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**Notes for an address by
Jacynthe Côté, Chief executive, Rio Tinto Alcan**

Confidence in the future

**The Canadian Club
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Introduction

Mr. President,
Honoured guests,
Ladies and gentlemen,

I am honoured by the invitation to speak to the Canadian Club of Montreal at this luncheon, and I would like to thank your President, Mr. Delucilla, and his entire team.

Given the difficulties that the aluminium industry has had to contend with over the last two years, the theme of my talk — my optimism about the future — may come as a surprise to some of you. While there is no guarantee of a strong economic recovery, at least for now, I believe the aluminium industry has a bright future and that it will have a positive impact on the planet. We anticipate an increase in demand of four to six per cent per year and expect aluminium to continue to play a significant role in light-weighting transportation vehicles, thereby contributing to greenhouse gas reduction.

I'd like to discuss the aluminium industry this afternoon, looking at it from three different angles:

First, I want to consider Rio Tinto Alcan's role as a responsible producer – what makes us strong, where we fit in the global aluminium industry and, closer to home, our place in Quebec's economy. I want to talk about how we plan, build and operate our plants in keeping with firm principles of sustainable development – an approach that is in many ways our hallmark. We are consistent in applying these principles at all our facilities worldwide, always with great respect for local needs and conditions.

I want to go on to discuss the aluminium industry's strategic role as a partner in creating value from electricity, that clean form of energy that is one of Quebec's greatest resources. The added value that aluminium brings to electricity production in Quebec makes it possible to take advantage of this natural resource in every market in the world. This is entirely consistent with Quebec's emphasis on green technologies and with the government's commitment, clearly expressed in January at the economic summit in Quebec City, to foster investment in expanding sectors characterised by high added value and wealth creation.

Finally, I want to look at aluminium as part of the solution to the challenges of climate change. Aluminium is an exceptional metal and its use, particularly in the transportation sector, is ideally suited to help reduce greenhouse gas emissions. Since aluminium is infinitely recyclable, it constitutes an important ally in our efforts as a society to make the transition to a green economy.

When I was entrusted with the role of Chief executive at Rio Tinto Alcan a little over one year ago, I was well aware of the magnitude of the task ahead of me. I was eager to take up the challenge for two basic reasons.

First, there is my confidence in aluminium's prospects for the future. Aluminium is still a relatively young metal with immense growth potential, particularly in the emerging countries, where industrialisation and urbanisation are likely to increase the per capita rate of consumption from less than five kilograms, where it is now, to

more than 20. That means that worldwide aluminium demand should roughly double within ten years. To meet this rapid growth in demand, the industry will have to build new production facilities on a scale equivalent to our Saguenay–Lac-Saint-Jean network every nine months!

The second factor that motivated me to assume my new role is the company's tremendous strengths. It has a remarkable ability to adapt and continually boost its competitiveness thanks to its first-rate assets, its capacity for innovation, and the skills of our employees.

Rio Tinto Alcan, global leader and responsible producer

Rio Tinto Alcan was created when the Rio Tinto Group acquired Alcan in 2007, thus becoming a global leader in the aluminium industry. With our head office here in Montreal, we employ some 23,000 people at about sixty facilities and sales offices in 27 countries. Rio Tinto Alcan is an integrated producer of bauxite, alumina and electricity — the raw materials essential to aluminium production — and we own or are partners in 21 aluminium smelters around the world. Our primary metal operations also include a major engineering group, two research and development centres, and three smelter technology and equipment sales offices.

Four key competitive advantages set us apart:

First, the outstanding quality of our raw materials and the highly integrated structure of our operations:

- We hold interests in three of the four largest bauxite mines in the world as well as significant reserves and resources.
- Half the electricity we use is self-generated, and I should also mention that our biggest electrical generating facilities are here in Quebec, which makes us one of the largest private electricity producers in Canada. Moreover, roughly three quarters of the energy we use globally is clean energy because it comes from hydroelectric or nuclear power plants. In addition, 95 per cent of our energy is self-generated or protected by long-term contracts that guarantee us competitive and predictable prices.

Our second competitive edge resides in the unparalleled quality of our assets.

- We have always invested in our facilities with a view to sustaining and enhancing their productivity and competitiveness. Our growth is based on large-scale assets with a long life expectancy and low operating costs.
- Over 85 per cent of our alumina refineries are modern, large-scale facilities, and about 75 per cent of our smelting capacity is realised in high amperage potlines, which make ours among the world's most productive smelter facilities.
- Furthermore, we intend to invest several billion dollars to increase our production capacity in Canada and complete the modernisation of our

Our leading technology and our strong commitment to innovation constitute our third major advantage.

- In good times and bad, we continue to invest more than 100 million dollars in research and development, almost half of that here in Quebec. This allows us to build aluminium smelters with the industry's lowest ratio of operating costs to capital investment.
- These investments yield three kinds of benefits:
 - At our existing facilities, they generate greater productivity increases than the rest of the industry. That's how we were able to increase production at our existing plants in Quebec by roughly 150,000 tonnes in the last 10 years – an amount comparable to half the output of a new plant.
 - They make our new undertakings more profitable.
 - And finally, the sale of technologies that we have developed brings us additional revenues, while opening the door to a wide range of growth projects.

Our fourth competitive advantage is our sincere and solid commitment to sustainable development, a subject to which I will return shortly.

All this goes to show that Rio Tinto Alcan is a leading player in the aluminium industry, both worldwide and here in Quebec.

Our business has deep roots in Quebec, dating back to the beginning of the 20th century. The first tonne of aluminium was produced in Shawinigan in 1901 and we've been growing ever since. Now, 109 years later, Rio Tinto Alcan is one of Quebec's and Canada's industry giants, with more than 7,000 employees, including about 700 at the Montreal head office.

In Quebec, Rio Tinto Alcan also includes seven smelters, an alumina and chemical plant, a major research and development centre, six hydroelectric power plants, port facilities, railway services, three service centres and a sales office. Rio Tinto Alcan's presence in Quebec generates economic spin-offs of more than one and a half billion dollars per year.

Taken as a whole, the aluminium industry has a huge impact on Quebec's economic development.

- From 2000 to 2008, Quebec's aluminium industry revenues increased by 2.6 per cent per year while revenues for the manufacturing sector overall decreased by 1.2 per cent, according to a recent SECOR study.

- With seven per cent of global output, Quebec produces as much aluminium as the United States.
- The Quebec aluminium industry accounts for 11 per cent of Quebec's exports, making it the province's leading exporter and contributor to the balance of trade.
- The aluminium industry has made a substantial investment in rendering assets more productive and has thereby contributed to improving job quality – so much so that jobs in our industry are some of the best paid industrial jobs in Quebec, and each one generates three or four indirect or induced jobs. This also explains why aluminium is one of the sectors that best weathered the recent recession in spite of its severe impact on our industry.
- Although its plants represent only 0.2 per cent of the manufacturing facilities in Quebec, the aluminium industry accounts for three per cent of manufacturing jobs, five per cent of the wage bill or about 750 million dollars per year, and seven per cent of capital expenditures.
- A study by the *Association Québécoise des consommateurs industriels d'électricité* in 2006 showed that each kilowatt used by the aluminium industry generates 14 cents in added value, and each value-added dollar in turn generates two dollars for our suppliers and fabrication businesses.

In light of all this, it's fair to say that aluminium production develops our greatest natural resource. And it's imperative to do so in a careful way that is sustainable in the long term. For us, that means constantly striving for a good balance between economic, social and environmental considerations. In a word, that's what we call sustainable development.

Concretely, this means that everything we do must be profitable in the long run, not only in economic terms but also in environmental and social terms for at least three or four generations to come.

This approach is essential if we want to be a partner of choice for communities seeking to develop their natural resources. It allows us to reduce the risk of our investments and our operations since our decisions and actions are endorsed by all our stakeholders – employees, shareholders, the communities in which we operate, and the people who represent them. It's a win-win from the beginning to the end of our plants' lifecycles.

The first pillar of an effective sustainable development policy is economic. To sustain our growth, our operations must always be profitable, through business cycle lows and highs alike, and our investments must meet our criteria for profitability. In Quebec, for example, our investments, our technological innovations, and our efforts when it comes to training for complex jobs have enabled us to almost double our productivity over the last two decades. This is especially significant because, with an aging population, Quebec's future hinges on increasing productivity: to maintain Quebec's level of collective wealth, productivity must rise despite a reduction in the number of active workers. The aluminium industry was quick to grasp this point and

that's why we have endorsed the government's objective of bringing the level of productivity in Quebec up to that of the ten most productive OECD countries. Everyone stands to benefit from this approach, which has already been proven in the aluminium industry. We provide sustainable well-paid jobs, share the fruits of our growth with local communities, and shareholders recognise the sustainable profitability of our plants.

The second pillar of an effective sustainable development policy is the environment. We were among the first to rally to the shift to a green economy some years ago, demonstrating our respect for nature and for the environment in the communities where we operate. Thus, despite an 80 per cent increase in our aluminium production in Quebec since 1990, we have succeeded in reducing our total greenhouse gas emissions by more than 40 per cent. And because we want to do better still, we are continuing to invest in modernising our facilities, as in the case of Kitimat and Arvida, and to invest in research and development, all with the aim of continuously refining our industrial processes.

On the social front – the third pillar of sustainable development policy – our investments clearly make us a leading stakeholder in the regions where we have facilities or are planning to build them. It would be a mistake to believe that we can succeed without the support of local communities. Success is much more likely in a community that is realising its goals versus one which is failing to do so.

We need to be a little humble, acknowledge that we are not perfect and recognise that only a genuine, ongoing dialogue with the communities where we operate will allow us to fulfil our respective goals. We therefore work closely with these communities to determine how we can assist in their regional development. It is on the basis of such dialogue that we decide which organisations and projects to support, and they are the ones that can really make a difference. In Cameroon, for example, we support community projects devoted to health care, particularly the fight against HIV, and providing access to clean drinking water. In doing so, we also contribute to achieving UN Millennium Development Goals.

Closer to home, our involvement takes various forms, including our work on regional economic development, notably with our equipment suppliers who create hundreds of jobs, and through our efforts to help tackle our serious school dropout problem. As you may know, we have committed to invest more than 15 million dollars in communities where we operate across Canada to encourage students to stay in school.

For us, sustainable development is all about leaving a strong economic and social legacy in all the regions that have helped us grow. Thus, when a plant reaches the end of its lifecycle and we have to close the facility, it's important to leave behind a solid economic footprint that creates wealth for the community. That, I think, is the true test of sustainable development: leaving a site in a better state than it was in when we first arrived.

When a plant reaches the end of its useful life, we rely on our expertise in regional economic development to find a new vocation or economic activity from which the local population can benefit. We left a positive legacy in Steg, Switzerland, and in

Lannemezan, France. And we'll do the same in Beauharnois, Quebec, and Anglesey, Wales, two communities where we had to close operations last year.

Our support for local communities is also evident on the cultural front in the form of donations and sponsorships to dozens of cultural organisations in Montreal and the regions. This helps them to pursue their artistic missions and to maintain and create employment.

Some of you may remember, back in the day, an era when Radio-Canada television broadcast le Théâtre Alcan on Sunday evenings. For some people, this was probably their first experience with theatre. For many years now, we've also been a proud partner of the Montreal International Jazz Festival, which you all know well and which contributes to Montreal's worldwide reputation.

We apply this basic principle of sustainable development, which we see as something of a hallmark for us, at every one of our sites. It leads us to play a role as an engine of regional economic development through our suppliers, our social partners, and the families of our employees, from the planning stages of a plant to its closure after 50, 75 or even 100 years of operation.

We are convinced that it always pays to do things properly from the start. It doesn't cost more, it minimises the risks, and it makes our investments more secure. Accordingly, we feel a keen sense of responsibility for developing natural resources in a way that is consistent with the goals of sustainable development and respects the needs of future generations.

Aluminium: adding value to energy

To produce aluminium, it's essential to be able to procure electricity at a competitive and predictable price. We are fortunate here to have an abundant natural resource – water – that allows us to do exactly that.

It is to our collective advantage to develop this resource in the best way possible, which includes exporting electricity but also using it to diversify the economy as is the case when we convert it locally into aluminium.

The aluminium industry is one of the pillars of regional development. As I noted earlier, our industry generates major economic spin-offs for every kilowatt hour consumed.

It is important to understand that the aluminium industry has flourished in Quebec and contributed so much to economic development precisely because this is where the operating conditions allow it to be competitive. There are few companies or industries like ours, which can set up operations anywhere in the province and stimulate regional development provided only that there is a nearby waterway and an electric power grid to supply it with energy at a reasonable and predictable price. Successive Quebec governments have long understood this complex equation, and that's what has allowed our industry to grow and expand throughout Quebec's regions over the last century. And it is this legislative approach that will allow our industry to continue growing in the coming decades.

It is encouraging that the Quebec government has been cautious and taken the long view in its management of Rate L. Its last budget recognises the importance of not jeopardising the competitive advantage, vital to industries that are big electricity consumers – an edge that allows these industries to play a key role, directly and indirectly, in Quebec's economic development.

With the Canadian dollar verging on parity, Rate L is already a slightly higher price than the average rates our industry pays for electricity around the world, and it is clear that industry would not be able to absorb major hikes in Rate L. If the aluminium industry is to be able to continue growing here in 20, 30 or 40 years, it must be able to buy electricity at competitive and predictable prices. This is what will enable it to go on developing electricity while contributing to regional economic growth and observing strict principles of sustainable development.

Let me be clear: I am in favour of exporting electricity from Quebec to the United States. However, from the standpoint of diversification, it is vital to continue converting some of our electricity locally and come to a correct understanding of all the regional economic spin-offs resulting from the use of each kilowatt hour.

At the same time, I want to emphasise that Quebec needs both a solid service industry and a strong manufacturing sector. Indeed, the service sector will be that much stronger if it rests on a robust manufacturing base. Looking at the impact on Quebec of the recent economic crisis, one fact stands out: the aluminium-producing regions remained economically sound and stable, in relative terms, while other major economic sectors suffered greatly.

A key factor in tackling humanity's most important challenge

But let's return to a broader and more global perspective on aluminium. I began this talk by telling you why I have confidence in the future of our industry.

Aluminium has considerable advantages over other materials, especially for use in the transportation sector, and it has an extraordinary recycling capacity. Approximately 75% of all aluminium thus far produced is still in productive use, which means it has been through countless loops of its lifecycle.

Aluminium has the benefit of being infinitely recyclable with no loss of quality, for all practical purposes. That represents an enormous competitive edge – one that is unfortunately all too often underestimated. Moreover, recycling aluminium requires only five per cent of the energy necessary to produce it in the first place.

I'd like to take a moment here to point out that aluminium produced in Quebec in modern plants generates three to four times less greenhouse gas than the world average and seven to eight times less than producers who still use fossil fuels. The aluminium sector is, of all the industrial sectors, the one that has contributed most to greenhouse gas reductions in Quebec, and to date it remains the only industrial sector to have signed a voluntary greenhouse gas reduction agreement with the Quebec government for the 2008-2012 period. In fact, in spite of a significant increase in production, Rio Tinto Alcan plants in Quebec have already surpassed the

20 per cent greenhouse gas reduction target set by the government for 2020. And we will continue to improve.

Did you know that each kilogram of aluminium used in place of heavier materials to manufacture a car reduces greenhouse gas emissions by 20 kilograms over a vehicle's average life span? And the benefits are even greater when denser metals are replaced with aluminium in buses, trains, and planes, because the greenhouse gas reduction can amount to as much as 80 kilograms for each kilogram of aluminium used as an alternative material.

Given the challenge of making lighter vehicles to reduce energy consumption and slow climate change, it's clear that aluminium must be given a bigger and more diversified role in the production of industrial goods. I want to take the opportunity here to applaud the Quebec government's decision, reflected in its recent budget, to promote the development of lighter vehicles and to bank on electricity as a source of energy. We support that aim and hope that more and more organisations, both public and private, come to understand the important role that aluminium can play in the new green economy.

Conclusion

Voilà. I hope I've succeeded in conveying to you the sense of pride I take in working in an industry that contributes so much to the economic growth of Quebec and its regions, and that does so within a framework of respect and sustainable development. With annual global demand set to grow by four to six per cent over the next two decades and an expanding role in reducing greenhouse gas emissions, aluminium can look forward to a very promising future.

With a thought to the generations to follow, I want to leave you with this quote from Antoine de Saint-Exupéry: "Your task is not to foresee the future, but to enable it."

Thank you for listening.