

1.5 Environmental Protection

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At Salzgitter AG environmental protection is an integral part of its corporate responsibility and is one of the core tasks of management. For the general public the production of steel often conjures up images of days gone by when chimneys belched smoke and the steel works lay in the shadow of dark clouds. But these images are things of the past. Of course, we still have complex metallurgic processes today, but they are centrally controlled, enclosed and filtered. The high environmental and energy conserving standards we have achieved on the path from ore to high-tech steel products are clear proof of the creative power of our employees.

With a view to involving our employees more closely in environmental issues arising from production, we are pressing ahead with the introduction of an environmental management system as defined by DIN EN ISO 14001. The integrated Salzgitter iron and steel works is being certified in stages, as scheduled. To date more than 50% of all employees work in certified plants. Our environmental management as part of this process is an integrated system which also combines occupational health and safety as well as quality issues. Along with other Group companies, Salzgitter Flachstahl GmbH will energetically pursue this path.

In addition to the introduction of the management system, our Group companies are committed to systemizing their environmental concerns. In the meantime for instance, Hamm-based Mannesmann



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Line Pipe GmbH is participating alongside HSP Hoesch Spundwand und Profil GmbH, Dortmund, in "ÖKOPROFIT", an ecological project run at regional level to promote the internalization of environmental technology. The main emphasis of this project, involving companies from different sectors, is to assess environmental issues, provide consultancy services and further qualifications in all areas of environmental protection at company level. The aim is to reduce the amount of resources used, thus contributing to sustainably reducing environmental burdens, while saving operational costs at the same time.

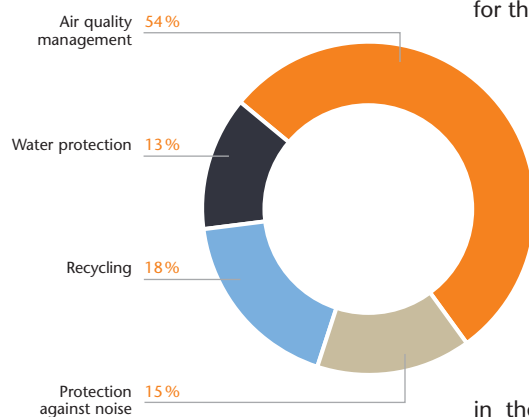
On January 1, 2005, trading in CO₂ emission allowances was launched throughout Europe. In recent months there has been lively discussion about the rising price of electricity relating to emission trading. Salzgitter AG is also taking an active part in these discussions which are aimed at achieving a best possible decoupling of emission trading and the electricity market in favor of energy-intensive industries. Apart from CO₂ emission trading, Salzgitter AG actively supports other measures for climate protection. Salzgitter Flachstahl GmbH, for example, has signed a self-commitment declaration of the VIK (Association of Industrial Energy and Power Users) for the reduction of sulphur hexafluoride (SF₆), one of the gases covered by the Kyoto protocol.

The EU's plans for modernizing and systemizing its policy on chemicals has been the subject of wide debate in the discussions on the environment in 2005. A central part of this approach is the so-called REACH regulatory framework which addresses the **R**egistration, **E**valuation and **A**uthorization of **C**hemicals. The driving concept behind this directive is to call on industry to provide proof: Whereas up until now it was the task of the authorities to request information on the identification of risks and problems connected with the use of chemicals, it is now up to the manufacturers and importers to keep systematic proof of the safety of the substances they put into circulation. Like other well-known European steel manufacturers, Salzgitter AG is expressly committed to the protection of the environment and consumers and to ensuring healthy working conditions. The proposal of the EU Commission has, however, led to a considerable imbalance in competition for Europe's steel industry. We therefore joined the discussion on chemical policies at an early stage. Our intention was to contribute to the discussion and thus avoid a great deal of unnecessary and costly investigation work being performed on materials which are known to have been in use for many decades in the steel industry without causing damage. This entails, for example, excluding ores from the obligation to register, as well as a targeted recording of the many different steel alloys. Thanks to the proposed amendments approved in the first reading before the European Parliament, which took place mid-November 2005, and the gradually emerging common ground shared by EU member states, we believe that viable compromises can be found from the standpoint of the steel industry.

The year 2005 saw the implementation of the ambitious requirements laid down in the ordinances on storing and depositing waste, and entailed changes which caused considerable upheaval in waste management in Germany. The known consequence of this new directive on communal waste management was the closure of large numbers of waste sites, which has driven up costs for waste disposal services. The requirements of these ordinances also apply to the steel industry. We have set ourselves the special goal of being able to continue to operate our residual materials recycling sites which are essential to the future existence of our company. The preparatory work of many years on technical adjustment had, for instance, reached the stage where the authorities gave their approval for us to continue operating our iron and steel works residual materials recycling center for an unlimited period of time. This center processes around a third of all by-products and waste produced at Salzgitter's iron and steel works, and if these substances cannot be recycled or sold, stores them in an environmentally compatible way.

A path-breaking project has been initiated in Ilsenburg with the goal of rejuvenating industrial and commercial land and property which has been lying vacant for years. The whole undertaking will run for three to four years. At the same time, core areas of the former copper mill, located in close proximity to Ilsenburger Grobblech GmbH, are being dismantled by a municipal company (Ilsenburger Grundstücksentwicklung mbH – IGG), which was founded in 2003. This opens up the possibility of expanding the ILG mill at the level of production flow. Other industrial and commercial enterprises

Steel Division
environmental expenses
data 2005



choosing to locate in the neighboring industrial park to be developed by IGG is another example of how resources are used prudently. This project delivers future development potential for ILG as well as for the City of Ilsenburg.

The total expenditure of the Steel Division on environmental protection came to € 120 million in the financial year 2005. This amount breaks down as follows: 54% for reducing air pollution, 13% for preventing water pollution, 18% for recycling and waste management and 15% for noise prevention.

At the domestic companies in the Tubes Division, expenditure on environmental protection measures amounted to some € 11 million. 4% of this sum was allocated to air quality management, 58% to water protection, 33% to recycling and waste management and 5% to noise prevention measures.

Tubes Division
domestic companies
environmental
expenses data 2005

