SDI REPORT 2006

INTRODUCTION

European Aluminium – A sustainable industry for future generations

In 2002, the European Aluminium Association (EAA) and its member companies embarked on a pioneering journey towards measuring sustainability. Through the Aluminium for Future Generations programme the European aluminium industry, its partners the Wuppertal Institute for Climate, Environment & Energy; Versailles University and an additional peer group of internal and external stakeholders developed 34 measurable Sustainable Development Indicators (SDI) to be systematically tracked and transparently reported by the European aluminium industry.

The first report was issued in 2004 and showed an industry which had significantly improved since 1997. The data clearly demonstrate a committed industry making good progress towards our target of becoming more sustainable. This year's data show further improvements, such as emissions down, natural resource use down, worker safety up, recycling rates up, worker training up.

Decoupling growth from environmental and social impact is the driving principle behind a successful sustainable development strategy. Progress needs to be benchmarked against a clear and realistic perception of the internal and external business reality. Reliable measurement is essential to guarantee continued monitoring, careful evaluation, committed implementation and tangible results. These are the cornerstone principles behind the European aluminium industry's SDI report.

This pragmatic and transparent approach has been key in encouraging all levels of the European aluminium industry, from large integrated companies to small and medium - sized companies, to become involved in the survey.

Despite the industry's efforts to increase efficiency and reach its sustainability targets, the European aluminium industry's competitiveness is under serious threat. High energy prices and decreased availability of certain raw materials are putting unsustainable pressure on the European aluminium industry. The deteriorating cost position of the European primary aluminium industry and the increasing reliance on imported metal is leading to the progressive migration of the European aluminium industry to other regions.

*EAA Research Study on the Strategic and Economic importance of the European Aluminium Industry

STAKEHOLDER CONSULTATION

This year's results will be widely circulated to stakeholders and be discussed at a public European stakeholder debate in Brussels on 22nd November 2006. Following this debate, as part of the Aluminium for Future Generations programme, national round tables will be held throughout Europe during the early part of 2007.

The industry will be asking its stakeholders for honest feedback on the progress, process and future pathway towards sustainability for the European aluminium industry. As the industry's Mission Statement below outlines, continuous improvement is the aim. Input from stakeholders will be actively encouraged to ensure we continue to implement best practices and report the results accurately and transparently.

EAA SUSTAINABILITY MISSION STATEMENT

The EAA and its member companies are committed to pursuing the principles of sustainable development – meeting the needs of the present without compromising the ability of future generations to meet their own needs. This means remaining a competitive and growing industry while:

- Meeting the needs of modern society and creating value by offering aluminium products with unique properties, including recyclability
- Reducing environmental impact throughout the product's lifecycle
- Demonstrating our social responsibility towards employees, customers, suppliers, local communities and society in general
- Achieving continuous progress through sharing of best practices and regular indicator-based reporting
- Encouraging member companies to work along the lines of environmental and social conventions (eg. UN Global Compact)

THE ALUMINIUM INDUSTRY IN EUROPE

Through the increasing success of our material in industry sectors as diverse as automotive, mass transport, building and packaging, the aluminium industry plays an important economic role in Europe.

An estimated 255 000 people are employed directly in the aluminium industry, including 33 000 in metal supply (alumina, primary aluminium and recycling) and 222 000 in downstream activities (rolling, extrusion, castings and foil). In addition, many more are employed in aluminium fabrication in end user industry sectors, for example, 250 000 people in building systems and 55 000 in aerospace.

The whole aluminium value chain can be estimated to provide employment for a total of one million people in Western Europe.

The European aluminium industry provides approximately €37.6 million in revenue. Significant revenue is also generated by aluminium fabrication in the end-user sectors. For example, in the building, transport and packaging sectors.

There is nearly €12 million of added value in the European aluminium industry without taking into account the added value in the end-user industry sectors.

The end-user industry sectors included in our SDIs are automotive, building and cans. There has been a clear increase in the use of aluminium in each of these sectors. On average in 2005, cars contained 24.2kg of aluminium, 2.2 million tonnes of aluminium went into the building sector and 56% of cans were made of aluminium.

The aluminium use per capita has steadily increased between 1997 and 2005. In 1997 the use per capita was 16.9kg which in 2005 was up to 24.2kg. While the recycling figures have also significantly increased, in 2005 over 7.5 million tonnes of aluminium was recycled, this figure also includes some internal recycling.

The Aluminium industry is a significant economic player in Europe's industrial base and should continue to be so, given the right economic and regulatory environment.

SOCIAL RESPONSIBILITY

As well as highlighting the contribution of aluminium and the aluminium industry to employment and social progress in Europe, the SDI report also includes data on health & safety and community relations. The trends show impressive improvement in accident reporting from both a safety and environmental perspective. The ultimate target is to have 'zero incidents' and the industry is well on the way to achieving this aim.

In its role as an integral part of European society, especially on a local level, the aluminium industry is increasingly involved in a variety of community activities ranging from neighbourhood programmes to community health initiatives.

As an industry we are committed to taking our responsibility to society and the environment seriously. Communities are about partnerships and working together, accepting responsibility and living up to ones role within the local community. The latest indicators clearly show an aluminium industry behaving as a responsible partner in society.

RECYCLING – A PILLAR OF SUSTAINABILITY

Recycling is a major consideration in the continued use of aluminium, representing one of the key attributes of this ubiquitous metal, with far reaching economic, ecological and social implications.

More than half of all the aluminium produced in the European Union (EU-25) originates from recycled raw materials and the trend is on the increase. In view of growing demand, Europe has a huge stake in maximising the collection of all available aluminium and developing the most resource-efficient scrap treatments and melting processes. The importance of efficient recycling further increase in the future as energy costs in Europe will continue to rise.

The high value of aluminium scrap has always been the main impetus for recycling, independent of any legislative or political initiative. In addition to the obvious economic dimension, growing environmental concerns and heightened social

responsibility, especially over the last decade, have boosted recycling activity, which requires only 5% of the energy needed for primary aluminium production, whilst maintaining the same quality.

The aluminium in most products is not actually consumed during its life time; it is simply used or borrowed. The material is effectively an 'energy bank'. As we make deposits now with the use of aluminium in products, future generations will benefit from withdrawals by recycling and reusing it, thereby saving energy and preserving raw materials.

THE LIFE CYCLE OF ALUMINIUM

One of the major objectives of the European aluminium industry is to maximise the environmental performance through all stages of aluminium's life cycle from production to use and subsequent recycling. This is being achieved through:

- Efficient use of resources
- Reduction of emissions to air and water
- Maximising the contribution of aluminium in the 'use phase'
- Reduction of manufacturing waste

CONTINUOUS IMPROVEMENT

The EAA Sustainable Development Indicator exercise provides clear and measurable data to track our progress on the pathway to full sustainability. Through the Aluminium for Future Generations programme of continuous dialogue with our stakeholders, the industry will continue to report on its sustainability record, updating the indicator-based report every three years.

This second set of results tracking our progress from 1997 to 2002 and now to 2005 shows an impressive trend and commitment. Sustainability is more than just an initiative; it is a philosophy that runs right through the industry, influencing every activity and decision. The European aluminium industry is committed to this philosophy and committed to continuous improvement on the pathway to sustainability.

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Thanks to its unique properties, aluminium is able to provide intelligent solutions for present and future generations. It is lightweight yet strong, durable and corrosion-resistant, formable, highly conductive, aesthetically pleasing and, above all, recyclable. The European Aluminium Association, founded in 1981, represents the European aluminium industry, from alumina and primary production, to manufacture of semi-finished and end-use products, right through to recycling. This industry currently employs around 255 000 people in Western Europe.