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## Company report review

Alcan  
Corporate Sustainability Report  
2004

Maplecroft

February 2005

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## Company report review – Alcan

Alcan is engaged in a variety of aspects of the aluminum and packaging business on an international scale. Alcan is the world's second largest producer of primary aluminum, and has a predominant global position in packaging, value-added engineered products and composites. Key market sectors include aerospace, building and construction, electrical, transportation, automotive and beverage cans. Alcan is also one of the world's leading metal traders and aluminum recycling. Alcan employs over 88,000 people in 60 countries.

In 2003, Alcan introduced an Integrated Management System (AIMS) based on three core commitments; to maximize value for all its stakeholders; to environment, health and safety; and to the continuous improvement of business processes.

### Maximizing total value

Alcan is working to apply a sustainability perspective to its objective of 'maximizing total value'. In April 2004, Alcan's Sustainability Steering Team (SST) sponsored a 'direction setting session', bringing together 40 internal and external experts to discuss how the company could put a sustainability-driven approach to value creation into practice. Through this process, a three-pronged approach to sustainability was adopted:

1. Think broadly about issues and impacts
2. Engage and partner
3. Integrate sustainability into business decisions and processes

Alcan's report goes on to explore each facet of this approach:

#### 1. Think broadly about issues and impacts

Alcan says it is examining a broad range of issues, from those that affect it directly (such as environmental emissions from facilities), issues that shape the company's operating environment (such as the benefits and impacts of its products), issues more loosely associated with operations (such as its expanding presence in China), and broader social issues (such as income growth and distribution and community evolution).

The report presents detailed process flow diagrams of environmental issues, and health, safety and community issues.

The report also presents a table of the eight key issues the company is facing, and the business groups and stakeholders most affected by them. The relevance of each of these eight issues and the company's approach are then discussed in greater detail:

- Energy – 'The cost of energy is a major factor affecting our competitiveness.'
- Climate change – 'Many greenhouse gas emissions generated in the aluminum industry are related to energy production.'
- Natural resource management – 'Water provides the power for most of our aluminum smelters and is indispensable to many of our manufacturing processes.'
- Community development – 'How a company manages the impacts of change on stakeholders is vital to its license to operate... Three current issues for Alcan are the changing nature of our operations in the Saguenay–Lac-Saint-Jean area of Canada, the impact on employees resulting from the acquisition of Pechiney and Alcan's efforts in the Utkal, India bauxite mine project.'
- Well-being – 'Well-being includes the health and safety of our employees and local communities... as well as global issues such as income distribution, access to clean water and health care... We can contribute to solutions in concert with governments and NGOs.'

- Environmental releases – ‘All sites are requested to introduce a standardized approach to minimize environmental impact, material losses and operational costs.’
- Industry shifts – ‘Research and Development expertise is a prime factor in responding to shifts in consumer preferences, markets and technologies...Alcan invested \$140 million in R&D in 2003.’
- Lifecycle Product Stewardship – ‘Product stewardship approaches are used to gain a holistic view of products from a lifecycle perspective, including emissions to air, water and soil and natural resource depletion...One important aspect of product stewardship is the promotion of aluminum recycling. The high value of aluminum scrap is a key incentive for recycling.’

## 2. Engage and partner

Alcan views sound stakeholder relations as the foundation of its license to operate. It has identified five key stakeholder groups:

- Employees – Alcan conducts an annual Global Employee Survey including questions on: corporate sustainability; EHT FIRST; company values and principles; communications; reputation; work/life balance; and development opportunities. In 2003, corporate sustainability received the highest proportion of favorable ratings (88%). Alcan employees identified sustainability as one of the company’s highest ‘leverageable strengths’.
- Investors – Alcan is listed on the FTSE4Good and Dow Jones Sustainability Indices.
- Customers
- Suppliers – External suppliers are asked to adhere to Alcan’s Worldwide Code of Employee and Business Conduct, covering issues such as human rights and government and community relations.
- NGOs, governments and local communities – Alcan has formal mechanisms for engaging with these stakeholders.

Alcan is a member of sixteen sustainability initiatives, both broad-based and industry/environment focused. Included among these are: UN Global Compact (since June 2004); ICC Business Charter for Sustainable Development; World Business Council for Sustainable Development; World Economic Forum; World Environment Centre; Global Reporting Initiative.

## 3. Integrate sustainability into business decisions and processes

In late 2003, Alcan formed a Sustainability Steering Team (SST). The SST reports to the Executive Committee and includes senior representatives of key corporate functions and several of Alcan’s business groups. Three of Alcan’s business groups have appointed sustainability champions. Business groups are working to include sustainability considerations in their 2005 business planning process.

## Performance report

Performance reports are provided both for Alcan as a group, and for individual business units.

At group level, Alcan has achieved several honours for its sustainability efforts:

- One of 17 companies to achieve a full score for governance practices by GovernanceMetrics International, an independent rating agency
- Selected for the DowJones Sustainability World Index and the FTSE4Good Index
- Awarded top spot for the metals industry on Fortune magazine’s 2004 list of the World’s Most Admired Companies

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- Alcan recently announced the creation of the Alcan Prize for Sustainability – a US\$1 million award to recognize civil society organizations for outstanding contributions to the cause of global sustainability.

Alcan has in place an environment, health and safety management system called EHS FIRST. As a fundamental element of EHS FIRST, all Alcan sites are required to become certified to ISO14001 and OSHAS180001 by the end of 2004. In October 2003, Alcan's six business groups took the lead in managing TARGET, an internationally recognized greenhouse gas management program. Alcan has committed to reduce from 2001 to 2005 the total direct and indirect greenhouse gas emissions each year by 0.5% compared to a two-year rolling baseline.

Alcan reports the performance of its business units in more detail. For each business unit, the report discusses key issues and presents performance data. The following key performance indicators are provided for all business units:

- Recordable case rate
- Lost time due to injuries and illness
- Energy consumption renewable
- Non-renewable energy sources
- Water consumption
- Air emissions greenhouse gas
- Minor environmental incidents
- Waste

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## Our comments



Alcan has produced an excellent third annual sustainability report. Sustainability issues appear to be firmly on the agenda of senior management – Alcan's Sustainability Steering Team is comprised of senior cross-functional representatives and reports directly to the Executive Committee. The emphasis on sustainability in the company's Annual Report is a further indication of its importance within the company. Entitled 'Louder than Words', the opening page acknowledges the company's responsibility towards a wide range of stakeholders: 'We aim to do what is right for stakeholders – and for the world at large.' Further, corporate sustainability received the highest proportion of favorable ratings in an annual employee survey.

Alcan is developing a coherent sustainability vision based on a broad understanding of the issues and impacts that affect the business, engagement and partnership with CSR and development organizations and the integration of a sustainability perspective in business management processes. The key sustainability challenges are quite clearly presented but could be further prioritised. Alcan is a member of many of the key CSR initiatives but few details are provided on its role. Alcan's sustainability management system includes a set of standard KPIs across all business units and incorporates external standards such as ISO14001. It would be interested to have further information on how business groups are working to include sustainability considerations in their 2005 business planning process.

Alcan reports against selected indicators of the Global Reporting Initiative. The absence of external verification and assurance, however, is a crucial weakness.

Alcan's Corporate Sustainability Report is available at:

[http://www.publications.alcan.com/sustainability/2004/en/pdf/alcan\\_csr04\\_complete.pdf](http://www.publications.alcan.com/sustainability/2004/en/pdf/alcan_csr04_complete.pdf).



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