

# 2022

## SOCIAL RESPONSIBILITY REPORT



Fjarðaál  
alcoa.is





ALCOA FJARDAÁL'S HIGHLIGHTS REGARDING SOCIAL RESPONSIBILITY REFLECT THE COMPANY'S AIMS AND POLICIES ABOUT ADJUSTING ITS OPERATIONS TO THE IDEOLOGY OF SUSTAINABLE DEVELOPMENT.

# 2022

SOCIAL  
RESPONSIBILITY  
REPORT

Björn Magnússon is a production worker at Alcoa Fjarðaál and a great reindeer enthusiast. He lived for a while in Lapland and learned reindeer care from the Samar people. Björn likes to have some time between shift rounds, which he mostly uses to take care of his reindeer, Mosi and Garpur.

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**Photo on the front page:**

Ingólfur Thórhallsson works as an engineer at Alcoa Fjardaál. One of his main hobbies is spending time outdoors with his family in the natural beauty of East Iceland. Ingólfur hikes a lot in the mountains and goes mountain skiing in the winter to nourish both body and soul. Kjartan Óli Ingólfsson often goes hiking with his father.

# 01

# ABOUT THE REPORT

Alcoa strives to be a role model in social responsibility and contribute to the positive development of the workplace where men and women have equal opportunities to grow and prosper in their work.

Alcoa Fjardaál sf. now publishes a social responsibility report for the seventh time and follows the international GRI (Global Reporting Initiative) standard for social responsibility for the sixth year in a row. The GRI report includes Alcoa Fjardaál's green book-keeping, as in previous reports. By publishing the annual social responsibility report, the company increases the transparency of its operations, which includes providing results and the update of projects, statistical information about environmental impact and mitigating measures, as well as the impact on social issues, human resources, the economy, and the company's value chain.

Alcoa Fjardaál seeks to be a model for social responsibility and the company has implemented a policy which includes actively minimizing direct environmental impact from the company's operations and through the company's value chain, to have a positive impact on the community and enhance the atmosphere of the workplace where both men and women have an equal opportunity to grow and develop in their career.

The company has also been party to Festa - Icelandic Center for Corporate Social Responsibility - since 2014 and we participate in The Climate Declaration of Festa and the City of Reykjavík. By signing the declaration, companies are making a commitment to reduce the emission of greenhouse gases and reduce waste.

A group of managers in the company has overseen the preparation of the report in collaboration with a certified GRI consultant. The content of the report has been defined based on the direct relationship between the operations and the environment and society, and on the results of dialogue with the company's main stakeholders and employees. Employees have also been encouraged to participate in the formulation of the company's main social responsibility goals.

The measurements that are published in the report reflect the main interfaces of the operations, which are divided into the following categories: Environment, human resources, society, value chain and economy. The steering group, which consists of the company's managers and employees in charge of data collection, works according to these issues.



## SOCIAL POLICY

The main goal of the company's social policy is to have a positive impact on society and reduce the negative environmental impact of the operations.

The friends Sigurgeir Svanbergsson and Einar Hafthór Heidarsson both work at Alcoa Fjarðaál. Both of them are very interested in exercise and outdoor activities and especially enjoy challenging themselves and setting lofty goals. They are avid sea swimmers, and in between they practice and teach martial arts.

## 02

### LEAD TEAM'S STATEMENT

The philosophy of sustainable development is an underlying element of Alcoa Fjarðaál's social responsibility. The main goal of the company's social policy is to have a positive impact on society and reduce the negative environmental impact of the operations. The implementation of Alcoa Fjarðaál's social responsibility policy is based on measurable goals, purposeful actions and projects with the aim of achieving a long-term balance between operations, society, the environment and the economy. Alcoa Fjarðaál follows the values and guidelines of the parent company, Alcoa Corporation, regarding governance, which promote efficient governance at all levels of the company. One of Alcoa's main values is integrity, and the company's managers encourage their employees to be open, honest and at the same time responsible and to follow the guiding principles of their work.

The company emphasizes transparency in communication with its employees and key stakeholders. The company follows a clear code of conduct, and all employees must receive training in that area to support good ethical behavior at work. The company works purposefully to create a good and constructive workplace culture and the employees serve a key role in that effort. All policy changes are implemented in a targeted manner in collaboration with employees.

Alcoa operates globally and places great emphasis on following work processes to eliminate corruption and promote transparency in the company's operations. In 2022, it was guaranteed, like in previous years, that employees receive training regarding corruption, bribery, human trafficking and data protection. Stakeholders and employees can easily report suspected violations of the law at work through the so-called Integrity Line. Following the notification, an internal investigation is launched. The internal auditor of each company within the Alcoa group reviews all such reports and investigations. Fjarðaál's Lead Team places great emphasis on cooperation with stakeholders in Iceland, based on the guiding principles of the parent company, with the aim of achieving better results in the field of economic, social and environmental issues.

Information contained in this report is correct and provided to the best of our knowledge.

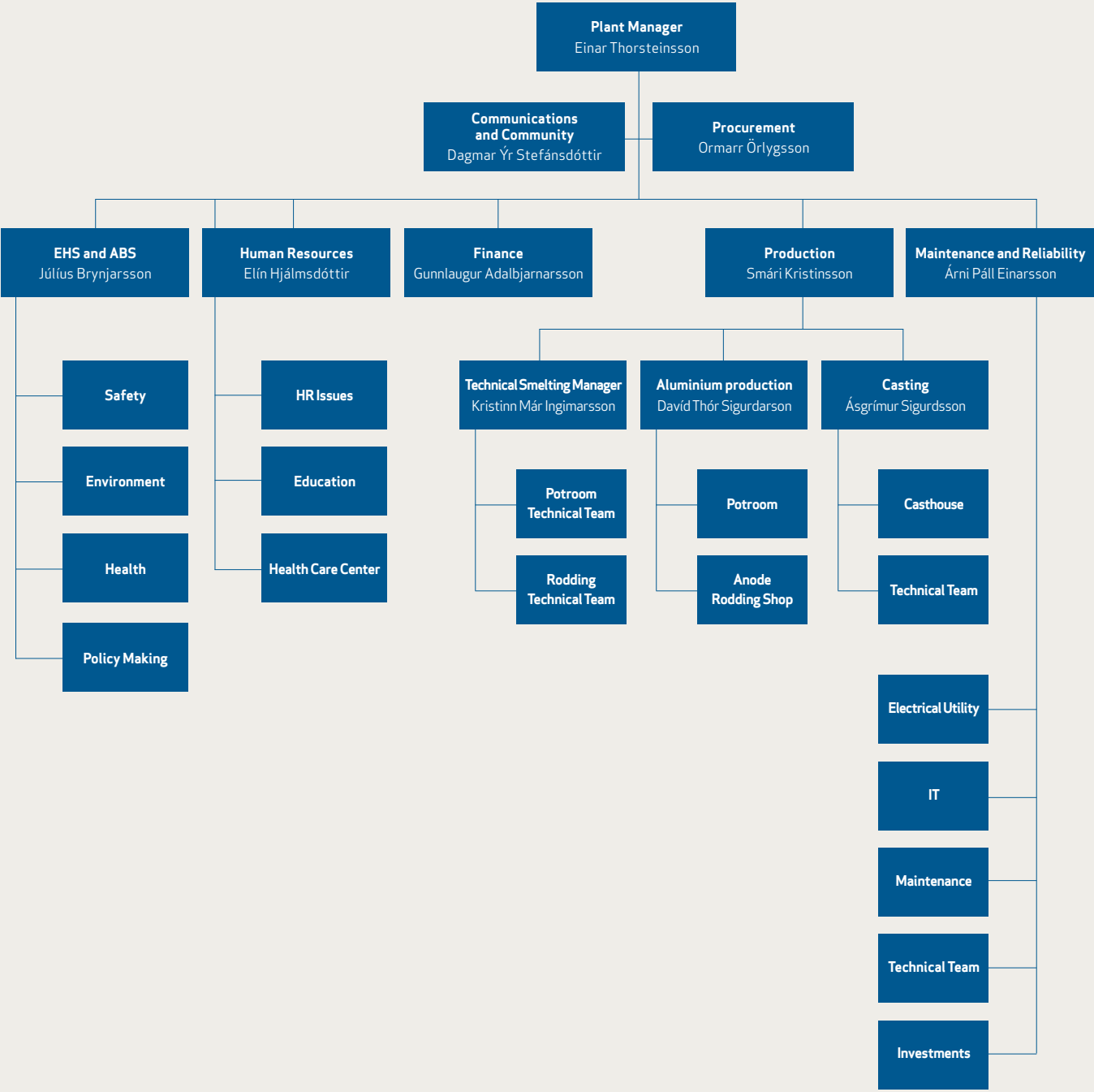
On behalf of the Lead Team,

Einar Thorsteinsson,  
Alcoa Fjarðaál's plant manager



# 2.1

## ALCOA FJARDAÁL'S ORGANIZATION CHART



**Einar Thorsteinsson, Plant Manager since December 1st 2021.**

Einar came to Alcoa from the Elkem facility in Iceland, where he held a variety of roles in Iceland, France and China including Senior Advisor, Plant Manager, Lean Director and Regional Director Asia. Prior to joining Elkem, Einar worked with several companies in roles such as Managing Director and CEO, Vice President of Operations, and Production Manager. His expertise is in business and strategy development, marketing, process control and operations management, plus supply chain optimization.

Einar holds an M.Sc. in Production Technology and Production Management from Aalborg University Center, Denmark.



**Júlíus Brynjarsson, EHS and ABS Manager**

Júlíus joined Alcoa Fjarðaál in 2006. He was first a Process Engineer and later Lead Process Engineer in anode rodding and the Environmental technical team. Then he took over the position of Lead Process Engineer in the potroom. In 2015 he became Anode Rodding Manager and in 2018 he took on the role of Casthouse Manager. Since April 2022 Júlíus was the ABS and Governance Strategy Manager and in February 2023 he took on the role of EHS Manager. Before joining Alcoa, Júlíus worked as a specialist at the Icelandic National Energy Authority.

Júlíus holds a bachelor's degree in Mechanical and Industrial Engineering and an M.Sc. in Product Design and Manufacturing.



**Dagmar Ýr Stefánsdóttir, Communications and Community Relations Manager**

Dagmar Ýr has been Fjarðaál's Communications and Community Relations Manager since 2013 when she joined Alcoa Fjarðaál. Before joining Alcoa, Dagmar was a news reporter and then Director of Marketing and Communication for the University of Akureyri.

Dagmar holds a bachelor's degree in Media and Communication Studies from the University of Akureyri.



**Elín Hjálmisdóttir, HR Manager**

Elín is Alcoa Fjarðaál's HR Manager and started in her role at the beginning of April 2023. Prior to working for Alcoa, Elín was the Manager for HR and Marketing for Heilsuvernd – a private company in health services that has specialized in health and occupational safety work. Before joining Heilsuvernd, Elín worked for Eimskip for 15 years her last position there was HR Manager.

Elín holds a bachelor's degree in Business and an MBA from the University of Reykjavik.



**Ormarr Örlygsson, Procurement Manager**

Ormarr is the Procurement Manager for Alcoa Fjarðaál. He joined the company in 2007 as Casthouse Manager. In 2010 he became a branch manager at a bank, returning to Alcoa in 2012 as Procurement Manager. Prior to his Alcoa career, he ran a tannery (Skinnaidnadur) in North-Iceland.

Ormarr holds a bachelor's degree in Chemistry and an MBA from the University of Reykjavik.



**Gunnlaugur Adalbarnarson, Financial Controller**

Gunnlaugur joined Alcoa Fjarðaál in 2009 as a Financial Analyst. In 2015 he left Alcoa to become Finance Manager for Húsavík Municipality, returning to Fjarðaál in 2017 to take the role of Financial Controller. Before joining Alcoa, Gunnlaugur was a general manager for a retail company and a consultant at a software company.

Gunnlaugur holds a Cand.Oecon (Master of Economics) degree in business from the University of Iceland and an MBA from the University of Reykjavik.



**Smári Kristinnsson,  
Production Manager**

Smári joined Alcoa in 2006 as Process Owner in the potroom. In 2008 he became Casthouse Manager and held that position until 2014 when he took the position of Potroom Manager. In 2018 the management of anode rodding was added to his role. In 2019 Smári took on the role of Operations Development Manager and in 2021 he became Alcoa Fjarðaál's HR Manager. In 2023 Smári took on the role of Production Manager. Before joining Alcoa Fjarðaál, Smári was a software consultant.

Smári holds a bachelor's degree in Business Administration – Quality Management.



**Árni Páll Einarsson,  
Asset Management Manager**

Árni Páll started at Alcoa Fjarðaál in 2005 as Reliability Engineer and has had multiple roles within maintenance and reliability in Iceland and Maaden, Saudi-Arabia. He was Maintenance and Reliability manager at Fjarðaál from 2015 until late 2017. After working for Alcoa's CoE's CI team and then the Asset Management team as Regional REX manager from October 2017, Árni Páll returned to Alcoa Fjarðaál in April 2022.

Árni Páll is a mechanic by trade and holds a master's degree in Mechanical Engineering from Aalborg University in Denmark.



**Kristinn Már Ingimarsson,  
Technical Smelting Manager**

Kristinn Már took on the role of Technical Smelting Manager at the end of 2021. He first joined Alcoa Fjarðaál in 2011. For the first six years he was an engineer in the potroom's technical team. From 2017 to 2019 he was the technical director of anode rodding and from 2019 the technical lead for the potroom, anode rodding and pot relining.

Kristinn holds a B.Sc. and M.Sc. in Industrial Engineering from the University of Iceland.



**David Thor Sigurdarson,  
Smelting Manager**

David will assume the role of Alcoa Fjarðaál's Smelting Manager in May 2023. David worked for Alcoa Fjarðaál during 2006–2019 when he took over the job of regional manager for Eimskip shipping company in Iceland that among other places operates Fjarðaál's harbour facilities. When David was working for Alcoa he started in the procurement team, then moved on to the financial team and from 2010 was the project manager for export and quality at the casthouse.

David achieved a bachelor's degree in Business from Bifröst University in 2006 and a master's degree in International Business from the same university in 2014.



**Ásgrímur Sigurdsson,  
Casthouse Manager**

Ásgrímur served as Maintenance and Reliability Manager since Oct. 1, 2017 and took over as Casthouse Manager in April 2022. He joined Fjarðaál in 2007 as Process Engineer in the casthouse and served as the casthouse Process Owner from 2012. Ásgrímur was part of the casthouse segment CI team and supported various locations in 2015-2016. Before joining Fjarðaál, Ásgrímur worked as a mechanic and metal turner.

Ásgrímur holds a bachelor's degree in Mechanical Engineering from Reykjavík University and a diploma in Project Management.



# 03

## ADDRESS OF THE PLANT MANAGER



Dear reader.

The year 2022 was in many ways an unusual year, as it was characterized by great fluctuations that affected the operations of Alcoa Fjarðaál. At the beginning of the year, aluminum market prices rose to previously unseen heights, but then soon fell back down. At the same time, the price of raw materials went up, so the year that started very well ended not so well in terms of results and operations. The war in Ukraine and the energy crisis that followed in Europe had a big impact and it shook our supply chains.

Despite these fluctuations, Alcoa Fjarðaál delivered a good year of operation and it was a pleasure to see the plant achieve increased stability after the somewhat stressful years before due to the instability in the operation of the potroom.

Last year's biggest project was to build up the potline to regain full production capacity.

Among other major projects last year, there was a change in the shift system for shift workers, which applies to about 2/3 of the employees, and you can read more about it in the human resources section of this report. Work was also done with the Environment Agency of Iceland to update the plant's operating permit and monitoring plan, which is based on the monitoring that has taken place to date.

For the last seven years, Alcoa Fjarðaál has published a Social Responsibility Report that follows the GRI standards for social reporting, and the company also follows the United Nations Sustainable Development Goals, which align with our activities and strategy in social responsibility. We focus on six of the seventeen Sustainable



Development Goals implemented by the United Nations. In the overview of our social responsibility goals in 2023, you can see how the global goals are related to the company's goals in social issues.

Alcoa Fjarðaál wants to lead by example and be a model for other companies when it comes to social responsibility. We focus on working closely with the local community and stakeholders, and transparent information provision is important in this regard.

A good example of that transparency is this very report, which will now be translated into English for the first time so that it is accessible to our customers who are all abroad.

Alcoa Fjarðaál is one of Iceland's largest industrial companies. Last year, the company exported goods worth 143 billion ISK (1,054M USD), of which 43 billion ISK or 30% remained in the country.

The company also paid more than one billion ISK in taxes and public fees in Iceland, and it is clear that this year the company will pay income tax on its operations for the first time.

The social responsibility report is available electronically at [samfelagskyrsla.alcoa.is](https://samfelagskyrsla.alcoa.is), where information about social responsibility and the company's activities is available to everyone. Furthermore, the chosen way of publishing the report electronically is to minimize the environmental footprint of the publication.

If people have suggestions or comments, they are welcome to send an e-mail to [fjarmaal@alcoa.com](mailto:fjarmaal@alcoa.com).

**Enjoy the reading.**

Einar Thorsteinsson,  
Alcoa Fjarðaál's plant manager





# 04

## ALCOA FJARDAÁL'S POLICY ON SOCIAL RESPONSIBILITY

Alcoa Fjarðaál's general objective is to obtain a balance between the company's operations and environmental, economic, and sociological issues.

Alcoa Fjarðaál's highlights regarding social responsibility reflect the company's aims and policies on adjusting its operations to the ideology of sustainable development. The general objective is to obtain a balance between the company's operations and environmental, economic and social issues. Ever since the company started operations, environmental, economic and social factors have been monitored and the outcome has been reported on the homepage, [sustainability.is](https://sustainability.is).

The role of Alcoa Fjarðaál's smelter in Reydarfjörður is to produce aluminum in a safe, environmentally friendly, and cost-effective manner, in accordance with the requirements of the operating license and applicable laws and regulations. The company's strategy is to focus on these core activities and

leave various support services related to the operation to other companies.

In this way, Alcoa Fjarðaál contributes to the development of the economy in the region. Alcoa Fjarðaál places great emphasis on fostering its human resources in accordance with the parent company's values of acting with integrity, operating with excellence, caring for people and leading with courage. Fjarðaál has also implemented the United Nations Sustainable Development Goals and bases the company's social responsibility policy on them.

### 4.1 HUMAN RESOURCES

The general welfare and safety of our employees are always a priority.

Similarly, emphasis is placed on the commitment and participation of employees in a work environment that encourages continuous improvement and supports training and education. Alcoa Fjarðaál works systematically to promote and increase equality and foster diversity and a healthy workplace culture. The company follows the criteria of the UN Women's Empowerment Principles and the UN Global Compact, and always tries to ensure that all individuals have equal opportunities for career development and equal opportunities regarding responsibility and assignment of tasks regardless of gender, race or sexual orientation. Fjarðaál refers to the United Nations Sustainable Development Goals, and goal number 3 on good health and well-being and goal number 5 on gender equality are the guiding principles of the company's human resources policy.

### 4.2 THE ENVIRONMENT

Alcoa Fjarðaál follows the policy of the parent company in environmental, health and safety matters. The company's performance in that respect is monitored through regular measurements with the aim of ensuring continuous improvement.

The operation leaves an environmental footprint that has been mapped to minimize the impact on the internal and external environment. In our activities, we work to use resources better, minimize the amount of waste and hazardous materials from the operation, and reduce the emission of greenhouse gases through targeted actions, monitoring and control. Fjarðaál takes into account Global Goal number 12 on responsible consumption and production and number 13 on climate action when working on improvement in environmental performance.

### 4.3 ECONOMY AND VALUE CHAIN

Alcoa Fjarðaál's social responsibility means ensuring the company's financial sustainability and having a positive economic impact in the local community. Alcoa Fjarðaál systematically contributes to the development of business life in East Iceland by offering various support services to companies in the vicinity of the smelter. In this way, Alcoa Fjarðaál enables those companies to build their operations in line with the development of the economy in the area. The company makes heavy demands on suppliers and service providers in terms

of environmental, health and safety issues. Suppliers must meet social responsibility requirements as well as be competitive in price and service. UN Sustainable Development Goal number 8 on decent work and economic growth fits well with Fjarðaál's economic policy.

### 4.4 SOCIAL IMPACT

Alcoa Fjarðaál emphasizes open and active dialogue with all stakeholders. The company believes that the prerequisite for ensuring the interests of shareholders and stakeholders lies in good and transparent governance. Alcoa Fjarðaál works closely with stakeholders regarding the development of the community's infrastructure in terms of transport, innovation, education and social issues. In addition, Alcoa Fjarðaál and the Alcoa Foundation contribute funds to various issues, cultural events and projects in East Iceland. Alcoa Fjarðaál places great emphasis on being an active participant in the local community and towards its stakeholders, which includes, among other things, spreading the message of the United Nations Sustainable Development Goals. Global Goal number 17 on partnership for the goals reflects those priorities well.





# 05

## ALCOA FJARDAÁL'S SOCIAL AIMS 2023

Alcoa Fjarðaál will continue turning raw potential into real progress.

In 2023, Alcoa Fjarðaál will continue to prioritize safety issues and safety culture. Employees will work together to create a healthy workplace culture and a family-friendly work environment. Increased focus on equality issues and a new equality committee increases diversity in the workforce and promotes increased equality in the workplace. We continue to work on using technological innovations to increase opportunities in production, increase communication between people and improve productivity.

Alcoa Fjarðaál and the company's employees work every day according to the company's values, which are:

Act with Integrity	Operate with Excellence
Care for People	Lead with Courage

## ALCOA FJARDAÁL'S SOCIAL AIMS 2023







# 06

## ALCOA FJARDAÁL'S OPERATIONS

The objective of Alcoa Fjarðaál's smelter in Reydarfjörður is to produce aluminum in a safe, cost-effective and socially responsible manner.

The objective of Alcoa Fjarðaál's smelter in Reydarfjörður is to produce aluminum in a safe, cost-effective and socially responsible manner. The company's strategy is to focus on these core activities and leave various support services related to the operation to other companies. In this way, Alcoa Fjarðaál contributes to the development of the economy in the region. Alcoa Fjarðaál sf. (unlimited partnership) in Hraun 1, Reydarfjörður, started production of aluminum in early April 2007 and had reached full production capacity by August 2008. The smelter's production permit is at present 360 tpy of aluminum according to the company's operating permit.

The average number of employees in 2022 was 570. There are generally around 250 contractor employees working on the smelter site on various tasks, including production, maintenance, general services and consultation. The company operates under an operating permit (EOP) issued on 8 November 2010.

The company's operations fall under company category 2.1, aluminum production, according to regulation no. 851/2002 on Green Accounting. The operating permit is valid until December 1, 2026, and the surveillance of the aluminum production is in the hands of the Environment Agency. Although the

permit is valid until 2026, a certain part of it had to be updated last year, so the decision was made in cooperation with the Environmental Agency to update the permit in its entirety. It is expected that the new permit will take effect in the first half of 2023. East Iceland's Health Authority supervises many types of support activities within the smelter area, such as workshops, the transformer substation, and staff facilities.

### 6.1 THE PRODUCTION PROCESS

Alcoa Fjarðaál's production capacity is up to 355 thousand tons of aluminum per year, and the aluminum is produced by electrolysis in up to 336 pots. The production process is shown in Figure 1.

Aluminum is produced by electrolysis in pots in the potroom. They are made of steel and lined with fire-resistant insulating materials. The pots have carbon cathodes. The pot super-

structure contains pre-baked anodes, automatic crust breakers and point feeders for alumina and aluminum fluoride.

The pots are kept closed to minimize the risk of gases escaping into the atmosphere of the potrooms. The gas is sucked away with a suction system and taken to the fume treatment plant where pure alumina is used to remove fluoride from the gas before it goes out into the atmosphere through a smokestack. The fume treatment plant cleans more than 99.8% of the total fluoride from the exhaust gases of the pots. The fluoride is reused in the electrolysis process when it is returned to the pots with the alumina. When pots are opened, desorption is increased to minimize the exhaust gas that escapes into the potrooms and the atmosphere. Special procedures apply to pot tending.

Liquid aluminum is transferred from the potrooms to the casthouse in special crucibles. There, the aluminum is mixed with additives according to

the buyer's preferences and cast into a final product that is shipped to the market in Europe. The casthouse is designed with flexibility in mind so that Alcoa Fjarðaál can react quickly to changes in the market.

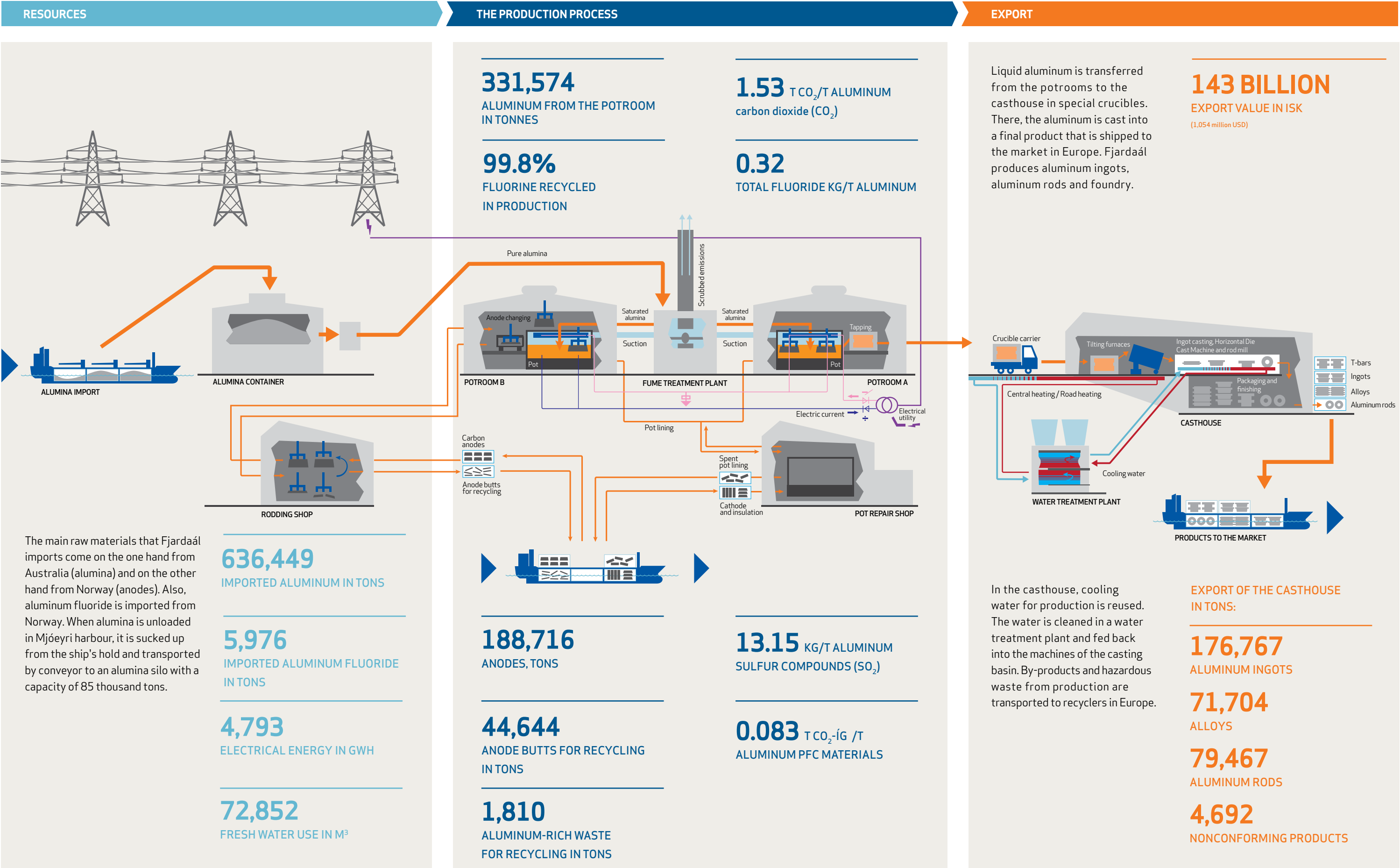
In the year 2022, the production was divided into 53% aluminum ingots, 22% small foundry ingots and 24% aluminum rods. About 1% of the production were nonconforming products that were sold for remelting. The total volume of products from the casthouse was almost 333,000 tons. Production in the casthouse is certified according to the ISO 9001:2015 quality management system.

In the casthouse, cooling water for production is reused. The water is cleaned in a water treatment plant and fed back into the machines of the casthouse. No water from production processes is discharged.



Figure 1

THE PRODUCTION PROCESS IN ALCOA FJARDAÁL'S SMELTER



EXPORT

Liquid aluminum is transferred from the potrooms to the casthouse in special crucibles. There, the aluminum is cast into a final product that is shipped to the market in Europe. Fjarðaál produces aluminum ingots, aluminum rods and foundry.

143 BILLION

EXPORT VALUE IN ISK

(1,054 million USD)

Crucible carrier

Tilting furnaces

Ingot casting, Horizontal Die Cast Machine and rod mill

CASTHOUSE

Central heating / Road heating

Cooling water

WATER TREATMENT PLANT

T-bars

Ingots

Alloys

Aluminum rods

PRODUCTS TO THE MARKET

In the casthouse, cooling water for production is reused. The water is cleaned in a water treatment plant and fed back into the machines of the casting basin. By-products and hazardous waste from production are transported to recyclers in Europe.

EXPORT OF THE CASTHOUSE IN TONS:

176,767

ALUMINUM INGOTS

71,704

ALLOYS

79,467

ALUMINUM RODS

4,692

NONCONFORMING PRODUCTS





# 07

## THE ENVIRONMENT

Alcoa Fjardaál's environmental monitoring results are published annually in an annual report that is available on the websites of Alcoa Fjardaál and the Environment Agency.

Alcoa Fjardaál strives to minimize the negative environmental impact of its operations through targeted measures, and the company sets ambitious internal environmental goals each year. Since the smelter began operations, the company has been responsible for comprehensive environmental monitoring in Reydarfjörður in accordance with a monitoring plan approved by the Environment Agency of Iceland. Results are published annually in an annual report that is available on the websites of Alcoa Fjardaál and the Environment Agency. The purpose of the environmental monitoring is to assess the impact of the plant's operations on the environment in its vicinity. The main source of polluting substances from the production in the atmosphere is exhaust from the potroom. Some of that exhaust goes up through the potrooms'

roof framework, but most of it is sucked away from the pots and led through the gas treatment centre (GTC) described in section 6.1 on the production process.

### 7.1 NOTICES

In 2022, the company sent seven formal notices for deviations or for information to the Environment Agency of Iceland and the Health Authority of East Iceland:

- **May:** The results of dust emissions from dust collectors exceeded the operating permit limit.
- **May:** Failure in the alumina transport system to the western fume treatment plant.
- **September:** The results of dust emissions from dust collectors exceeded the operating permit limit.
- **September:** Notice of non-functional measurement in the roof framework

of potrooms and fume treatment plant due to severe weather and power outages.

- **October:** Two incidents where the fume treatment plant was shut down for maintenance.
- **November:** Notification of fluoride emissions from the activities to date.

All these incidents were dealt with according to the company's work and response procedures.

### 7.2 GREEN ACCOUNTING

Key figures regarding production and raw material and resource use are presented in section 7.2. as a table of Green Accounting. The table is to be found on page 20.

### 7.3 RAW MATERIAL AND RESOURCE USE

The production of aluminum in 2022 was 331,574 tons, which is an increase of almost 14 thousand tons between years. The year-on-year increase is explained by increased stability and more pots in operation in the potroom.

The total electricity consumption per produced ton of aluminum was 14,454 kWh, which is similar to the electricity consumption per production unit between years. Anode effect time decreased between years with increased stability and fewer tap outs than in previous years<sup>1</sup>. As a result, there was a reduction in the release of PFC substances from the operations. CO<sub>2</sub> emissions also decreased year-on-year as a result of increased stability in the pot room. The use of aluminum fluoride increased slightly or by 571 tons year-on-year due to increased production. The total fluoride emission per ton of aluminum produced decreased between years and was within the annual average of the operating permit.

Fluoride in grass is measured during the summer and those measurements were below the reference limits of the monitoring program in the summer of 2022, see details in section 7.5.

The HF concentration in the atmosphere was monitored at the monitoring stations, similar to previous years.

In 2022, increased stability was promoted with considerable pot

relining, and production is expected to balance out in 2023 with more pots in operation than in previous years. A total of 75 pot shells were relined in Fjardaál's pot lining facility, which is operated by contractors. A total of 1,500 cathodes were used to line the shells in 2022. As in previous years, a more environmentally friendly carbon ram paste was used in the relining process as compared to what was used before, a total of 607.5 tons.

All cooling water from industrial processes is cleaned in a water treatment plant and reused in the casthouse. Fjardaál's water consumption is among the lowest known within the Alcoa Group. Water consumption decreased between years and freshwater consumption in 2022 was around 72,852 m<sup>3</sup>. Thereof, the sowcaster and the HDC horizontal casting machine in Fjardaál's casthouse used about 52,545 m<sup>3</sup>. Every calendar day, 3,500 cubic meters of water are cleaned in Fjardaál's water treatment plant and reused in the casthouse. 16,662 m<sup>3</sup> of water passed through distillers in 2022. The average evaporation from casting machines is 140 m<sup>3</sup> per day,

<sup>1</sup> Anode effect time is a large increase in voltage in an electrolytic cell that is unstable due to, among other things, a temporary lack of alumina.





7.2 GREEN ACCOUNTING

	Results 2019	Results 2020	Results 2021	Results 2022	Goals 2023	Unit
Production						
Pure aluminum	334,858	334,619	317,869	331,574	-	t
Raw material and resource use						
Alumina	643,765	641,809	608,724	636,449	-	t
Aluminium fluoride	7,292	6,281	5,405	5,976	-	t
Anodes	198,245	191,974	182,551	188,716	-	t
Cathodes	1,892	2,570	3,903	2,460	-	t
Water consumption	47,252	98,838	88,143	72,852	-	m³
Electrical energy - GWh1	4,839	4,832	4,617	4,793	-	GWh1
Propane - l	215,802	264,643	234,535	171,814	-	l
Biodiesel - B10	-	-	-	-	-	l
Diesel oil	490,980	451,605	444,469	457,964	-	l
Gasoline	9,252	14,250	13,077	14,084	-	l
The use of dangerous substances other than those listed and identified with caution labels in production and raw material and resource use						
Hard coal tar pitch	488	600	817,5	607,5	-	t
Antimicrobial agents	48	38	35	47	-	t
Lubricating oils and greases	34,319	35,859	49,000	42,764	-	l
Coolants - kg	524	363	339	64	-	kg
Air emissions						
Total fluoride kg/t aluminium	0.34	0.34	0.34	0.32	<0.31	kg/t AL
Of which gaseous fluoride - kg/t aluminium	0.13	0.22	0.23	0.22	-	kg/t AL
Of which fluoride in dust - kg/t aluminium	0.21	0.11	0.11	0.10	-	kg/t AL
Sulfur compounds as SO₂ - kg/t aluminium	13.95	14.32	13.34	13.15	-	kg/t AL
Of which from anodes	12.68	12.65	11.85	11.71	-	kg/t AL
Of which from alumina and COS	1.28	1.66	1.10	1.28	-	kg/t AL
Dust kg/t aluminum	0.40	0.39	0.38	0.35	<0,4	kg/t AL
Carbon dioxide (CO₂) /t aluminum	1.60	1.58	1.55	1.53		t CO₂/t AL
Fluorocarbon (PFC) CO₂-equiv /t aluminium	0.115	0.144	0.116	0.083	<0,1	t CO₂-ig /t AL
Sulfur hexafluoride (SF₆) CO₂-equiv/t aluminium	0	0.14	0.37	0.06	0	kg CO₂-ig/t AL
Waste						
For recycling/reuse	54,071	49,336	49,508	50,577	-	t
Of which anode butts	45,651	42,524	41,728	44,644	-	t
Of which skimmings	1,235	921	216	49	-	t
Waste for incineration (energy production)	74	71	69	132	-	t
Waste for landfill	438	473	616	517	-	t
Hazardous waste						
For recycling/reuse	4,788	4,474	6,755	5,411	-	t
Of which spent pot lining	0	0	0	0	-	t
Of which aluminum dross	1,763	2,139	2,020	1,810	-	t
For landfill	4,216	6,805	11,512	9,685	-	t
For energy production by incineration	85	109	116	221	-	t
Of which oil-contaminated toxic waste	0	0	103	98	-	t
By-products						
Bath	4,193	4,501	3,996	2,260	-	t
Measurements in discharge to the sea						
Oil and grease - mg/L	<2	<2-10	<2-2	<2	-	mg/L
Aluminum - mg/L	0.37-1.1	0.07-0.32	0.20-0.99	0.20-0.41	-	mg/L
Fluoride - mg/L	4.1-11	6.6-10.0	3.4-12	2.9-12	-	mg/L

1 1 GWh equals 1,000,000 kWh.

Performance better than internal goals.

The internal goal was not achieved.

which is about 40% of the volume of the system. No cooling water from industrial processes is supplied to the wastewater. Furthermore, part of the heat generated from cooling water is used for central heating and snow-melting on the site.

The combined use of fossil fuels per vehicle increased from the previous year by 14,502 L. The use of diesel oil increased from 444,469 L to 457,964 L between the years 2021 and 2022. The use of gasoline increased from 13,077 L to 14,084 L. The explanation for the increase is related to increased production that calls for increased driving time of vehicles within the company. Increased use of fossil fuels in 2022 corresponds to an increase in emissions of 39 tons of CO₂ equivalents. When the driving hours of the year 2022 were compared with the year 2021, the outcome was that the driving time of mobile equipment on the smelter site increased by 3,171

Table 1

Comparison of vehicle driving time between years	2020	2021	2022
Forklifts	12,045	15,960	16,450
Electric forklifts	9,593	10,074	11,792
Crucible carriers	9,435	9,599	10,103
Anode haulers	16,479	18,182	18,916
Bathmobiles	3,693	4,475	3,351
Vacuum truck	2,928	3,267	4,207
Front end loader	64		
Mobile fluoride feeder			58
Sweeper truck	321	231	82
Total	54,558	61,788	64,959
Increase in driving time:		7,230	3,171
Decrease in driving time:	1056		

Table 2

Transport fuel combustion in gigajoules	2020	2021	2022	Proportional change between years
Biodiesel 10%	0	0	0	0.00%
Diesel	17,432	17,157	17,677	2.99%
Gasoline	487	447	482	7.07%
Propane gas	18,682	21,882	16,030	-26.74%
Total energy consumption	36,601	39,486	34,189	-13.41%

hours. See more about vehicle driving time in Table 1.

Propane is used for preheating of equipment in the casthouse, for example molds in the sowcaster. The use of propane decreased between years by 62,721 L, but the explanation for that is that in 2022, improvements were made to the sowcaster, which minimizes gas preheating of molds, and the production of the sowcaster was more stable than the previous year. With more stable production, there will be a significantly reduced need for mold preheating. The total consumption amounts to a reduction in emissions that corresponds to around 82 tons of CO₂ equivalents.

Table 2 provides an overview of energy consumption from the fuel sources used on the site. The total energy consumption in gigajoules decreased by 13% in 2022 compared to the

previous year, and this is mainly due to the reduced use of propane.

7.4 EMISSIONS INTO THE ATMOSPHERE

Stability in the operation of the potrooms is one of the main foundations for low emissions from the plant into the atmosphere. The changing of carbon anodes is the single largest contributor to the release of fluoride and other chemicals from the potrooms. The largest emission occurs during the anode change itself. Stabilization slows down the burning of anodes and thereby reduces the number of anode changes. In addition, the anode effect time is reduced, which reduces PFC emissions. These two factors lead to a general reduction in operational problems. Increased stability therefore reduces emissions from the plant.

reduction  increase



Figure 2

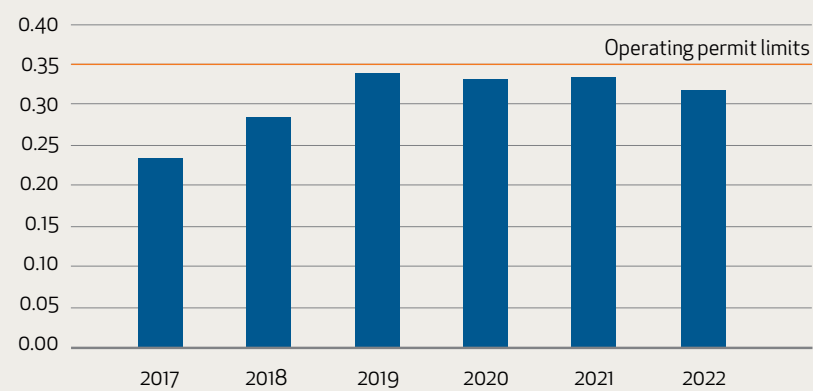
**TOTAL FLUORIDE EMISSIONS (kg/t aluminium)**

Figure 3

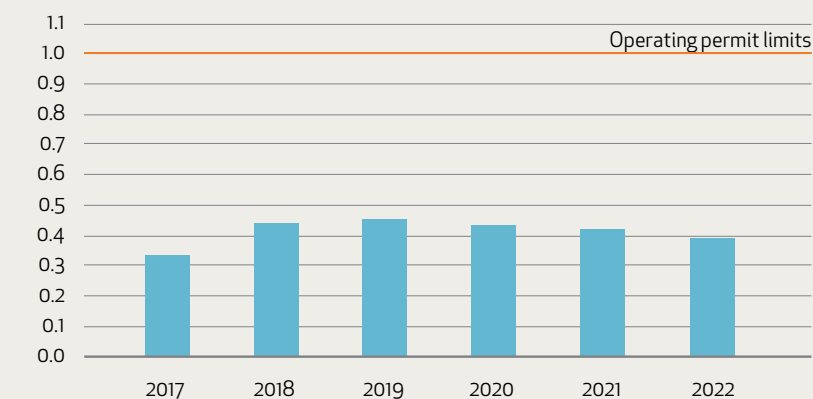
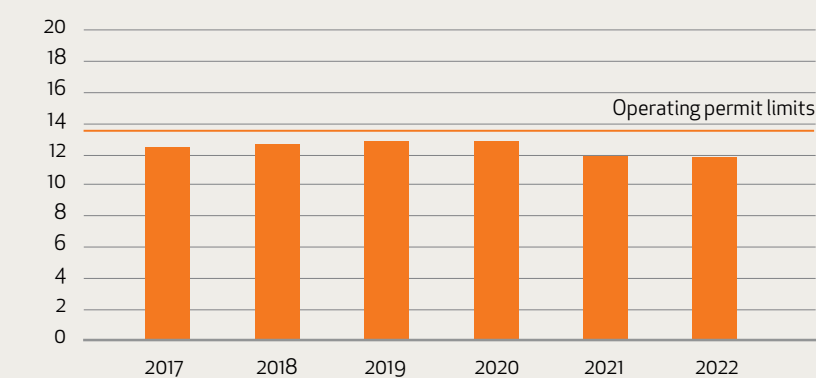
**DUST EMISSION (kg/t aluminum)**

Figure 4

**EMISSIONS OF SULFUR DIOXIDE FROM ANODES (kg/t aluminium)**

The main pollutants are monitored; they are gaseous fluoride (HF), dust and sulfur dioxide (SO<sub>2</sub>) as well as the greenhouse gases carbon dioxide (CO<sub>2</sub>), fluorocarbons (PFC) and sulfur hexafluoride (SF<sub>6</sub>).

Information on emissions is summarized in section 7.2 (Green accounting). The total emission of fluoride was 0.32 kg per ton of aluminum produced and decreased between years. The emissions were above the company's internal target but below the operating permit limit.

Total dust emissions were below the company's internal target, or 0.35 kg/t aluminum and decreased between years. The dust emission was well below the operating permit limit. The emission of sulfur dioxide (SO<sub>2</sub>) from the use of anodes was below the limit, or 11.71 kg/t aluminum. The emissions are similar between years. Sulfur content of the anodes is closely monitored, and weekly information is received from suppliers on the results of chemical analyzes of the anodes. The total emission of sulfur compounds as SO<sub>2</sub> amounted to 13.15 kg/t aluminum and decreased slightly between years.

**7.4.1 Greenhouse gas emissions**

Carbon dioxide (CO<sub>2</sub>) emissions are calculated based on the use of anodes using mass balance calculations. Emissions in 2022 were 1.53 t CO<sub>2</sub>/t aluminum and decreased slightly from the previous year due to increased stability in the potrooms.

Figure 6 shows the emission of fluorocarbons (PFCs) as CO<sub>2</sub> equivalents in the years 2018–2022. PFC is a greenhouse gas that is produced by anode effects in pots, and the emission of these substances is calculated based on the number and duration of anode effects. In 2022, 0.083 tons of CO<sub>2</sub>-equivalents of PFCs were released per ton of aluminum produced. This corresponds to 3.87 tons of PFCs being released into the atmosphere. PFC emissions were down from the previous year. The decrease can be attributed to increased stability in the operation of the potrooms and reduced anode effect time.

During the year, almost 0.85 kg of sulfur hexafluoride was used to fill switchgear, which is, however, a slight decrease between years and corresponds to 0.06 CO<sub>2</sub> equivalents

per ton produced. The total emission of greenhouse gases from production increased between years, or by 3,474 tons of CO<sub>2</sub> equivalents. This increase is due to increased aluminum production and therefore more use of anodes.

**7.5 FLUORIDE IN GRASS – ENVIRONMENTAL MONITORING**

Alcoa Fjardaál's environmental monitoring is comprehensive. It is in accordance with the monitoring plan for the main aspects of the environment in Reydarfjörður, such as air quality measurements and vegetation studies. The results are presented in an annual report that will be published in May and be available on the website of the Environment Agency and Alcoa Fjardaál's website.

An extensive part of this monitoring program is the measurement of fluoride in grass during the summer with animal health in mind. Six measurements are made, two per month in June, July and August. In autumn, the average of all samples is recorded and thus the average for the summer period is found. The samples are always taken in the same place and with the same method

Table 3

Direct and indirect emissions of greenhouse gases in tonnes of CO <sub>2</sub> equivalents		Emission 2020 tons CO <sub>2</sub>	Emission 2021 tons CO <sub>2</sub>	Emission 2022 tons CO <sub>2</sub>	Decrease/increase
<b>Scope 1*</b> Direct emissions	Carbon consumption	527,153.7	493,478.4	506,233.2	2.6%
	PFC	48,347.9	36,868.9	27,668.1	-25.0%
	Propane gas	401.0	356.8	274.8	-23.0%
	Acetylene	0.0	0.2	0.6	234.8%
	Diesel	0.5	1.0	1.9	91.6%
<b>Scope 2</b> Indirect emissions	Diesel	1,228.4	1,203.8	1,240.3	3.0%
	Gasoline	33.3	30.1	32.4	7.6%
	HFC	682.0	645.0	155.8	-75.8%
	SF <sub>6</sub>	48.0	118.3	20.3	-82.8%
<b>Scope 3</b> Indirect emissions	Rental car usage	1.3	1.0		-100.0%
	Landfill	422.2	549.6	573.5	4.3%
	Transport to landfill	2.5	20.8		-100.0%

\* "Scope" refers to the source of greenhouse gas emissions, where 1 is direct from production, 2 is indirect emissions related to energy use, and 3 is other indirect emissions.



Figure 5

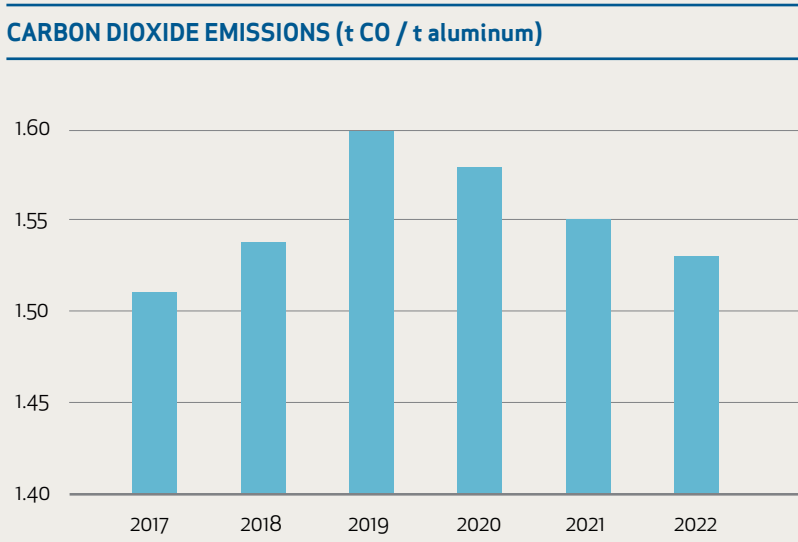


Figure 6

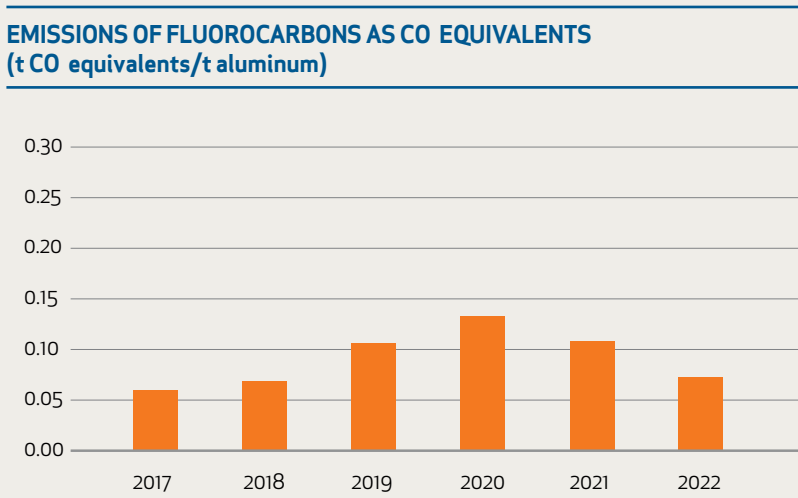
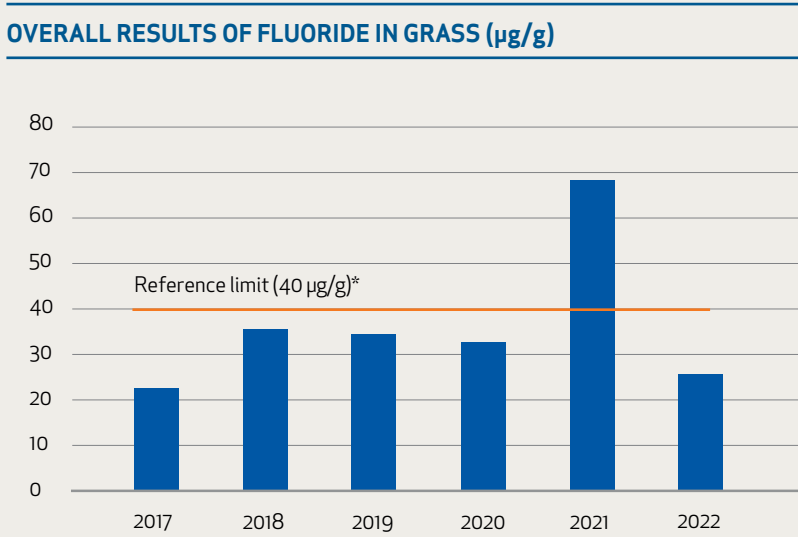


Figure 7



\* Concentration of fluoride in grass. The orange line shows reference limits for herbivores that have been included in the monitoring plan.

so that they are comparable. Criteria in Fjarðaál's monitoring program are 40 µg F/g in grass on average. The results of these measurements are shown in Figure 7.

The average concentration of fluoride in grass in the summer of 2022 was 25.1 µg F/g of grass, which is below the limit values and a significant decrease from the previous year when the results were above the limit after an exceptional summer in 2021. There was especially mild weather in East Iceland in the months of July and August 2021. The reason for closely monitoring the fluoride concentration in grass is to ensure the health of animals that graze in the fjord. There has been good cooperation with farmers who raise sheep in Reydarfjörður, and veterinarians have examined the animals annually. According to these examinations, there has been no evidence to date that indicates that fluoride in Reydarfjörður has affected herbivores. There is no danger to people from the plant's fluoride emissions.

The environmental monitoring report shows more detailed information about vegetation monitoring in Reydarfjörður. The smelter has an active steering group

all year round to monitor this work and the results. Employees receive environmental education, so they understand their important role in minimizing emissions. The reliability of anti-pollution equipment is closely monitored.

### 7.6 NOISE

Alcoa Fjarðaál measures environmental noise from its operations in accordance with the provisions of the operating permit. These measurements are made every eight years according to a monitoring plan, or if changes are made to operations, in accordance with Regulation 724/2008 on noise. These measurements were last carried out in 2020, according to the plan, and the results were below the regulation's limit values.

### 7.7 WASTE ISSUES

Alcoa Fjarðaál has the vision that all waste can be reused or recycled, and that landfilling is the last option. The company focuses on finding ways to bring waste and hazardous materials from production to recycling. Sorting at the source is the foundation for

the aim that most of the company's waste can be recycled. In addition, opportunities for minimization are constantly sought to prevent the generation of waste. The total amount of waste in 2022 was 66,543 tons, which is a decrease of 2,043 tons or 3% year-on-year and can mainly be traced to fewer pot relinings.

In total, 84.1% of the waste was recycled and 0.5% was sent for domestic incineration. A total of 10,202 tons of waste went to landfill, or almost 15.3% of the total. This is a decrease of 2.4% year-on-year, and the difference is mainly due to the smaller amount of spent pot lining that was sent to landfill.

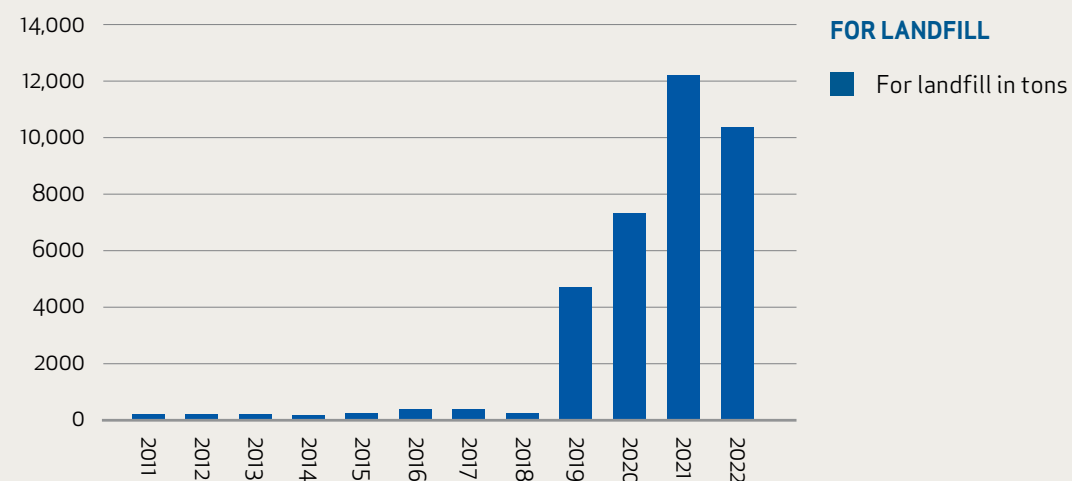
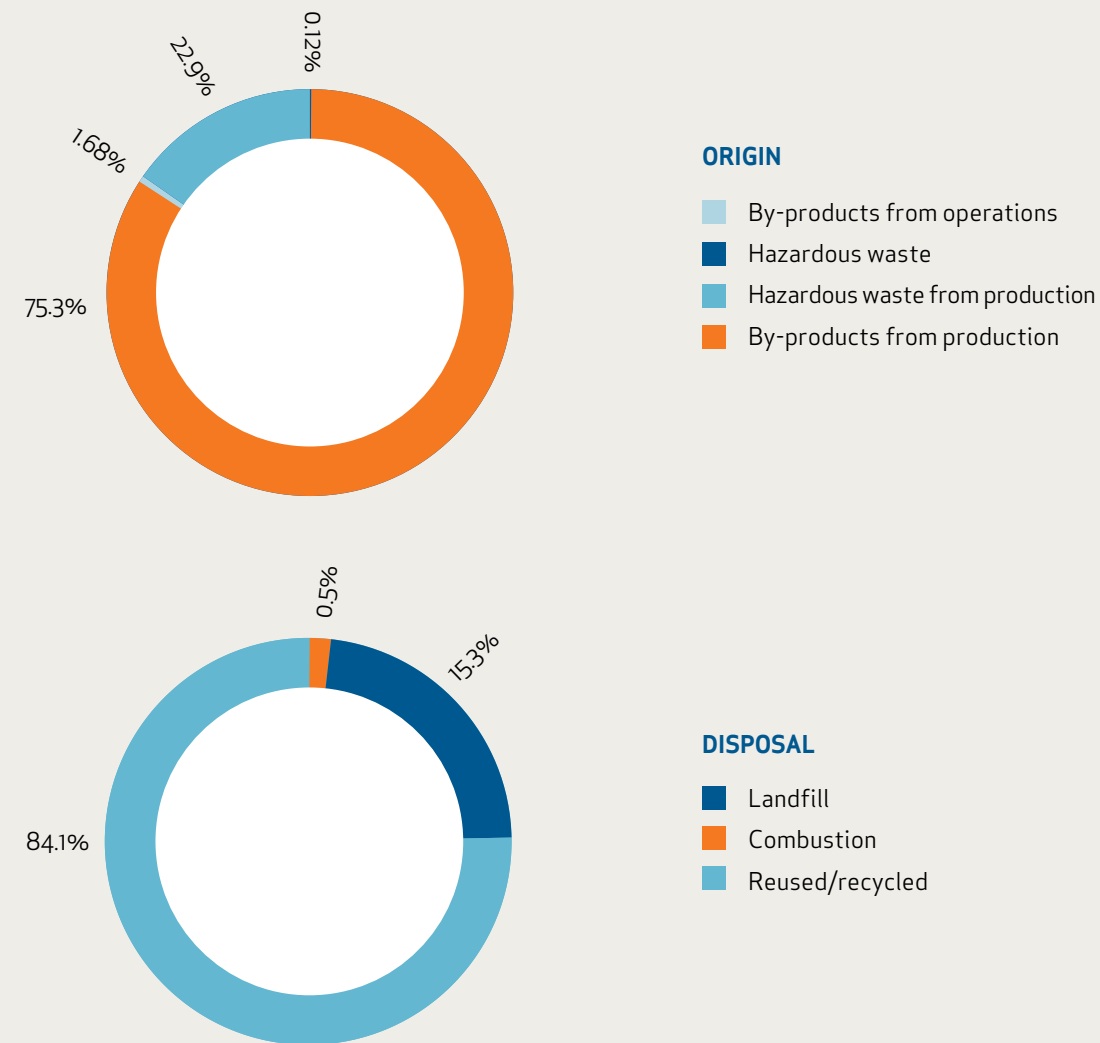
Since 2019, it has not been possible to send spent pot lining for recycling as was done before, and therefore the recycling rate has decreased in recent years. Alcoa Fjarðaál, in collaboration with the parent company, has looked for ways to recycle spent pot lining, and testing has now begun in collaboration with a Dutch company. We plan for this project to continue in 2023 so that the recycling rate will increase again. A certain type of dust from the bath treatment plant and





Figure 8

## DIVISION RATIO AND DISPOSAL OF WASTE IN 2022



cellulose, which is organic waste from the water treatment plant, are sent to landfill, but it is only a small fraction of the total that goes to landfill. We will continue to look for ways to minimize landfilling and put spent pot lining into use.

The largest part, or about 98% of waste, is generated due to production and about 2% from general operations. Figure 8 shows the percentage of waste and hazardous materials, on the one hand from production and on the other hand from general operations. It also shows the relative amount of waste that went to landfill out of the total amount. Cleaned, spent carbon residues make up about 70% of the total amount of waste that is sent for recycling. They are recycled in Mosjøen in Norway and used in new anodes and constituted about 25% of the total number of imported anodes.

## 7.8 DRAINAGE

Sewage from the company and the surrounding industrial area is treated in a treatment plant located in the industrial area at Hraun. The sewage goes through a four-stage treatment before it is discharged to the sea. Solid materials from the sewage treatment plant are recycled into soil in connection with forestry.

The treatment plant is operated by a third party.

Drainage from areas where oil or chemical products are processed is routed through oil separators and drainage from the kitchen is routed through a grease trap. They are emptied regularly, and oil-contaminated water is processed by appropriate parties when pertinent.

Surface water from the industrial site is channeled through retention ponds before it flows to the sea. Samples are taken from pond drainage in the autumn and spring. In 2022, the analysis results were below the operating permit limit. The results of the measurements of aluminum, oil/fat

Sigrún Ólafsdóttir started working in Alcoa Fjarðaál's potroom in 2007. She runs the farm Brekkugerdi in Fljótsdalur together with her husband and has also built up a forestry. Sigrún enjoys walking around her forestry and admiring the results of years of work.



and fluorides are given as the highest and lowest values in section 7.2. According to the operating permit, the number of suspended particles in the effluent may not increase by more than 10 mg/L

compared to the measured amount in the inflow, and the measurements were similar between years and below the limit in 2022, as in previous years.

## 7.9 SOCIAL RESPONSIBILITY GOALS 2022 – RESULTS

### Participate in a European project on waste issues

The goal was met, and work has begun to design a new process in collaboration with a Dutch company for the recycling of spent pot lining. Results from the testing are promising, even if the final process is not yet in use.

### Ensure gas treatment centre improvements to reduce fluoride emissions

The goal was partially met, work was done in 2022 to replace the bags in the gas treatment centre, but that work has not been fully completed and will continue in 2023.





# 08

## HUMAN RESOURCES

Alcoa Fjardaál has around 544 employees and around 250 contractors work for the smelter. In total, around 800 people are employed in the smelter area.

Alcoa Fjardaál's employees were around 570 in 2022. Of these, around 27% were women which is the highest percentage known within the Alcoa smelter family. Alcoa Fjardaál's Lead Team consisted of ten people at the end of the year, one of whom was a woman. Employees either adhere to the workplace agreement of Alcoa Fjardaál and the unions AFL and RSÍ, or have individual agreements where wage trends follow VR union's agreement with SA (The Confederation of Icelandic Employers). Alcoa Fjardaál's policy is to outsource the tasks in the business that do not belong to the core business.

In this way, the company supports the development and operation of other companies in the region and thus has

a positive effect on further business development in East Iceland.

In addition to the smelter employees, over 250 other people work on the site: contractors and their employees. In total, around 800 people are employed in the smelter area in Reydarfjörður. Contractor employees work in canteen operations, housekeeping, the design and development of investment projects, employee transportation, procurement and warehouse operations for consumables and spares, mechanical engineering and maintenance, harbor operations and goods traffic, to name a few examples. These contractor's activities reflect a broad field of work that has a positive effect on innovation and development in the region.

Many new companies have sprouted in the area over the years by servicing the smelter.

Table 4

Residence of Fjardaál's employees	2021	2022
Residence in Fjardabyggd	62%	62%
Residence in Fljótsdalshérad	30%	30%
Residence elsewhere in East-Iceland	0.4%	1.70%
Residence elsewhere in the country	7.3%	5.8%

Figure 9

COMPOSITION OF THE LABOR FORCE BY OCCUPATION

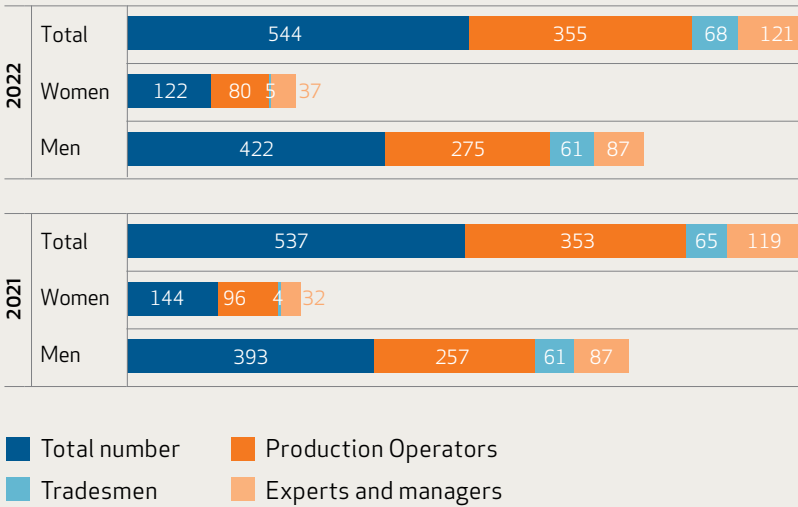


Figure 10

COMPOSITION OF THE LABOR FORCE BY AGE

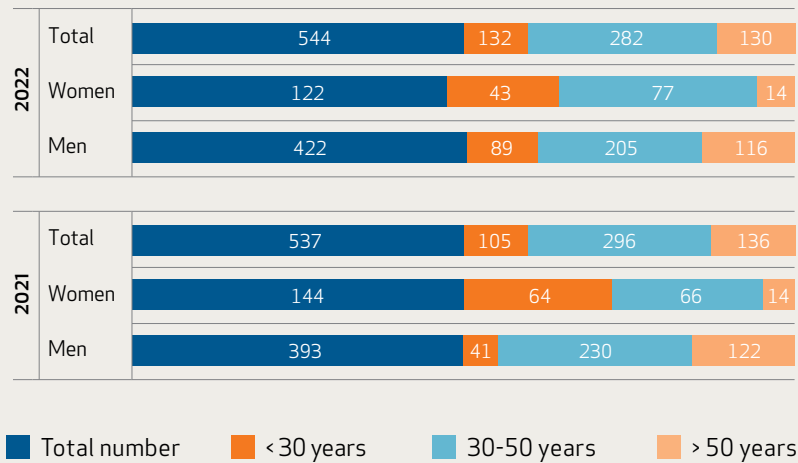




Table 5

New Hires	2020	2021	2022
Permanent appointments	83	106	80
Temporary employees	6	10	4
Summer employees	110	110	80
Casual laborers paid by the hour	61	40	35

Table 6

Residence of Fjardaál's newly hired employees	2020	2021	2022
Residence in Fjardabyggd	78%	56%	60%
Residence in Fljótsdalshérad	19%	15%	18%
Residence elsewhere in East-Iceland	0%	3%	2%
Residence elsewhere in the country	3%	24%	20%

8.1 THE WORKPLACE

In the beginning of the year we were still affected by COVID-19 and the restrictions that came with it. The biggest HR project of 2022, however, was a change in the shift system in the workplace. In the spring of 2022, the decision was made to work on revising the shift system and it was done by inviting the employees to a conversation. The purpose was to improve the sleep and thus the health of shift workers. The project and its results are discussed in more detail in section 8.6.1.

With improved stability in the plant's pot operations, the workload that the employees have been living with in recent years has been eased. Therefore, it is expected that job satisfaction will increase in the coming seasons along with increased stability.

8.1.1 Job Satisfaction

In 2022, Alcoa Fjardaál's parent company decided to start conducting an international job satisfaction survey among all its locations every 18 months.

That is why Alcoa Fjardaál did not conduct its own survey, as in previous years, in collaboration with Gallup in Iceland. Alcoa Fjardaál's human resources team has decided to submit a Gallup workplace analysis to the employees alternately with the parent company's survey, and it will therefore

also be conducted every 18 months (with 9 months between the surveys). In 2022, a survey was therefore only carried out by the parent company, and Alcoa Fjardaál's survey will next be submitted in the spring of 2023.

Since the questions from the parent company's survey and Alcoa Fjardaál's Gallup survey are not completely comparable and measured on different scales, it is difficult to compare them, but based on similar questions, there is an indication that job satisfaction has decreased slightly between years. This should not come as a surprise as there was some movement of people following the COVID-19 epidemic and the shift system change was controversial in the beginning. This will be better covered in next year's report when a Gallup survey has been submitted, which can be compared with a similar survey from 2021.

The parent company's survey asked about opportunities for career development and communication with superiors. According to the results, 65% said they regularly communicate with their manager about their job performance. Around 66% said they had good opportunities to learn and develop in their work at Alcoa. The results of the parent company's employee survey were presented to employees at team meetings and shift change meetings at the end of 2022. In the first half of 2023, work will be done to review the results

with all shifts, and employees will take part in formulating measures to increase job satisfaction and engagement.

8.1.2 Workplace Culture

Teams are the basic units in the organization and management of Alcoa Fjardaál. In 2022, team events and other employee entertainment returned to normal after COVID-19. The company's annual festival was held for the first time since 2019 in Valaskjálfi in Egilsstaðir and was a great success. Just like before, two annual festivals were held to ensure that all shift workers had the opportunity to attend. A Christmas buffet was offered in the company's canteen, and the members of most teams went to a Christmas buffet together with their spouses at restaurants in many parts of East Iceland.

Alcoa Fjardaál celebrated its 15th anniversary in 2022 and on that occasion invited the public to an open house and family fun at the smelter site. Employees were encouraged to bring their families to the workplace, and the employee association Sómi hosted an ambitious family program on an outdoor stage that was set up within the Alcoa Fjardaál site. Sómi also hosted an annual advent party for employees and their families in the plant's canteen for the first time since 2019. That event often marks the beginning of the Christmas celebration for the families of Alcoa

Figure 11

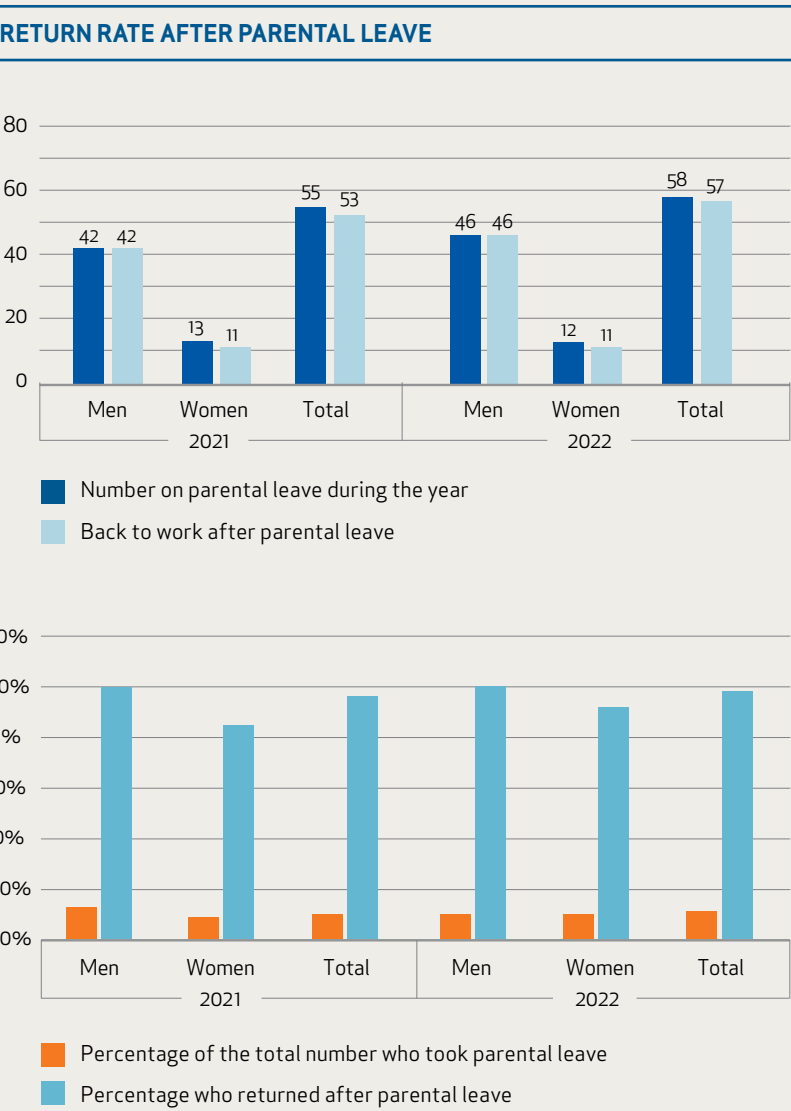
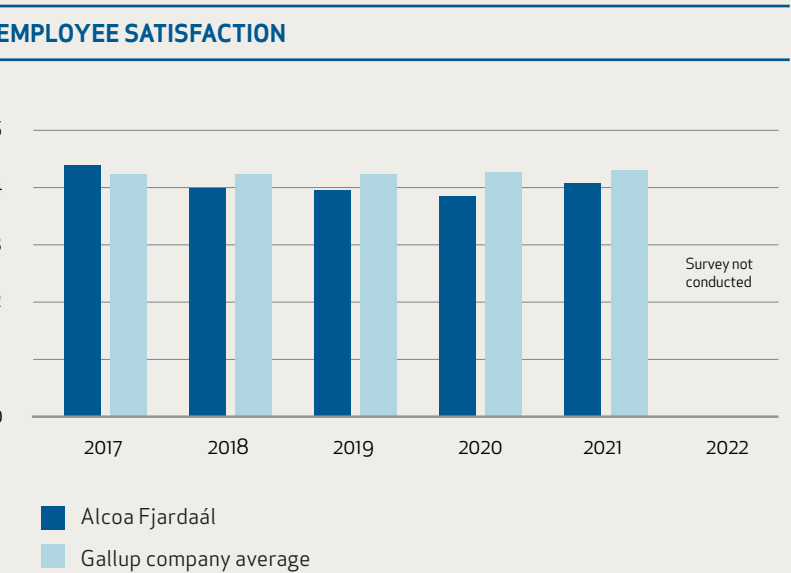


Figure 12





employees and it is extremely popular among the youngest generation. People welcomed the fact that it was possible to offer these entertainments again and that life had returned to normal following the pandemic, which meant quite a lot of problems at this company, like others.

In 2022, training for leaders and managers called ASE (Alcoa Supervisory Excellence) continued, with close to 60 people taking part and receiving comprehensive training, including how to build a good workplace culture.

Since 2010, employees have had the opportunity to pay a monthly contribution to the Sómi staff association's Grant Fund. Participation in the fund is optional and Alcoa Fjardaál pays a counter contribution. Allocations are made from the Grant Fund to those who need it due to serious illnesses or accidents in the immediate family.

**8.1.3 Refugees from Ukraine employed**  
In the fall of 2022, Alcoa Fjardaál took part in a community project in East Iceland, when we welcomed about 20 refugees from Ukraine who settled in the old Eidar Public School near the town of Egilsstaðir. From this group,

12 people were employed at Alcoa Fjardaál. As this was a community project, the requirements that are usually made in the workplace regarding language skills were deferred. Some of the people had a background in heavy industry in their homeland. Most of the men are still employed and have adapted well to the workplace.

**8.1.4 Remuneration Matters**  
Preparations for a new collective bargaining agreement began in the fall of 2022, as the current agreement would expire at the end of February 2023. Negotiation committees met every two weeks from September and the work continued until new agreements were reached at the beginning of 2023.

**8.2 GENDER RATIO AND EMPLOYEE TURNOVER**  
The percentage of women at the company in 2022 was 23% and remained the same between years. The goal was to increase the number of women in the workforce, but that did not happen. The percentage of women in job applications has decreased, and the company needs to look for a reason for that and take a closer look at how to reverse that trend.

Changing the company's shift system is one part of trying to increase this ratio.

The ratio of men and women is more equal when looking at summer employees. Alcoa Fjardaál has always had the goal of equalizing the gender ratio and building a workplace where everyone gets equal opportunities to prosper and grow in their work. The company has focused on equality issues to create a better workplace culture based on equality and diversity.

The company's managers are alert to opportunities to balance the gender ratio, and when advertising for new employees, it is noted that jobs are suitable for all genders. Employee turnover decreased between years. It was around 12% in 2022 compared to 14% in 2021. It is likely that increased stability results in a decrease in employee turnover, and it is hoped that this trend will continue.

It is clear, however, that there is a lot of movement among people in the labor market, not least as a result of the COVID-19 epidemic, and it is uncertain when that trend will stop. At Alcoa Fjardaál, the number of foreign employees has been increasing due to



The group from Ukraine that came to work in the plant.

Table 7

Women's wages as a percentage of men's wages by occupation	2020	2021	2022
Managers	90%	92%	95%
Experts	92%	91%	98%
Engineers	94%	91%	94%
Technicians and specially trained staff	96%	89%	94%
Office workers	100%	99%	100%
Service, sales and security jobs	0%	0%	0%
Tradesmen and skilled industrial workers	86%	97%	94%
Engine and engine maintenance personnel	94%	97%	100%

the high tension in the labor market and competition for people. This new reality comes with challenges, because as the number of foreign employees increases, more attention must be paid to Icelandic teaching and to ensure that safety messages in a workplace like Alcoa Fjardaál reach everyone. Alcoa Fjardaál has been offering Icelandic lessons for foreign employees for years, and there are plans to put more effort into it.

8.3 EQUAL RIGHTS ISSUES

Alcoa Fjardaál's Equal Opportunity Policy was prepared in accordance with the Gender Equality Act no. 150/2020. Alcoa Fjardaál aims for 50% of the company's employees to be women, and also links its Equal Opportunity Policy to the values that guide Alcoa's global operations (act with integrity, operate with excellence, care for people and lead with courage). In all the company's job advertisements, jobs have been advertised for both genders, but the innovation in 2020 was to start advertising for all genders, and this has continued ever since. The jobs in the plant are designed in such a way that they can be performed safely regardless of gender.

Both parents are encouraged to harmonize their work with family life and shoulder equal responsibility for the care and upbringing of their children. The company policy emphasizes the importance of creating a family-friendly workplace where all employees feel comfortable. At Alcoa Fjardaál, sexual and gender-

based harassment and bullying are not tolerated and such cases are taken seriously. If issues of this nature arise, clear work procedures are followed to ensure health and safety in the workplace. The company operates according to an Equal Opportunity Program which specifies the parties responsible for its review and consequent improvements.

The HR manager is responsible for the enforcement of the Equal Opportunity Policy. The Lead Team is responsible for the follow-up of the policy and deviations from it with the support

of Alcoa Fjardaál's equal opportunity committee. The foundation was laid for a new equality committee in 2022 by requesting that contacts with the parent company's inclusion groups take a seat on the committee. The formal work of the new committee will begin in 2023. These groups referred to are EAGLE, which safeguards and draws attention to the rights of LGBT+ people, Alcoa Women's Network or AWN, which draws attention to the status of women and empowers them at work and AWARE, which emphasizes cultural diversity. AWARE is the newest inclusion group within Alcoa.

Table 8

Employee turnover by gender	2020	2021	2022
Male	8%	9%	8%
Female	2%	5%	3%
Total	10%	14%	12%

Table 9

Employee turnover by age group	2020	2021	2022
18-20	0%	1%	2%
21-25	1%	3%	2%
26-30	2%	3%	2%
31-35	1%	1%	1%
36-40	1%	1%	1%
41-45	1%	1%	1%
46-50	0%	1%	1%
51-55	1%	1%	0%
56-60	1%	0%	1%
61-66	1%	0%	1%
66-	1%	1%	1%
Total	10%	14%	12%

8.3.1 Equality Index

Alcoa Fjarðaál participated in Empower's Equality Index. Empower is an international consulting company in equality issues, which is designed to assess the status of equality issues within the company. The Equality Indicator is a strategy and awareness raising in equality issues. Work was done with Empower's staff at the beginning of the year, but then the decision was made to put the project on hold while changes in the company Empower go through.

8.3.2 Women's wages as a percentage of men's wages by occupation

Table 9 shows women's wages as a percentage of men's wages, broken down by job category in the company. Experience, education, and skills are taken into account when making salary decisions for experts, and salaries are compared to what is prevalent in the market through participation in salary surveys.

While wage decisions for personnel working in production and industry are bound by a collective agreement, important factors in the development of wages for these groups are length of service and work arrangements.

It can, for instance, have a big effect on change if few women are in certain groups or have a shorter period of employment, e.g. among craftsmen, technicians, and specially trained staff. There is no woman in the tradesmen's group that work on shifts, and this affects the wage rates.

8.3.3 Equal pay certification

In the summer of 2017, Fjarðaál received certification according to the equal pay standard of the Ministry of Welfare and was the first large company in Iceland to receive that certification. In 2022, Alcoa Fjarðaál passed a maintenance audit of the standard. The audit confirmed that work is carried out according to

documented procedures and that there was no gender pay gap at Alcoa Fjarðaál.

8.4 RULES OF PROCEDURE AND CODE OF CONDUCT

Alcoa's rules of procedure and code of conduct serve as a guide for employee integrity and good governance. The objective for them is to provide guidance to employees to meet the company's standards in terms of good business practices, which primarily relate to how the company wants to do business across the world.

The rules of procedure are reviewed annually, and employees receive targeted training on them. Employees are encouraged to report violations of various kinds, such as corruption, human rights violations, discrimination or harassment, intellectual property violations, and potential security threats.

Further information on rules of procedure and code of conduct is posted on the parent company's website, [alcoa.com](http://alcoa.com).

8.5 SAFETY

Great emphasis is placed on the safety and health of staff and contractors at Alcoa Fjarðaál. We work systematically to minimize the risk of accidents, minimize pollution, promote health and support a safe working environment.

The philosophy used when it comes to identifying hazards, evaluating situations, and preventing deviations or accidents is called "Human Performance." This approach has proven successful and good results have been achieved in reducing the number of serious deviations. Employees also employ a methodology known as "Critical

Risk Management" to ensure that the proper defenses against known hazards are always in place. Great emphasis is placed on the right of employees to "Stop and seek help" if they feel unsafe or do not have enough knowledge of the task performed. It is also mandatory to hold a "Pre Task Brief" if there is a risk of possible accidents.

Alcoa Fjarðaál follows the policy of the parent company in environmental, health and safety matters. Efforts are being made to improve the working environment to ensure the safety and health of employees. All accidents and mishaps are recorded in order to learn from them. The company is certified by the OHSAS 18001 health and safety management system. All employees receive basic training in environmental, health and safety issues. At Alcoa Fjarðaál, there are 15 health and safety committees, whose role is to promote health and safety in the workplace. Almost 10% of employees actively participate in such committee work during working hours. Committees work on various issues and provide training such as fall protection, "lock, tag, verify" and "hazardous materials" to name a few examples. At the same time, committees contribute to various improvements aimed at making the workplace safer by eliminating hazards and improving working conditions and procedures.

8.5.1 Accidents and deviations regarding health and safety

Accidents, near-misses and health and safety incidents are recorded in an incident recording system and reported in accordance with applicable laws and regulations<sup>1</sup>. Root cause analyzes are carried out and preventive measures implemented so that similar incidents do not recur. Last year, eight "near misses" and two work limitation accidents were recorded, i.e. where an employee is injured and is therefore unable to

Table 10

Accidents and injury frequency rate	2018	2019	2020	2021	2022
Lost time incidents	0	2	0	1	h
Near miss incidents	13	11	5	6	8
Injury Frequency Rate	0	0.462	0	0.23	0.22
Medical treatment injury frequency	2.05	2.543	3.495	3.06	2.38
Overall incident frequency	16.4	14.33	16,543	15.8	13.73
Lost time and restricted work injury frequency	0.45	1.618	1.398	1.40	1.22

The frequency of occupational accidents is recorded as an H-number (H200), i.e. the number of accidents for every 200,000 working hours. 200,000 working hours correspond to the work of 100 employees over the year

perform his or her traditional tasks in production. The first such accident involved a hand getting trapped, and in the second, an employee tripped from a step. One lost time incident was recorded where a contractor's employee broke his leg while working and was away from work for a while.

In 2022, 18,766 safety audits were carried out compared to around 17,400 audits the previous year. These audits are extremely important for the operation because they can be used to identify opportunities for improvement in safety matters before accidents occur. They contribute to the increased presence of managers in the production areas and ensure that wrong behavior is corrected on the spot. It has been proved that there is a correlation between the frequency of audits and fewer accidents.

8.6 HEALTH AND WELFARE

Alcoa Fjarðaál cares about the health of its employees and works hard to prevent work-related diseases such as respiratory diseases, hearing impairment, skin problems and chronic musculoskeletal diseases.

Every year, a large number of measurements are carried out on, for example, noise or pollution in the employees' atmosphere, in order to monitor the working environment and ensure that workers are protected in the best possible way. These measurements guide the health

checks of employees that take place at Fjarðaál's Health Care Center, which protection employees need to use, along with improvement work that aims to improve the employees' working environment.

8.6.1 A new shift system

The biggest project concerning the company's human resources in 2022 was a shift system change. The decision was made to take this on as it was clear that shift workers were not resting well enough between shifts and this threatened both the safety and health of people.

In the previous system, there were two jump shifts in each shift cycle, which means that twice people only got eight hours between shifts and within that time frame had to travel home, eat and rest before the next shift.

According to a study conducted by a former employee who is an HR postgraduate student as part of his master's thesis, 89% of shift workers were only getting five hours or less of sleep between those shifts, and 36% slept three hours or less. In the previous system, six shifts were worked over five days, first two night shifts, then two evening shifts and finally two day shifts.

It was clear that the case would be complicated to process due to strong opinions on the shift system, which has an enormous impact on the lives of shift workers. The decision was made to invite a broad range of consultants and all shift

workers were invited to participate in a workgroup for the project. A total of 54 people volunteered to participate in the work. After the first round, it was clear that its outcome was controversial, so the decision was made to hold a second round. After it was finished, there were five shift systems that came from a diverse group of employees and Lead Team members.

Employees got to vote on which shift system they liked best. More than 80% of shift workers voted for the system that was implemented in September 2022. In the system that was chosen, different interests are taken into account, a few days off between shifts are kept, but the number of jump shifts is reduced. In a 20-day period, there is now one jump shift instead of four before, and the resting time between shifts is longer: an average of 16 hours compared to 12.8 hours before the change.

In the current system, there are first two night shifts, then four day shifts in a row, and there are 24 hours between the night and day shifts. In the next cycle, people work two night shifts again, but then jump to four evening shifts. There are only eight hours from the second night shift to the first evening shift, but this is a much better situation than before the change. The decision was made to have the new system on trial for one year, and it is clear that a final decision on the shift system must be made in the fall of 2023. It should be noted that, in parallel with the implementation, a study was undertaken in collaboration

<sup>1</sup> "Near-misses" are based on information from incidents that occurred and could have potentially caused permanent disability or death.



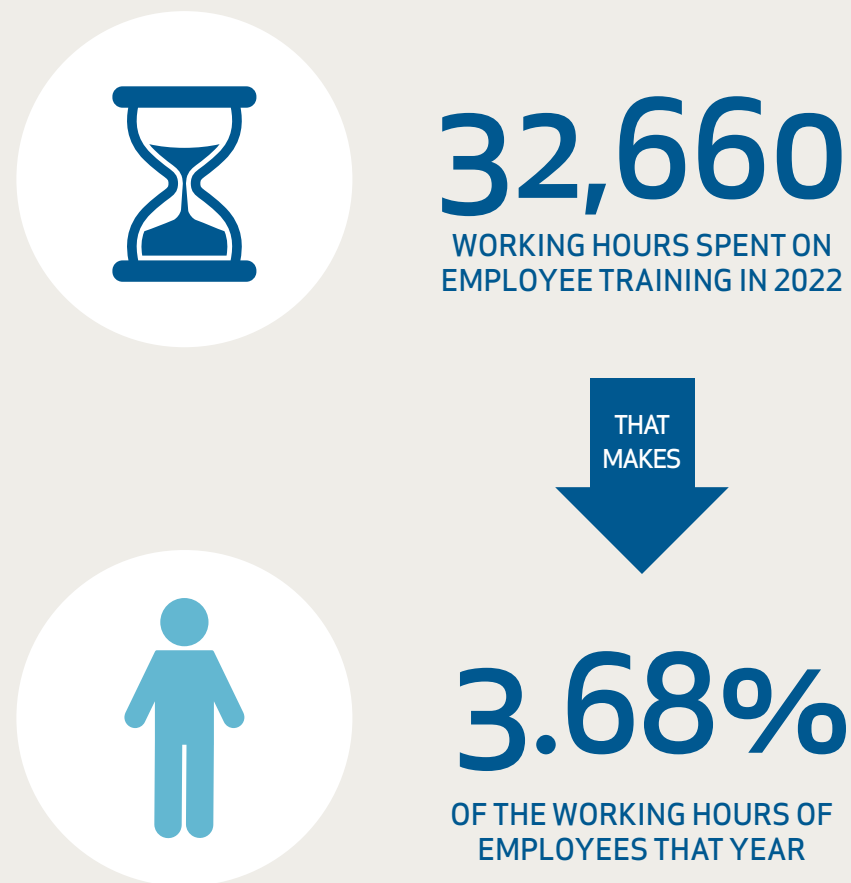
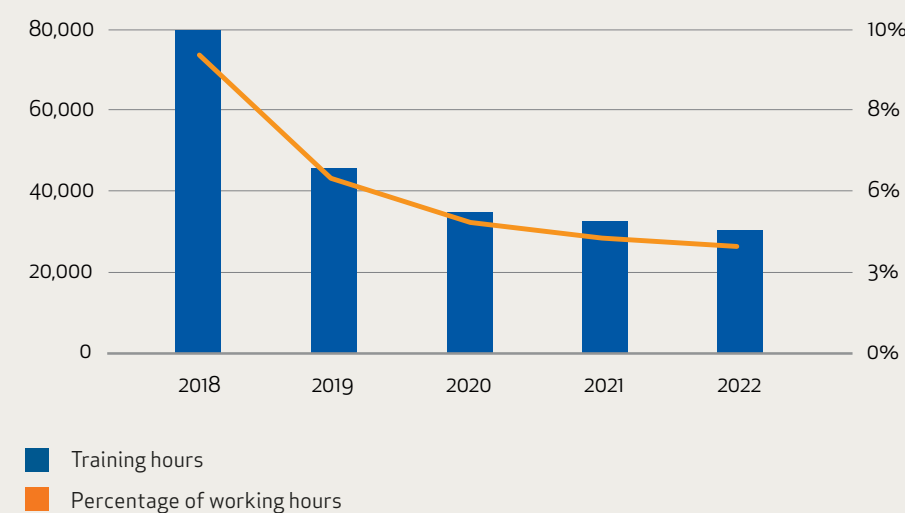


Figure 13

#### TRAINING AS A PROPORTION OF TOTAL WORKING HOURS



with Reykjavik University's Sleep Institute, whose experts were on hand to advise during the process and educate employees about the importance of sleep for health. The study aims to examine how shift workers feel about the new system, and the results will be used when the final decision on the system is made.

#### 8.6.2 Welfare services

A robust welfare service is run for employees and their close relatives, where various types of specialist services are offered. The service means that employees and their immediate relatives can seek help from a wide range of professionals for personal difficulties or unexpected setbacks. The service is free of charge for employees and without the intervention of the company's management. Full confidence is maintained, and information is not provided to the workplace. Employees have the right to six hours a year, for

instance in the field of family counseling, legal assistance, psychological counseling, lifestyle counseling and online sleep therapy. Legal and psychological services have been the most common for employees to choose. In 2022, around 74 Alcoa Fjarðaál employees used this service.

#### 8.6.3 Health Awareness Committee

At Alcoa Fjarðaál, there has been a health awareness committee throughout the years that organizes various motion events and promotes health for employees. The work of the committee was suspended due to the COVID-19 epidemic, but it was revived at the end of 2022 and the new committee held the first motion event at the beginning of 2023 and more are underway.

#### 8.6.4 Health Care Center

Alcoa Fjarðaál's Health Care Center is open every workday from 8 am to

4 pm and offers various services. For example, during 2022, around 184 people came for a medical examination, 284 for spirometry and 406 employees for audiometry. Like the previous year, there were only a few people who sought flu vaccination in 2022, or 33 employees.

The Health Care Center nurses are in charge of general health education for the employees and also organizing doctors' visits to the site three times a month. In 2022, there were 122 health inspections for new hires.

#### 8.7 PERMANENT EMPLOYEE BENEFITS

Alcoa Fjarðaál's employees have access to a canteen and a Health Care Center at the workplace. They also get free bus rides to and from work. There are six electric charging stations in the main parking lot of staff building,



The picture below shows the graduates. They are:

In the top row: Guttormur Kristmannsson, Michal Mischke, Piotr Hnatkowski, Henryk Jan Snarski, Bragi Freyr Vilhjálmsson, Sigurdur Steinar Vidarsson, Ágúst Ívar Vilhjálmsson and Skarphédinn Haraldsson. Middle row: Monika Agnieszka Starczewska, Jan Paweł Słotą, Kristinn Hallgrímsson, Edvald Gestsson, Sigurdur Halldórsson, Ida Hrunð Hauksdóttir, Adam Eidur Óttarsson, Sonja Margrét Karlsdóttir and Marius Þór Eysteinnsson. Sitting in the front row: Brynjar Atli Hjörleifsson, Thomas Joshua Cox, Herbert Ásgeir Herbertsson, Marzena Baginska and Karl Patrick N. Boateng. Kristinn Magnús Thorbergsson and Stefan Schulz are missing in the photo.



where employees have the opportunity to charge electric cars during working hours. Since the number of electric cars owned by employees is increasing, a project has been launched to increase the number of charging stations in the parking lot. The charging stations have been used much since they were installed and an increase in their use can be seen between the years.

The company gives its employees a Christmas gift every year, which is a generous food package, and at Easter the employees get a chocolate egg.

Employees can apply for grants for exercise, buying glasses, laser eye surgery, treatment by a chiropractor, physiotherapist, masseuse or podiatrist and for stride analysis and shoe insoles. Colonoscopy for cancer prevention for employees 50 years and older is fully paid.

8.8 CAREER DEVELOPMENT AND CONTINUING EDUCATION

Alcoa Fjarðaál takes great pride in the education and training of the

company's employees every day. The company offers employees that fulfill certain requirements to study at the Alcoa Fjarðaál Industry School, which is divided into two stages: undergraduate and postgraduate. The school is a collaboration project between Alcoa Fjarðaál, Austurbrú (the East Iceland Center of Knowledge) and VMA (The East Iceland Vocational College).

Since the school was implemented in the fall of 2011, a total of 282 students have graduated from the program, of which 150 from undergraduate studies and 132 from graduate studies. In December 2022, 24 employees graduated from undergraduate studies, and most of that group will start advanced studies in the fall of 2023, in addition to a new group starting undergraduate studies in January 2023.

The idea for the Industrial School was originally obtained from Rio Tinto Iceland, but we have adapted the school to our needs. The Industry School benefits both the company and the employees. Employees attend the program to improve their knowledge and get a salary increase, and the

company gets more qualified staff who can take on more responsibility and guide less experienced colleagues. Part of the program is evaluated for matriculation in case people want to continue to add to their studies.

Having skilled and experienced people is crucial for the stability of the operations. Employees who have finished the school are more likely to continue working for us and are dedicated employees. Before the graduation ceremony, the students presented their final projects to fellow students and company management. Many good reform ideas emerged there, which we will continue to work on.

In 2022, Alcoa Fjarðaál's employees devoted 32,800 hours to training, which was similar as in the previous year. Each employee used about 3.6% of their working time for training during the year compared to 5.3% before COVID-19. We presume that training numbers will increase in 2023, as they are still catching up to the same level as before the pandemic.



09

COMMUNITY

Alcoa Fjarðaál and the Alcoa Foundation provide funds for significant issues with a focus on projects related to the smelter's area of impact.

Alcoa Fjarðaál believes that the prerequisite for safeguarding the interests of shareholders and stakeholders lies in good governance, where the management's roles and responsibilities are clear. The company emphasizes an open and active dialogue with the local community. Management regularly communicates with stakeholders and meets with them on matters of common interest. Alcoa Fjarðaál and the Alcoa Foundation provide funds for significant issues with a focus on projects related to the smelter's area of impact. Alcoa Fjarðaál has monitored social indicators since the smelter's operation began.

In the early months of the year, we were coming out of the COVID-19 situation, which had lasted about two years, and it was nice to see things getting back to normal. Now it was again possible to hold various events, the largest of which was a successful birthday celebration, when Alcoa Fjarðaál's 15th anniversary was celebrated at the end of August.

9.1.1 Main news about the operations in 2022

**Energy reduction**  
In the beginning of January, power company Landsvirkjun announced that due to the energy shortage in the country, it was necessary to activate the clause on curtailable energy in Alcoa Fjarðaál's power contract. According to the contract, energy can be reduced by up to 10%, but it was not necessary to reduce energy that much. The power cut lasted from mid-February to mid-April.

9.1 PROMINENT ISSUES IN 2022

This section reviews the highlights of the year at Alcoa Fjarðaál, related to both internal and external activities.



8.9 SOCIAL RESPONSIBILITY GOALS 2022 – RESULTS

**Follow a plan for improved ergonomics**  
The goal was met, the projects that were set up for the year were completed and we will continue to work on this in the new year

**Follow the Equality Indicator plan**  
The target was not met as work on implementation was temporarily postponed

**Respond to shift system focus group findings**  
The goal was met, a new shift system was implemented in the fall of 2022

**Complete automation project for hand stacking in the casthouse**  
The goal was partially met, work was done on the project, but it is not finished and work will continue in the new year





June was gay pride month at Alcoa Fjarðaál, and for that reason two rainbow walkways were painted at the plant



Alcoa Fjarðaál celebrates 15 years of operations



Sigga Kling entertained guests on Women's Rights Day

#### "Mottumars" (Moustache March)

The employees of Alcoa Fjarðaál contributed to raising funds for the Icelandic Cancer Society by forming a team and participating in "Mottumars" in 2022. It is a national initiative based on growing a beard or a moustache to raise funds for cancer research. There were 13 members in the Alcoa Fjarðaál team, and a total of 601,600 ISK (about 4,400 USD) were raised. Actually, the greatest donation, about ISK 500,000 was from the company.

On the occasion, the Cancer Society of the East fjords gave the team members recognition for their participation, which was a specially marked Easter egg from the Icelandic Cancer Society.

#### The Prime Minister of Iceland visited Alcoa Fjarðaál

Katrín Jakobsdóttir, Iceland's Prime Minister, visited the Alcoa Fjarðaál smelter a few days before the municipal council elections in the spring of 2022. This was the first time that Katrín visited the smelter. Representatives from the Independence Party's candidacies in Múlaþing and Fjardabyggd and

representatives from Fjardalistinn (a local political party) also visited the company before the election. The politicians received a general introduction to the company from plant manager Einar Thorsteinsson.

#### Global Pride Week

Within Alcoa, there are active inclusion groups that focus on the rights of minorities, e.g. EAGLE (the LGBT+ community), AWARE (Diversity and Inclusion) and AWN (Alcoa Women's Association for Gender Equality).

While Alcoa celebrates the LGBT+ community all year round, the month of June is globally dedicated to this cause. Alcoa embraces the whole spectrum of human life and works against all kinds of prejudice, striving to make the support visible.

In the month of June, the EAGLE inclusion group organized various events both at the parent company and in each country individually.

In early June, two pedestrian crossings on the Alcoa Fjarðaál smelter site were painted in rainbow colors to remind

us of the importance of diversity. Later in June, the company hosted an informative lecture on behalf of EAGLE. Two employees, Benedikt Jónsson and Marteinn Lundi Kjartansson, shared their stories. Furthermore, the parent company offered training by PFLAG, an international organization whose mission is to support, educate and fight for LGBT+ people and their families. The training included information about allyship, the role gender stereotypes play in bias, pronoun usage and more with a specific focus on the transgender and non-binary sections of the LGBT+ community.

#### Smelter employees living in a tent

Two summer workers attracted national attention when they decided to live in a tent for the summer while working at the smelter and they also became camp guards at the camping site. When Hinrik Orri Thorsson and Kristófer Blanco set up a tent at the camping site in Eskifjörður, where they had planned to live during their stay in East Iceland as summer workers at Alcoa Fjarðaál, they were told that the camp was to be closed down. Then they offered to take care of the camp.

Hinrik and Kristófer both come from the capital, Reykjavík and decided out of sheer adventure to move to East Iceland this summer to work at the smelter. According to them, it was difficult to find suitable housing during the summer, so they decided to live in a tent and managed it well. They were interviewed by a number of different media for their initiative.

#### Women's Rights Day

On June 19, Alcoa Fjarðaál invited women to the smelter on the occasion of Women's Rights Day, which celebrated that 107 years have passed since women in Iceland got the right to vote in Parliament.

Good refreshments and an entertainment program were offered. About 70 guests accepted the invitation and celebrated the day together. Rebekka Rán Egilsdóttir, head of contractor services at Alcoa Fjarðaál, gave a speech and told her story as an employee. When she started working for Fjarðaál, she was an operator in production and has now worked her way up to a job at the parent company. Entertainment was provided by

fortune teller Sigríður Klingenberg and singer Nanna Ímsland and Jón Hilmar Kárasón, guitarist.

#### Alcoa Fjarðaál celebrates 15 years of operations

On Saturday, August 27, the staff of Alcoa Fjarðaál, their families and residents in the community celebrated that 15 years have passed since the plant started operations in Reydarfjörður.

Figure 14

#### POSITIVE ABOUT ALCOA FJARDAÁL IN EAST-ICELAND

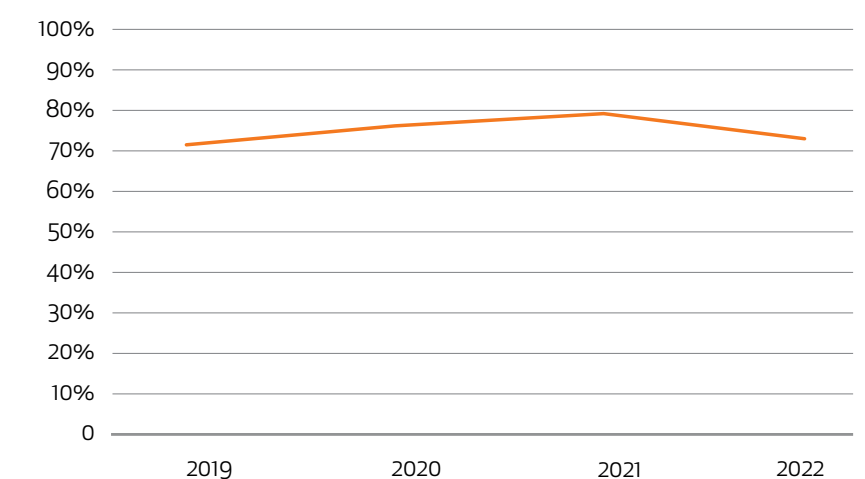


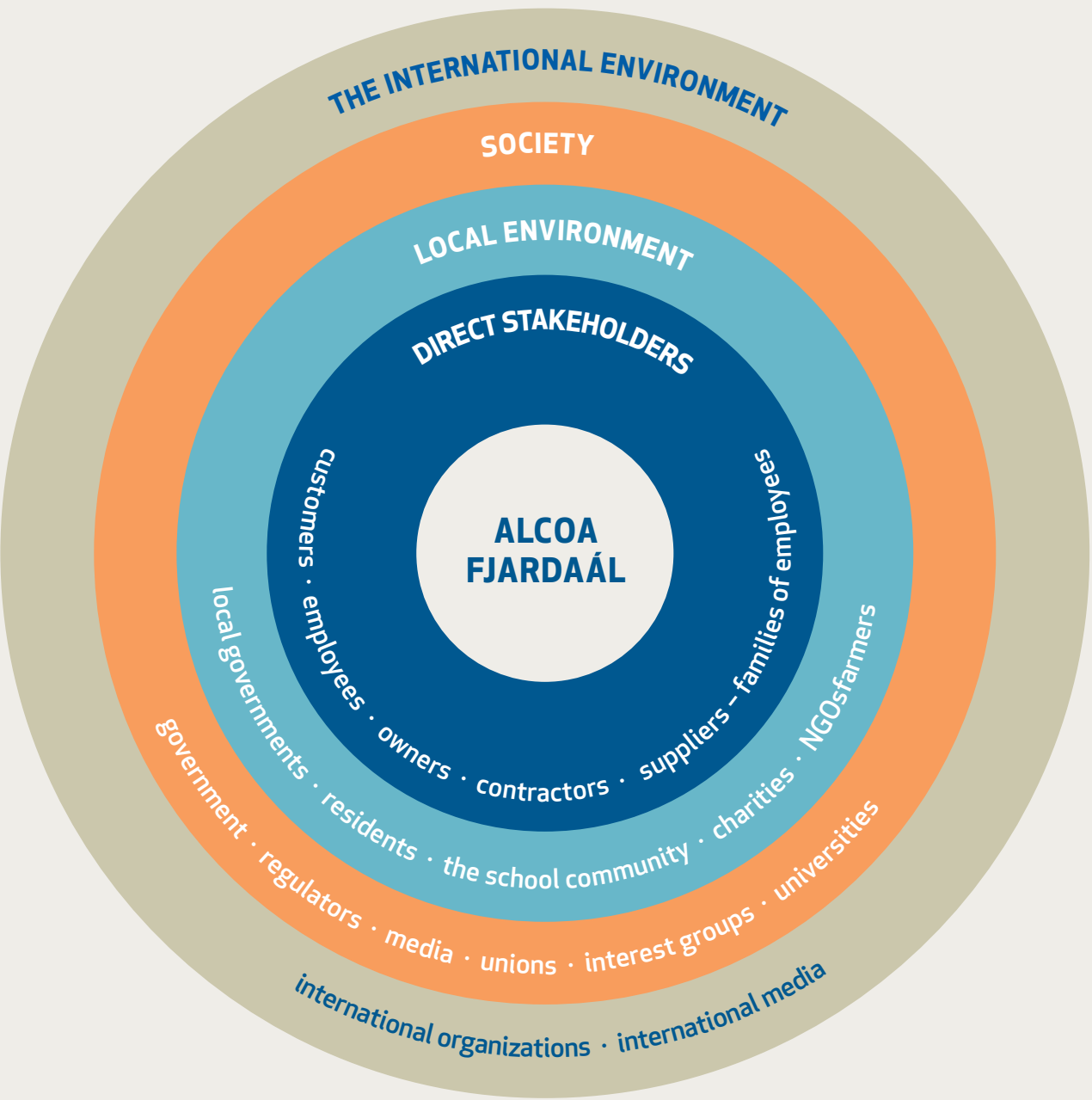


Figure 15

STAKEHOLDER ANALYSIS

Fjarðaál has conducted an analysis of the company's stakeholders in order to better understand the needs and priorities of the groups. Stakeholders are divided into direct stakeholders, local environment, society and international environment.

The company's stakeholder analysis was done in a brainstorming session with a multidisciplinary group of employees. Stakeholders were listed and defined according to area of contact and importance.



Visitors could also watch a photo exhibition, “Life in the Village,” organized by Samál, The Icelandic Association of Aluminum Producers. The photos were of employees in the three smelters in Iceland, and they were accompanied by interviews with each one about their work, hobbies, and family.

A large number of guests attended the celebration, and it was obvious that they had a great time. The families of the employees appreciated being able to come and see the workplace of their loved ones, which is not always possible as the plant is a closed workplace for safety reasons.

In particular, the managers were very pleased to be able to invite children to visit their parents' workplace, and the children were impressed by the size and grandeur of the place.

Storm damage

At the end of September, a violent storm raged in Reydarfjörður. It caused a lot of damage for both companies and individuals. Alcoa Fjarðaál was not spared by the weather and there was some damage in the smelter area, mainly due to cladding that came off

buildings. There was also a two-hour power outage in the plant with associated interruptions in operations. It is believed that the power went out when something hit the power line.

The plant's employees performed extremely well under difficult conditions during the bad weather and the power outage.

The electric utility saved the day

When the electricity went out in Reydarfjörður at the end of December, employees of Alcoa Fjarðaál's electric utility came to the rescue so that electricity could be sooner restored in the town. There was a fault in a transformer through which almost all of the town's electricity consumption goes, and it was not considered safe to restart it without first carrying out certain measurements. Alcoa Fjarðaál's electric utility's team has the knowledge and equipment to carry out the analyzes that were needed, so the employees jumped in and did the tests which showed that it was safe to restart the transformer.

Fjarðaálsfréttir

At the end of December, the magazine Fjarðaálsfréttir (Fjarðaál News) was published. It has been published annually

at Alcoa Fjarðaál since the company started operations, with the exception of 2020. The magazine contains interviews with Fjarðaál employees and various news about the operations. The magazine can be found on Alcoa Fjarðaál's website at [alcoa.is](http://alcoa.is).

9.2. STAKEHOLDERS

Alcoa Fjarðaál is a big company in a small community, and that comes with a lot of responsibility. The company has always put a lot of effort into good communication with diverse groups of stakeholders through regular meetings and collaboration.

9.2.1 Stakeholder survey

A survey was conducted among Fjarðaál's main stakeholders in 2019 and again in 2022. This survey focuses primarily on suppliers, contractors, and other partners to examine attitudes towards the company and how they evaluate Alcoa Fjarðaál's success in social responsibility. The survey was sent to 110 stakeholders and the response rate was 63%.

When this group was asked how well or poorly Alcoa Fjarðaál is doing with





regard to certain aspects of social responsibility, most said that the company is doing well in health and safety matters, or 95%. About 92% believe that the company is doing well when it comes to equality issues. The main opportunities that lie ahead for the company are having more communication with the public. See Figure 16 for details.

There is a question in the survey which asks whether respondents would recommend Alcoa Fjarðaál as a good business partner for other companies. A total of 50% of the participants said they would recommend Fjarðaál as a good business partner, 40% were neutral and nearly 11% said they would not recommend it. Of those who recommended Fjarðaál as a good business partner, most mentioned that the company was reliable and that there was a lot of professionalism. Respondents were also asked if they thought it was desirable to work for Alcoa Fjarðaál; 86% of them thought so, and 92% thought that it was desirable for contractors to work for Alcoa Fjarðaál.

### 9.2.2 Survey among residents

It is important that there is harmony about the company's activities in the local community. Therefore, it is crucial to cultivate that relationship in a purposeful way through dialogue and cooperation. An active conversation

with the community is one of the main pillars of Alcoa Fjarðaál's social policy, and the satisfaction of residents in East Iceland with the company is measured annually. In a survey conducted by Gallup in the fall of 2022, 70.4% of respondents were positive or rather positive towards Alcoa Fjarðaál, which is a slight decrease between years; in 2021, 78.5% of respondents were positive. It is difficult to say what causes this decrease, but according to Gallup's expert, this is the same trend seen in the company's surveys for other companies and public institutions last year. Alcoa Fjarðaál's goal is that 75% of the population or more are positive towards the company, and this was not achieved in 2022. In the same survey, the residents of East Iceland were asked how Alcoa Fjarðaál performs in several aspects of social responsibility. The results can be seen in Figure 17.

Residents in East Iceland believe that Alcoa Fjarðaál's best performance is when it comes to equality and health and safety issues.

Table 11

Grants 2022 – amounts by categories	
Safety and health	2,100.000
Culture and social work	5,600.000
Sport	13,450.000
Alcoa Foundation grants	27,000.000
<b>Total</b>	<b>48,150.000</b>

According to the public, the company's worst performance is in environmental issues. There are therefore opportunities for improvement, but it should be noted that in all questions, well over half of the respondents were satisfied with the company's performance. As mentioned in section 8.1.1, the decision was taken to conduct an in-house survey among the staff every 18 months as opposed to a survey conducted by the parent company with the same interval. As a result, there is no comparable information from 2022 regarding how employees evaluate social responsibility at Alcoa Fjarðaál, but such figures will be available in 2023.

**9.2.3 Diverse information provision**  
Alcoa Fjarðaál places great emphasis on the dissemination of information about the company's activities to residents in East Iceland. The publication of the Corporate Social Responsibility Report was well advertised in the media in the area and on social media. It contains important information for residents of the area.

Figure 16

### SOCIAL RESPONSIBILITY – CLOSE STAKEHOLDERS

How well or poorly does Alcoa Fjarðaál perform in the following aspects of social responsibility?

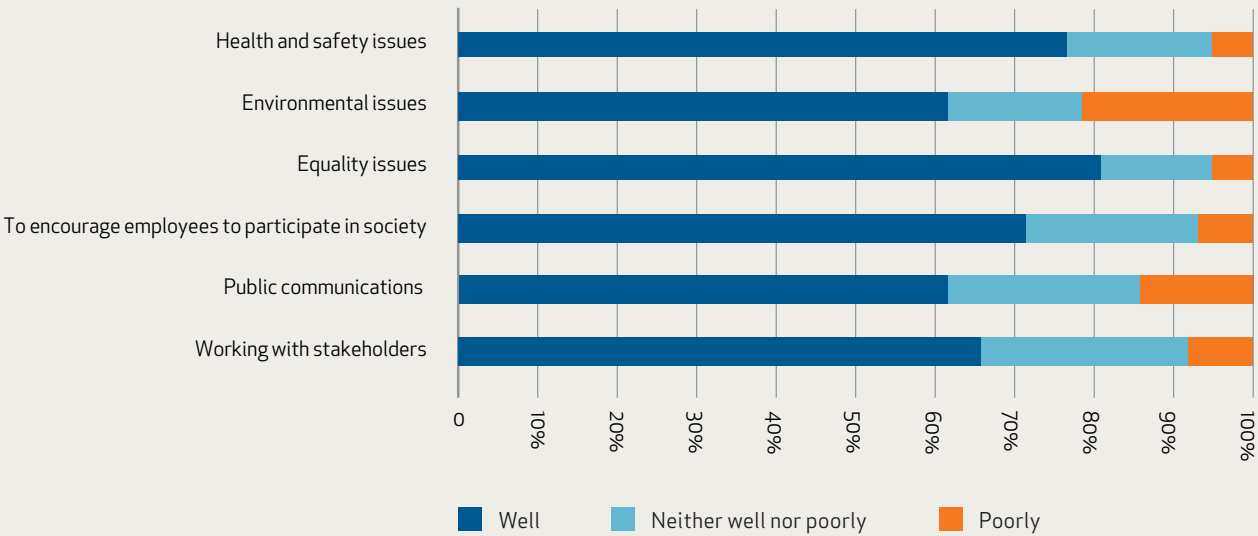
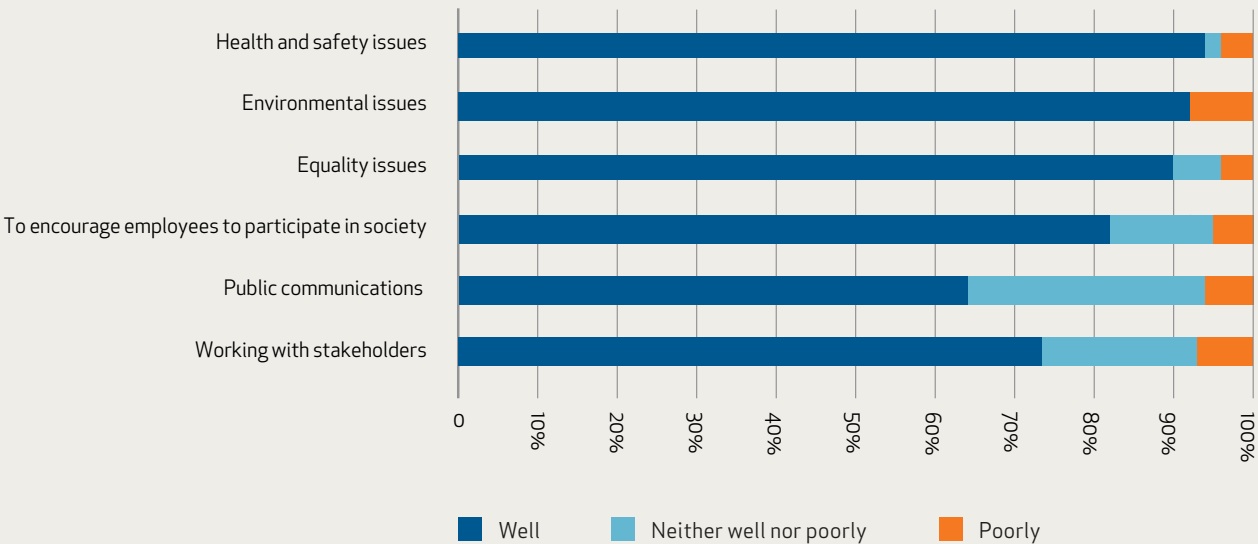


Figure 17

### SOCIAL RESPONSIBILITY – CLOSE STAKEHOLDERS

How well or poorly does Alcoa Fjarðaál perform in the following aspects of social responsibility?





Hördur Kristjánsson and Ólöf Ísaksdóttir have worked at Alcoa Fjarðaál for over 10 years. They have four children together and spend a lot of time together as a family. When their son Kristján started engaging in motocross, the parents became interested in the sport and soon the youngest daughter will join the group.



Also, Alcoa Fjarðaál has a permanent monthly page in Austurglugginn, which is a regional newspaper in East Iceland, where news about the company are published.

In 2018, Alcoa Fjarðaál established a page on Facebook and uses it to interact with the public and share information regarding Alcoa Fjarðaál and the aluminum industry in Iceland. Alcoa Fjarðaál's managers are in regular contact with stakeholders such as farmers in the area, members

of Althing (parliament) for the constituency and ministers who have to do with the company's issues.

Alcoa Fjarðaál is a member of Samál, the Icelandic Association of Aluminum Producers, the Federation of Icelandic Industries, and the Confederation of Icelandic Employers. Fjarðaál is also involved in the cooperation of smelters in Norway and Iceland through the association AMS, where joint projects in the field of environment, safety and health are being worked on.

Open disclosure is very important in the company's operations both within it and in relations with contractors. Regular staff meetings are held with all employees where issues and the company's situation are discussed from various angles.

There are also regular meetings with contractors and suppliers where the main topics and status in issues related to e.g. company operations, environment, health, and safety are discussed. More information about

the well-being of employees and the company's relationship with them is provided in the human resources section of this report. Alcoa Fjarðaál encourages residents to submit suggestions to the company through the phone number 470 7700 or by e-mail to [fjarmaal@alcoa.com](mailto:fjarmaal@alcoa.com).

#### 9.2.4 Meetings with local authorities

Meetings are held with the town councils of both Fjardabyggd and Múlathing as necessary, in order to inform the town authorities about what is currently on the company's agenda. An annual meeting is held at the plant to which all local public employees from East Iceland are invited, but the meeting was canceled in 2020 and 2021 due to COVID-19. It was also not possible to offer such a meeting in 2022, but we plan to do so in 2023.

#### 9.2.5 Meetings with local authorities

Meetings are held with the town councils of both Fjardabyggd and Múlathing as necessary, in order to inform the town

### 9.3 GRANTS FOR GOOD DEEDS

In 2022, Alcoa Fjarðaál and the Alcoa Foundation awarded 48 million ISK in various community grants, mainly in East Iceland. There was a slight decrease between years, which is explained by a smaller contribution from the Alcoa Foundation, as last year a large project was completed by The Soil Conservation Service (Landgraedslan), which the foundation supported. Since 2003, over 2 billion ISK have been granted towards various community efforts in Iceland. Grants are not allocated to individuals, political parties, religious associations or for the general operation of NGOs. Table 11 shows the distribution of grants in the categories that Alcoa Fjarðaál provides grants for.

#### 9.3.1 The Alcoa Fjarðaál Grant Fund

For years, there was a grant fund run by Alcoa Fjarðaál that distributed grants to community projects twice a year. The allocation committee consisted of people

from all around the community together with Alcoa Fjarðaál's representatives. This fund was closed down in 2020 due to a difficult operational situation and therefore there were no allocations from it in 2021 and 2022. It has been decided that the fund will be revived in 2023 in light of a better situation in the aluminum markets and at the company level.

Although no allocations were made from this fund in 2022 in the formal way that was done before, grants were awarded to numerous projects. For example, there is BRAS, a children's cultural festival in East Iceland, which received a grant of one million ISK. Alcoa Fjarðaál has supported the festival from the beginning, and it has received a total of five million in funding from the company.

Alcoa Fjarðaál also awarded the East Iceland Music Center an annual grant to host cultural events, a total of 2.5 million in 2022, and Sláturhúsid Cultural Center also received 1 million to host cultural events. "The writer's train" (visiting writers) was also supported, as in most previous years, and also the youth festival Kuldaboli, which is held in Reydarfjörður every year.

Grants were awarded to sports clubs according to agreements, a total of over 13 million ISK, and, as usual, the Christmas funds in Fjardabyggd and Múlathing were awarded 500 thousand ISK each. A new project last year was to support the visit of the "roll-over car" to East Iceland. It is a prevention project to encourage young people to never drive under the influence of alcohol. The car was transported between schools in East Iceland and the young people got to experience what it's like to be in a car that is overturning.

#### 9.3.2 Alcoa Foundation Grants

The Alcoa Foundation, based in the United States, has provided community grants to projects in Iceland, mostly in East Iceland, ever since Alcoa began operations in Iceland. The fund focuses on supporting projects that have sustainability as a guiding principle, either in the field of environmental issues or education. In 2022, the Alcoa Foundation sponsored

projects in Iceland for around 27 million ISK or 195 thousand dollars. The highest grant in 2022 was awarded to the education fund of rescue teams in East Iceland to promote continuing education and run courses for rescue team volunteers in East Iceland. This is a grant for three years amounting to 170 thousand dollars. In 2022 the fund received 70 thousand dollars for the project, or about 10 million ISK.

The decision was made to continue working on a joint project between the two large municipalities in East Iceland, Fjardabyggd and Múlathing, to promote the self-awareness and self-confidence of young people in the municipalities' elementary schools, and also to emphasize introducing STEM subjects to the same group with the aim of increasing the number of people who choose such a program in upper secondary school. The project will continue for three years, with a grant of 190 thousand USD in total. The first part was paid out in 2022, 50 thousand USD, or about 7 million ISK.

The municipality of Múlathing received a grant from the Alcoa Foundation in 2022 to the amount of 50 thousand USD to support the reception of refugees from Ukraine in Eidar. The grant was awarded to establish regular public transport for the people from Eidar to the town of Egilsstaðir.

The last grant from the Alcoa Foundation to Iceland in 2022 was to Fjardabyggd municipality to compensate for damage caused by the storm that caused great destruction to Reydarfjörður and its surroundings in October. The amount of the grant was 25 thousand USD.

#### 9.3.3 Forestry

In the fall of 2021, work began on a large afforestation project in the hillside above the plant's potrooms, with the aim to grow a small forest that will serve as a windbreak in bad weather, enhance the environment and bind carbon dioxide in the area to some extent. In the first phase of the project in the fall of 2021, 2,000 plants were planted, and the project continued in the fall of 2022, when about 7,000



plants were planted in the field. For many years, Alcoa Fjarðaál took part in an initiative that was started by the parent company, which involved planting trees, and it was done in cooperation with the Forestry Society of Iceland. This contract expired in 2021, but then 2,500 plants remained to be delivered and this was done in the spring of 2022 at Úlfjótuvatn, South Iceland.

Therefore, a total of 9,500 plants were planted by Alcoa in Iceland last year. The number of plants that have been planted by Alcoa Fjarðaál has reached 176,264. Sequestration of carbon in vegetation corresponds to the sequestration of about 352.5 tons of carbon dioxide a year since planting began in 2003.

## 9.4 COMMUNITY EVENTS AND VOLUNTEERING

Alcoa employees are encouraged to participate in volunteer work and community projects of various kinds. Alcoa Fjarðaál usually organizes several so-called Action volunteer events every year. Action is short for the phrase "Alcoans Coming Together In Our Neighborhood."

This idea is based on an employee requesting the support of other employees in the form of volunteer work. Members of the relevant organization are also encouraged to attend, along with their families. Work is ongoing for four hours. If eight or more employees attend the event, Alcoa Fjarðaál pays ISK 300,000 directly to the association to cover the cost of raw materials, e.g. paint and the like. If the grant amounts to a larger sum than the project requires, the excess amount goes to the organization to be used for good deeds.

Each year, part of these projects can be defined as a so-called "motion project", which consists of Alcoa employees together with their families and other participants moving

together (e.g. swimming or mountain climbing) and at the same time supporting a designated charity with a 300 thousand ISK donation. Due to COVID-19, there were no Action projects in 2020 and 2021. It was planned to revive the Action projects in 2022, but there was little response, and more work needs to be done to implement the projects again.

## 9.5 SUSTAINABLE DEVELOPMENT IN EAST ICELAND

The Alcoa Fjarðaál and Landsvirkjun's Sustainability Initiative was launched in 2004 in order to monitor the impact of the construction and operation of the Alcoa Fjarðaál smelter and Kárahnjúkar power plant on the community, environment, and economy in East Iceland. The aim is to monitor the development of certain indicators, which in most cases are numerical measures that give an indication of the development of environmental, economic, and social issues during the construction and operation period of the smelter and power plant.

The project is presented on the website sustainability.is. Data collection by the companies for the project has now been ongoing for 18 years and it has attracted attention far beyond the country.

In 2020, Landsvirkjun, Alcoa Fjarðaál and Austurbrú agreed that Austurbrú would take care of the ongoing consulting services, maintenance, and development of the Sustainability Project until 2024. Austurbrú's role is to work with the project's steering group on any kind of presentation, data collection, data processing, meeting preparation, planning and maintenance and operation of the project's website, as well as other occasional projects that the steering committee assigns consultants to work on.

The 2022 Annual Meeting of Sustainability Project was held in Valaskjál in Egilsstaðir on 27th of April. The theme was Housing in East Iceland. The moderator at the meeting was Jóna Árný Thórdardóttir, managing director of Austurbrú. Einar Már Sigurdarson, chairman of the Association of Municipalities in East Iceland, opened the meeting and delivered an opening speech. More information about the meeting can be found on the project's website.

## 9.6 SOCIAL RESPONSIBILITY GOALS 2022 – RESULTS

**Hold a June 19 celebration to commemorate women's suffrage**  
Goal achieved.

**Plan a party for Fjarðaál's 15th birthday**  
Goal achieved.

**Hold a conference in East Iceland for managers of companies and institutions**  
The goal was not met, and it was decided to postpone this project for a year.



# 10

## ECONOMY AND THE VALUE CHAIN

Alcoa Fjarðaál encourages customers, suppliers, and service providers to increase social responsibility.

The main focus of Alcoa Fjarðaál's social responsibility program is to promote the development of the economy in East Iceland. Alcoa Fjarðaál outsources various support services to other companies and thus enables them to develop their operations in the area.

The company encourages customers, suppliers, and service providers to increase their efforts toward social responsibility and has provisions to that effect in agreements with suppliers. Alcoa Fjarðaál takes into account the environmental policy of suppliers and service providers with whom the company does business.

### 10.1 GENERAL INFORMATION

Alcoa Fjarðaál's potline consists of 336 pots where aluminum is produced. The pots are relined every 5-7 years. In the year 2022, an average of 315 pots were active. The production was around

332,000 tons, which is an increase from 2021, but still lower than the smelter's production capacity. Plans assume that all pots will be in operation in early 2023, as extensive pot relining has taken place over the last few years to bring them all into operation.

All of Alcoa Fjarðaál's products are sold by the company to a sales company in the Netherlands, owned by Alcoa.

Most of the products are consequently sold to European customers. Alcoa Fjarðaál's alumina purchases in 2022 were exclusively from Alcoa of Australia-Alumina. Prebaked carbon anodes used in the smelter are produced in Mosjøen in Norway by Alcoa Norway ANS which is owned by Alcoa Corp. Trade agreements made between related companies are comparable to those with unrelated companies as stipulated in the investment agreement between Alcoa and the government of Iceland.

## 10.2 KEY FIGURES

Market conditions were favorable for Alcoa Fjarðaál in the first half of 2022. Following the the invasion of Ukraine and the energy crisis in Europe, the aluminum markets dropped significantly. The average aluminum price was USD 2,732 per ton of aluminum compared to USD 2,419 in 2021. The so-called premium on the European market increased by USD 206 year-on-year. It is added to all products produced by Alcoa Fjarðaál, as all products are sold to Europe. The average premium on value-added products rose by 50% year-on-year. Alcoa Fjarðaál produces both aluminum rods and metal that fall under that definition.

Raw material prices for aluminum production rose significantly between years. Despite that, the earnings were good and increased between years, as Figure 18 shows.

Market forecasts assume growing demand for aluminum, particularly the low carbon footprint brand. The carbon footprint of aluminum from Alcoa Fjarðaál is among the lowest in aluminum production worldwide. For the past few years, supplies of aluminum from China have had a significant impact on aluminum pricing as most of the aluminum available on the market comes from China. China does not produce a relatively large amount of aluminum with a low carbon footprint, as coal is used in their electricity production to a large extent.

Export revenues in 2022 amounted to 143 billion ISK (1.054 M USD), and of those 30% remained in Iceland, or 43 billion ISK, in the form of taxes, salaries and the procurement of goods and services from local suppliers. Salary payments together with salary-related expenses amounted to almost 8 billion ISK.

Alcoa returns value to society in various ways, including tax payments; the company paid 1.3 billion ISK in taxes and public dues in Iceland in 2022<sup>1</sup>. Alcoa Fjarðaál's investment at the time - amounting to about 230 billion ISK - was one of the largest in the history of Iceland.

## 10.3 THE COMPANY'S FINANCING

In 2003, an investment agreement was signed between the government of Iceland and Alcoa Inc. The agreement is based on Act no. 12/2003 on the authorization of contracts for an aluminum plant in Reydarfjörður, which was approved by Althing (the Icelandic Parliament) on March 11 of that year. The agreement is public and accessible to everyone on Althing's website. Alcoa Fjarðaál has always operated in accordance with the investment agreement and the general laws that apply in the country.

At the end of 2018, Alcoa's financing in Iceland was reviewed by the parent company. The company's equity was increased by USD 1,169

M and was used to pay off Alcoa in Iceland's debt to the parent company by a corresponding amount. With this action and a lower growth rate, interest expenses decreased from US\$75 million in 2018 to US\$24 million in 2022.

As Figure 18 demonstrates, the company's performance in 2022 was good, not least due to good conditions in the aluminum markets in the first half of the year.

Alcoa Fjarðaál has a major and positive impact on the Icelandic economy through the acquisition of foreign currency income, purchases of domestic goods and services, payment of taxes and public fees, the creation of numerous well-paid jobs and general and extensive support for the community in East Iceland.

## 10.4 COOPERATION WITH SUPPLIERS

Alcoa Fjarðaál emphasizes conducting business in an ethical and socially friendly manner in the spirit of sustainable development and expects the same from the companies it trades with. To ensure that this principle is followed, the company is a member of the TRACE control system, which is run by TRACE International. TRACE International provides efficient methods to conduct baseline due diligence in a systematic manner by collecting information from companies around the world. TRACE

<sup>1</sup> Public dues include property taxes, water tax, port fund charges and payroll taxes.

Table 12

Key figures – Amounts are in billions of ISK at each year's exchange rate	2020	2021	2022
Salary payments and wage-related expenses, including insurance fees	7.1	7.8	8.0
Total payments by Fjarðaál to Icelandic parties	31.6	37.3	43.1
Gross export in billions of ISK	82.5	110.7	142.7
The percentage of domestic purchases of the company's total income	38%	34%	30%
Total public taxes	1.1	1.1	1.3
Average salary of employees in millions of ISK per year	9.4	9.9	10.3

Figure 18

## DEVELOPMENT OF DEBT TO THE PARENT COMPANY, INTEREST EXPENSES AND AFTER TAX OPERATING INCOME (ATOI)

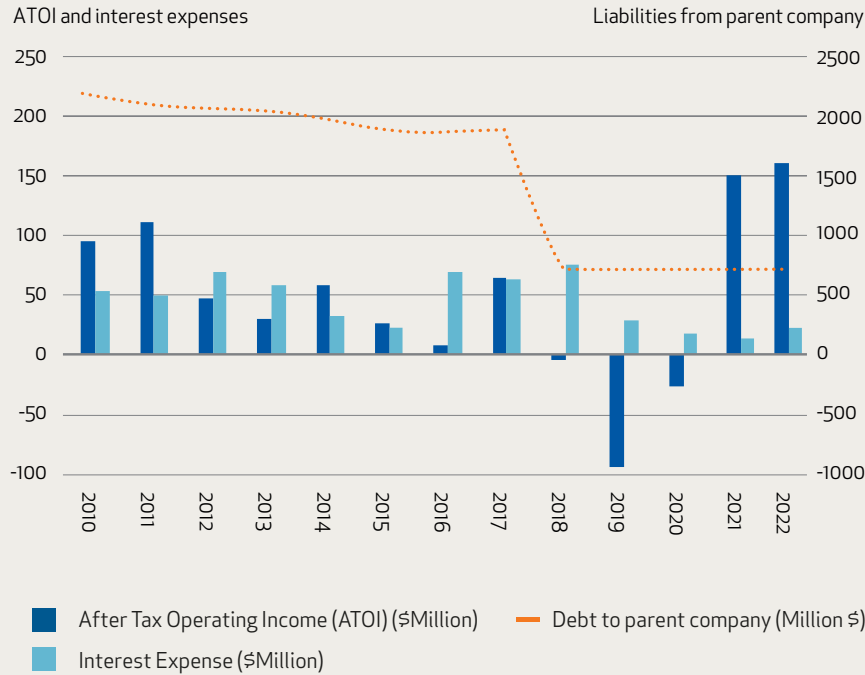
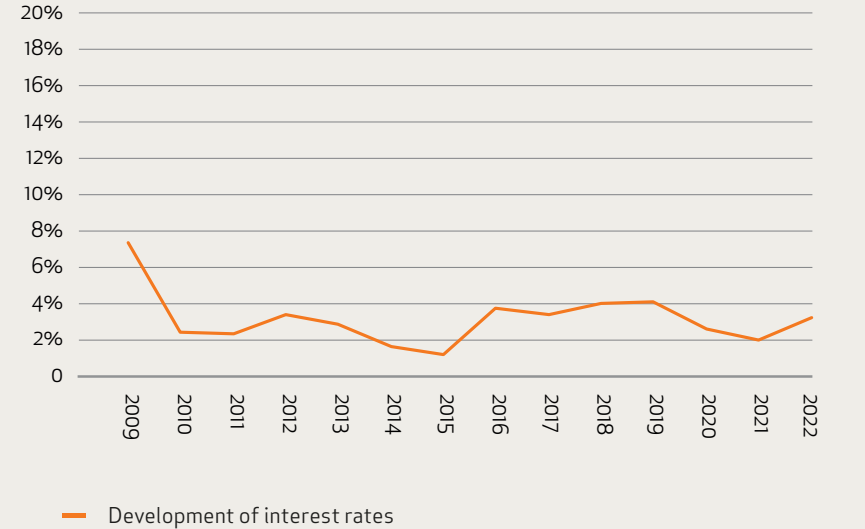


Figure 19

## DEVELOPMENT OF INTEREST RATES ON FJARDAÁL'S LOANS FROM THE PARENT COMPANY





then compares this information against watch lists maintained by various governments and international organizations. Certain suppliers are required to be registered in this system. There have been no comments regarding Fjardaál's suppliers

Alcoa has also chosen the company EcoVadis CSR for cooperation. EcoVadis specializes in corporate social responsibility and has implemented online applications that increase transparency, standardize reporting, facilitate benchmarking, and process improvement to significantly reduce overall CSR workload for companies by allowing the sharing of a CSR Scorecard with customers.

Special preselection is used in the selection of suppliers who work on Alcoa Fjardaál's site, and new suppliers must answer questions according to Alcoa's supplier standard. On those grounds, a decision is made as to whether suppliers are considered suitable for cooperation. Emphasis is placed on compliance with applicable laws and regulations and responsibility in environmental, health and safety matters. It is also required that applicants answer questions regarding corruption and that the labor rights of employees are respected.

Alcoa Fjardaál has had to reject two domestic suppliers since the beginning, as they did not meet the requirements. The requirements include safety factors, such as injury rates and safety culture.

A requirement is made that companies working for Alcoa Fjardaál comply with the provisions of the collective agreement with unions, and this applies equally to contractors and their subcontractors. Individuals must be 18 years of age to work at the site.

The company is in regular contact with suppliers and encourages them to do well in social and environmental matters and provides guidance if necessary. Furthermore, the company encourages supplier and contractor employees to participate in volunteer projects organized by the company. sem falla undir þá skilgreiningu.

### 10.5 ASI CERTIFICATION

Alcoa Fjardaál is certified to the ASI standard, which stands for Aluminum Stewardship Initiative, and on the standard's website it is described as follows: "We bring together producers, users and stakeholders in the aluminum value

chain with a commitment to maximize the contribution of aluminum to a sustainable society. Working together, we aim to collaboratively foster responsible production, sourcing and stewardship of aluminum." ASI certification is highly sought after in the aluminum industry as stakeholders, including customers, can trust that the companies that manage to meet the requirements are operating responsibly in the spirit of sustainable development. Demanding customers look to this certification.

*A requirement is made that companies working for Alcoa Fjardaál comply with the provisions of the collective agreement with unions.*

Alcoa Fjardaál received preliminary certification against the standard in 2020 and full certification in 2021, when certification bodies could travel to the country, but this was delayed due to the pandemic.

In addition, Alcoa Fjardaál was part of the parent company's Chain of Custody Standard Certification. That standard requires that the supply chain uses registered and traceable materials produced and processed in aluminum production. In order for a company to be able to sell products with ASI quality certification, it must meet the requirements of both standards.

# 11

## AUDITOR'S SIGNATURE ON GREEN ACCOUNTING IN CHAPTER 7.2

I have reviewed the calculations and the information contained in Alcoa Fjardaál sf's Social Responsibility Report for the year 2022. This is done in accordance with the requirements in Regulation no. 851/2002 on Green Accounting. Fjardaál sf. is in the category of companies that fall under the annex of that regulation, category 2.1, aluminum production. The Social Responsibility Report is submitted by the management of Fjardaál sf. and on their responsibility. My responsibility lies in the assessment of the presented environmental data in the Social Responsibility Report.

The audit includes sample surveys and data checks to verify the environmental information and data presented in the environmental section of the Social Responsibility Report and that they are consistent with the company's financial accounting and the results of approved measurements. The audit also entails checking calculations applied in assessing the order of magnitude and importance of particular factors listed in the report.

I believe that the audit is a sufficiently reliable basis on which to base my opinion.

In my opinion, the Social Responsibility Report gives a fair view of the environmental impact of operations in 2022, in accordance with sound and recognized practices in this sector.

Reykjavík, 18 April 2023  
VSÓ Consulting



Guðjón Jónsson,  
chemical engineer

### 10.6 SOCIAL RESPONSIBILITY GOALS 2022 – RESULTS

#### Reline rod mill furnaces

Was not reached as the decision was made to postpone the project

#### Reach full production capacity again in the potrooms







The goal was reached in February 2023




#### Follow up on a project on a new pot design and larger anodes

The goal was met, and work will continue on the project



# 12








## GRI INDEX

























GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>THE COMPANY AND INFORMATION DISCLOSURE</b>				
2.1	Organizational Profile	Yes	6 Alcoa Fjardaál sf.	
2.2	Entities included in the organization's sustainability reporting	Yes	The report deals with the operations and activities of Alcoa Fjardaál sf.	
2.3	Reporting period, frequency and contact point	Yes	3, back page. The reporting period is from January 1-December 31, 2022	
2.4	Restatements of information	Yes	3 This is the seventh joint annual sustainability report published by Alcoa Fjardaál and the sixth time that the GRI standards have been followed.	
2.5	External assurance	Yes	1, 10.5, 11 Langbrók ehf. reviews GRI standards and sustainability information with limited certainty (reasonably assured). Alcoa Fjardaál's sustainability policy is approved by the company's board and executive committee. The operations are certified by ISO9001, ISO14001, ASI and ÍST 85:2012	
2.6	Activities, value chain and other business relationships	Yes	6, 9.2, 10.1, 10.4 Alcoa Fjardaál produces aluminum in a safe, economical, and sustainable way.	
2.7	Employees	Yes	8	
2.8	Workers who are not employees	Yes	8, 10.4	
<b>GOVERNANCE</b>				
2.9	Governance structure and composition	Yes	2.1	
2.10	Nomination and selection of the highest governance body	Yes	Adhered to the governance of the parent company. See more <a href="#">here</a> .	
2.11	Chair of the highest governance body	Yes	3	














GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>GOVERNANCE</b>				
2.12	Role of the highest governance body in overseeing the management of impacts	Yes	2 The plant manager is responsible for the company's sustainability policy, and it is approved by the executive board. Executive board members are responsible for the issues that relate to their business unit/field of work. The social responsibility report is approved by the plant manager and executive board.	
2.13	Delegation of responsibility for managing impacts	Yes	Adhered to the governance of the parent company. See more <a href="#">here</a> .	
2.14	Role of the highest governance body in sustainability reporting	Yes	2 The plant manager is responsible for the company's sustainability policy, and it is approved by the executive board. Executive board members are responsible for the issues that relate to their business unit/field of work.	
2.15	Conflicts of interest	Yes	Adhered to the governance of the parent company. See more <a href="#">here</a> .	
2.16	Communication of critical concerns	Yes	6, 7, 8, 9, 10	
2.17	Collective knowledge of the highest governance body	Yes	2	
2.18	Evaluation of the performance of the highest governance body	Yes	2 Adhered to the governance of the parent company. See more <a href="#">here</a> .	
2.19	Remuneration policies	Yes	8 All employees except the members of the executive board are bound by a collective agreement. The salary of the members of the executive board takes into account the market salary of employees in similar jobs at companies in a similar industry and trends between years according to the results of the wage surveys.	
2.20	Process to determine remuneration	Yes	8.3.2 and 8.3.3 Adhered to the governance of the parent company. See more <a href="#">here</a> .	
2.21	Annual total compensation ratio	Yes	8.3.3 Every year, Alcoa Fjardaál participates in the salary surveys of PWC and Intellecta and compares salaries at the company with those surveys. The equal pay management system is reviewed annually.	












GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>STRATEGY, POLICIES AND PRACTICES</b>				
2.22	Statement on sustainable development strategy	Yes	3, 4	
2.23	Policy commitments	Yes	1, 4, 5	
2.24	Embedding policy commitments	Yes	5 Goals are set and actions/processes implemented based on Alcoa Fjarðaál's strategy.	
2.25	Processes to remediate negative impacts	Yes partially	7, 9.2.3 The negative effects of the activity have been partially mapped. Ongoing analysis is planned for value chain emissions (Scope 3) to implement further mitigation measures for the future. Alcoa Fjarðaál encourages the public to submit suggestions to the company.	
2.26	Mechanisms for seeking advice and raising concerns	Yes	2 Alcoa's Integrity Line	
2.27	Compliance with laws and regulations	Yes	4, 6, 8.5.1, 10.3, 10.4 No incidents reported in 2022	
2.28	Membership associations	Yes	9.2.3	
2.29	Stakeholder engagement	Yes	9.2	
2.30	Collective bargaining agreements	Yes	8 All staff, apart from the manager, work according to collective agreements.	
3.1	Process to determine material topics	Yes	4 Langbrók ehf. in collaboration with a steering group has worked on the material analysis of the report.	



GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>FINANCE AND ECONOMICS</b>				
<b>201</b>				
201-1	Direct economic value generated.	Yes	10.2	
201-2	Financial implications and other risks and opportunities due to climate change	Yes	6, 7.4, 7.4.1: Fjarðaál's operations fall under the EU trading system for greenhouse gas emissions in accordance with Act 70/2012 on climate matters	
201-3	Defined benefit plan obligations and other retirement plans	Yes	Fjarðaál pays a counter-contribution to the employees' pension fund in accordance with current requirements	
201-4	Financial assistance received from government	Yes	10.3	
<b>202</b>				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Yes	8.3.2, 8.3.3	
202-2	Proportion of senior management hired from the local community	Yes	9 out of 10 members of the executive committee came from the local community in 2022 or 90%	
<b>203</b>				
203-1	Development and impact of infrastructure investments and services supported	Yes	10.2, 10.4, 9.3, 9.3.1, 9.3.2	
203-2	Significant indirect economic impacts	Yes	8, 10.4	
<b>204 - The supply chain</b>				
204-1	Proportion of spending on local suppliers	Yes	10, 10.2	
<b>205 - Finance and economics</b>				
205-1	Operations assessed for risks related to corruption	Yes partially / No measurement of success but number of incidents are recorded (i.e. number of reports)	2 Integrity Line Code of Conduct. See more <a href="#">here</a> .	
205-2	Communication and training about anti-corruption policies and procedures	Yes	8.4: All day workers, more than 150, received training to detect corruption during the year	
205-3	Confirmed incidents of corruption and actions taken	Yes (if none please disclose)	No incidents were reported in 2022.	
<b>206</b>				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Yes (if none please disclose)	No violations were reported in 2022.	

GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>ENVIRONMENT</b>				
<b>301</b>				
301-1	Materials used by weight or volume	Yes	7.2, 7.3	 
301-2	Recycled input materials used	Yes	7.2, 7.3, 7.7	 
301-3	Reclaimed products and their packaging materials	Not applicable		
<b>302</b>				
302-1	Energy consumption within the organization	Yes	7.2, 7.3	 
302-2	Energy consumption outside of the organization	Yes	7.4	 
302-3	Energy intensity	Yes	7.3	 
302-4	Reduction of energy consumption	Yes	7.3	 
302-5	Reductions in energy requirements of products and services	Not measured		 
<b>303</b>				
303-1	Interactions with water as a shared resource	Yes	7.2 Water originates from the water source of Fjardabyggd municipality at Geithúsaá River	
303-2	Management of water discharge-related impacts	Yes	7.3	
303-3	Water withdrawal - Total volume used and recycled	Yes	7.3	 
303-4	Total flow and breakdown of water consumption	Yes	7.3	
303-5	Total water consumption	Yes	7.3	
<b>304</b>				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable		
304-2	Significant impacts of activities, products, and services on biodiversity	Yes	Environmental monitoring report at <a href="https://alcoa.is">alcoa.is</a>	
304-3	Habitats protected or restored	Not applicable		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable		
<b>305</b>				
305-1	Direct (Scope 1) GHG emissions	Yes	7.4.1	 
305-2	Energy indirect (Scope 2) GHG emissions	Yes	7.4.1	 
305-3	Other indirect (Scope 3) GHG emissions	Yes partially	7.4.1	 
305-4	GHG emissions intensity	Yes	7.2	
305-5	Reduction of GHG emissions	Yes	7.4, 7.4.1.	

GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>ENVIRONMENT</b>				
305-6	Emissions of ozone-depleting substances (ODS)	Fjardaál does not use ozone-depleting substances in its production		 
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not applicable	These emissions are an insignificant part of the company's total emissions	 
<b>306</b>				
306-1	Total water discharge by destination and quality	Not applicable		
306-2	Waste by type and disposal method	Yes	7.3, 7.7	
306-3	Total number and volume of significant spills	Yes	7.1	
306-4	Transport of hazardous waste	Yes	7.7 The transportation of hazardous materials is according to strict procedures and special containers are used for this waste. Hazardous materials are transported by sea to certified recyclers.	
306-5	Water bodies affected by water discharges and/or runoff	Yes	7.3 No wastewater is provided from the operation	
<b>307</b>				
307-1	Non-compliance with environmental laws and regulations	Yes	7.1	
<b>308</b>				
308-1	New suppliers that were screened using environmental criteria	Yes	Alcoa Fjardaál follows the rules of the parent company. See more <a href="#">here</a> .	
308-2	Negative environmental impacts in the supply chain and actions taken	Yes	ASI certification. Alcoa Fjardaál follows the rules of the parent company. See more <a href="#">here</a> .	
<b>HUMAN RESOURCES POLICY</b>				
<b>401</b>				
401-1	New employee hires and employee turnover by age group	Yes	8, 8.2	 
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Yes	8.7	
401-3	Parental leave - Return to work and retention rates after parental leave	Yes	8 (Figure 11)	 
<b>402</b>				
402-1	Minimum notice periods regarding operational changes	Yes	Section 4.5 of the collective agreement between Alcoa Fjardaál and the unions Afl and RSÍ.	



GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>HUMAN RESOURCES POLICY</b>				
<b>403</b>				
403-1	Occupational health and safety management system	Yes	8.5	
403-2	Hazard identification, risk assessment, and incident investigation	Yes	8.5.1	
403-3	Occupational health services	Yes	8.6	
403-4	Worker participation, consultation, and communication on occupational health and safety	Yes	8.5 Section 7 of the collective agreement between Alcoa Fjardaál and the unions Afl and RSÍ	
403-5	Worker training on occupational health and safety	Yes	8.6	
403-6	Promotion of worker health	Yes	8.6	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable		
403-8	Workers covered by an occupational health and safety management system	Yes	8.5	
403-9	Work-related injuries	Yes	8.5.1	
403-10	Work-related ill health	Yes	8.6.4	
<b>404</b>				
404-1	Average hours of training per year per employee	Yes	8.8: Measured as a percentage of working hours	
404-2	Programs for upgrading employee skills and transition assistance programs	Yes	8.8: Measured as a percentage of working hours	
404-3	Percentage of employees receiving regular performance and career development reviews	Yes	8.1.1	
<b>405</b>				
405-1	Diversity of governance bodies and employees	Yes	2, 8	
405-2	Ratio of basic salary and remuneration of women to men	Yes	8.3.2.	
<b>406</b>				
406-1	Incidents of discrimination and corrective actions taken	Yes (specify if no violation occurs)	No violations were reported in 2022.	
<b>407</b>				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Yes	No incidents were reported in 2022	
<b>408</b>				
408-1	Operations and suppliers at significant risk for incidents of child labor	Yes	No incidents were reported in 2022	

GRI standard	Title	Disclosure	Section in report	UN's SDG
<b>SOCIETY</b>				
<b>409</b>				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Yes	No incidents were reported in 2022	
<b>410</b>				
410-1	Personnel trained in human rights policies or procedures	Yes	8.8 Annual courses are held for employees with financial and human responsibility. See more <a href="#">here</a> .	
<b>411</b>				
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable		
<b>412</b>				
412-1	Operations that have been subject to human rights reviews	Not applicable		
412-2	Employee training on human rights policies or procedures	Yes	8.8 Annual courses are held for employees with financial and human responsibility. See more <a href="#">here</a> .	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not applicable		
<b>413</b>				
413-1	Operations with local community engagement, impact assessments, and development programs	Yes	9.1.1, 9.2, 9.3	
413-2	Operations with significant actual and potential negative impacts on local communities	Yes	7	
<b>414</b>				
414-1	New suppliers that were screened using social criteria	Yes	10.4: 100%	
414-2	Negative social impacts in the supply chain and actions taken	Yes	10.4	
<b>415</b>				
415-1	Political contributions	No financial contributions from the government		
<b>416</b>				
416-1	Assessment of the health and safety impacts of product and service categories	Not applicable		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Yes	No incident occurred in 2022	
<b>417</b>				
417-1	Requirements for product and service information and labeling	Not applicable		
417-2	Incidents of non-compliance concerning product and service information and labeling	Not applicable		
417-3	Incidents of non-compliance concerning marketing communications	Not applicable		
<b>418</b>				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Yes	No confirmed incidents in 2022	
<b>419</b>				
419-1	Non-compliance with laws and regulations in the social and economic area	Yes	Alcoa Fjardaál received no fines in 2022	

# ALCOA'S

## POLICY STATEMENT

### VALUES

#### Act with Integrity

We are honest and accountable, and we comply with all laws and policies. We safeguard the security of the company's data and personal information. We build trust through open communication with buyers, suppliers, and employees.

#### Operate with Excellence

Continuous improvement is the foundation for Alcoa Fjarðaál's continued success. We relentlessly pursue outstanding quality and productivity in order to meet and exceed our customers' expectations. We constantly seek new methods to protect the environment and our employees in a sustainable and socially responsible manner.

#### Care for People

We show empathy, kindness, and respect in all our communications and appreciate everybody's contribution. Thus, we establish mutual trust and ensure safety for everyone. We listen, help and praise.

#### Lead with Courage

We lay the foundation for the future with innovation and avoid stagnation. We welcome every opportunity to develop and have the courage to present and try new ideas.

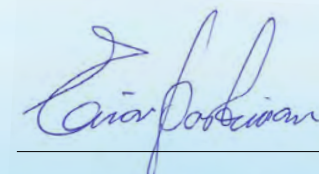
### FUTURE VISION

Alcoa Fjarðaál complies with legal requirements and other prerequisites made to the company. Alcoa Fjarðaál supports an organizational culture with a common vision for sustainable development and social responsibility guided by the company's values. In its operations, Alcoa Fjarðaál uses renewable energy wherever possible and uses an efficient energy management system to maximize energy efficiency.

Alcoa Fjarðaál is committed to ensuring a safe and healthy working environment, with the goal to prevent work-related injuries and occupational diseases, as well as to promote the mental and physical health of employees.

Through consultation with staff and their participation, we are constantly working on improvements in environmental, health and safety matters. The goal is always to eliminate hazards in the work environment and minimize health damage. Alcoa Fjarðaál's employees work in a safe and responsible manner and respect the environment. We will not compromise environmental, health or safety values for profit or production.

Reyðarfjörður, March 1, 2023



Einar Thorsteinnsson,  
Alcoa Fjarðaál's plant manager

Fjarðaál  
alcoa.is



**asi** Aluminium  
Stewardship  
Initiative

#### Responsibility and Editorship

Dagmar Ýr Stefánsdóttir, Alcoa Fjarðaál's communications and community relations manager

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Alcoa Fjarðaál's values:

**We act with integrity, operate with excellence,  
care for people and lead with courage.**

