemicals at the Camaçari Petrochemical Complex in Bahia, the Triunfo Petrochemical Complex in Rio Grande do Sul, the Capuava Petrochemical Complex in the state of São Paulo, and the Duque de Caxias Petrochemical Complex in the state of Rio de Janeiro; (ii) the supply of electricity and other inputs produced in these complexes to second-generation producers located in the petrochemical complexes; (iii) the production and sale of PE, including the production of green PE made from renewable resources, and of PP; and (iv) the production and sale of PVC and caustic soda.
- United States and Europe: operations related to PP production and sale in the United States and Europe, through the subsidiaries Braskem America and Braskem Alemanha, respectively.
- Mexico: comprises the activities relation to the PE production and sale in Mexico, through the subsidiary Braskem Idesa.

(a) Presentation, measurement and reconciliation of segment results

Information by segment is generated in accounting records, which are reflected in the consolidated financial statements.

The eliminations stated in the operating segment information, when compared with the consolidated balances, are represented by transfers of inputs between segments that are measured as arm's length sales.

The operating segments are stated based on the results of operations, which does not include financial results, and current and deferred income tax and social contribution expenses.

The Company does not disclose assets by segment since this information is not presented to its Chief Operating Decision Maker ("CODM").

Corporate Unit comprises items not allocated directly to the reportable segments and are disclosed to reconcile the segments to the consolidated financial information.

(b) Results by segment

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	2020						
	Net	Cost of	Operating expenses				
	sales	products	Gross	Selling, general and	Results from	Other operating	
	revenue	sold	profit	distribution	equity	income	
Reporting segments				expenses	investments	(expenses), net	Consolidated
Brazil	40,794,387	(32,498,003)	8,296,384	(1,471,722)	-	(7,082,604)	(257,942)
USA and Europe	14,638,660	(12,337,486)	2,301,174	(721,191)	-	(82,695)	1,497,288
Mexico	4,000,805	(3,075,001)	925,804	(436,859)	-	(364,259)	124,686
Total	59,433,852	(47,910,490)	11,523,362	(2,629,772)	-	(7,529,558)	1,364,032
Other segments	302,374	(188,350)	114,024	63,874	(19,398)	(320)	158,180
Corporate unit (i)	-	-	-	(1,493,479)	-	359,071	(1,134,408)
Braskem consolidated before eliminations and reclassifications	59,736,226	(48,098,840)	11,637,386	(4,059,377)	(19,398)	(7,170,807)	387,804
Eliminations and reclassifications	(1,192,732)	767,426	(425,306)	(17,325)	-	(17,065)	(459,696)
(Loss) profit before net financial expenses and taxes	58,543,494	(47,331,414)	11,212,080	(4,076,702)	(19,398)	(7,187,872)	(71,892)

(i) Includes the amount of R\$310,557 related to PIS and COFINS tax credits – exclusion of ICMS from the calculation base (Note 10.c).

For the purposes of comparability of the new structure of reportable segments, the Company is presenting the fiscal year ended December 31, 2019 and 2018, as follows:

	2019						
	Net	Cost of	Operating expenses				
	sales	products	Gross	Selling, general and	Results from	Other operating	
	revenue	sold	profit	distribution	equity	income	
				expenses	investments	(expenses), net	Consolidated
Reporting segments							
Brazil	39,142,561	(35,245,941)	3,896,620	(1,852,908)		(4,151,901)	(2,108,189)
USA and Europe	10,044,263	(8,217,515)	1,826,748	(525,701)		(23,859)	1,277,188
Mexico	3,051,440	(2,504,012)	547,428	(351,199)		324,682	520,911
Total	52,238,264	(45,967,468)	6,270,796	(2,729,808)		(3,851,078)	(310,090)
Other segments	296,285	(188,335)	107,950	40,306	10,218	4,175	162,649
Corporate unit (i)				(1,533,590)		1,773,267	239,677
Braskem consolidated before eliminations and reclassifications	52,534,549	(46,155,803)	6,378,746	(4,223,092)	10,218	(2,073,636)	92,236
Eliminations and reclassifications	(211,024)	276,685	65,661	(39,342)		35,128	61,447
Profit before net financial expenses and taxes	52,323,525	(45,879,118)	6,444,407	(4,262,434)	10,218	(2,038,508)	153,683

(i) Includes the amount of R\$1,904,206 million related to PIS and COFINS tax credits – exclusion of ICMS tax from the calculation base (Note 10.c).

	2018						
	Net	Cost of	Operating expenses				
				Selling, general and	Results from	Other operating	
	sales	products	Gross	distribution	equity	income	
	revenue	sold	profit	expenses	investments	(expenses), net	Consolidated
Reporting segments							
Brazil	42,078,175	(35,271,203)	6,806,972	(996,754)		(78,912)	5,731,306
USA and Europe	11,725,622	(9,195,745)	2,529,877	(464,567)		68,734	2,134,044
Mexico	4,408,814	(2,958,343)	1,450,471	(337,394)		322,076	1,435,153
Total	58,212,611	(47,425,291)	10,787,320	(1,798,715)		311,898	9,300,503
Other segments	292,435	(173,608)	118,827	(33,728)	(888)	(103)	84,108
Corporate unit (i)				(1,807,033)		470,241	(1,336,792)
Braskem consolidated before eliminations and reclassifications	58,505,046	(47,598,899)	10,906,147	(3,639,476)	(888)	782,036	8,047,819
Eliminations and reclassifications	(505,180)	1,022,242	517,062	24,864		(309,527)	232,399
Profit before net financial expenses and taxes	57,999,866	(46,576,657)	11,423,209	(3,614,612)	(888)	472,509	8,280,218

(i) Includes the amount of R\$501.357 (R\$265,438 in "Net revenue" and R\$235,919 in "Other operating income (expenses), net") related to PIS and COFINS tax credits – exclusion of ICMS from the calculation basis (Note 10.c).

(c) Property, plant and equipment and intangible assets by segment

	2020	2019
Reporting segments		
Brazil	17,299,352	17,863,336
USA and Europe	7,242,262	4,852,760
Mexico	13,892,609	12,020,051
Total	38,434,223	34,736,147
Unallocated amounts	323,617	341,122
Total	38,757,840	35,077,269

36 Insurance coverage (Unaudited)

Braskem contracts Operating Risk insurance policies to cover the domestic and international operations of its plants, as detailed below. In addition, also contracts other insurance policies, including general civil liability, the civil liability of directors and offices (D&O) and Environmental Risks, domestic and international charter operations, charter's liability, etc.

The Insurance Program maintained by the Company is consistent with the standards adopted by petrochemical companies operating globally.

The policies composing Operating Risk insurance ensure coverage of pecuniary damages and consequent loss of profits of all Braskem plants through a set of clauses named "All Risks."

This insurance is composed of different policies that guarantee the operation in Brazil, Mexico and the USA /Germany, which are effective to October 2021.

The table below shows information on the Operating Risk policies in effect. The Maximum Indemnification Limits ("LMI") by event are determined based on studies of maximum loss scenarios prepared by external consultants, considering the nature of the Company's activity. Additionally, benchmarks with companies from the same segment are conducted for comparison purposes.

	Maturity	Maximum indemnity limit		Amount insured (i)	
		US\$ million	RS million	US\$ million	RS million
Units in Brazil	October 8, 2021	3,500	18,188	27,961	145,305
Units in United States and Germany	October 8, 2021	655	3,404	2,680	13,927
Units in Mexico	October 8, 2021	2,742	14,249	5,679	29,512
Total				36,320	188,744

- (i) Amount for replacement of assets, inventories and loss of profits;
- (ii) USA LMI was increased with the startup of Delta's capacity;
- (iii) Adjusted amounts in renovation dated April 8, 2020.

The risk assumptions adopted are not part of the audit scope and, therefore, were not subject to audit by our independent auditors.

These policies provide coverage for material losses arising from fire, explosion and machinery breakdown, etc.,

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and consequential loss of profit, with maximum indemnity periods ranging from 12 and 34 months, depending on the plant and/or coverage.

Braskem also carries an insurance policy against general civil liability that guarantees any damages caused to third parties from its operations and products, including any losses caused by sudden pollution.

The Company's new projects are covered by specific Engineering Risk policies and/or construction and assembly clauses included in both Operational Risks and Environmental and General Civil Liability policies.

37 Subsequent events

- (a) On January 6, 2021, judicial settlements were approved for the dismissal of the Public-Interest Civil Action of Reparation for Residents (Note 26.1(i)) and Public-Interest Civil Action for Socio-environmental Reparation (Note 26.1(ii)) related to the Company. As provided for in the Agreement to dismiss the Public-Interest Civil Action on Socio-Environmental Reparation, the MPE determined, on January 21, 2021, the dismissal of the Investigation related to urban damages (Note 26.1(iv)), with the consequent filing of an administrative procedure to monitor and supervise the compliance with said Agreement.
- (b) In February and March 2021, lawsuits of the Company involving the exclusion of ICMS tax from the PIS/COFINS tax basis were certified as final and unappealable, which represents the approximate amount of R\$1.2 billion to be recognized in the first quarter of 2021, as federal tax credits, presented in Note 10.
- (c) In February 2021, according to Note 26.1(vi), CBTU presented an amendment to the preliminary injunction to claim the payment of damages in the amount of R\$ 222,100, as well as obligations to do, including the construction of a new rail line to substitute the stretch that passes through the vacated area. CBTU attributes to the claim the approximate amount of R\$1.3 billion.
- (d) Due to its strong cash position and with the objective of reducing gross debt, the Company announced in March 2021, the total redemption of the perpetual bond, at face value in the amount of US\$500 million, as stated in Note 16(b).
- (e) As announced by the Company on March 1st, 2021, Braskem Idesa signed the documents disclosed in Note 1 with PEMEX and CENAGAS to allow the continuity of its operations. As a result, the natural gas transportation service was reestablished from this date. The existing ethane supply agreement between Braskem Idesa and PEMEX has not been modified and remains in place.