

# **New Leadership Is Needed At Arconic**

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[www.NewArconic.com](http://www.NewArconic.com)

ELLIOTT<sup>®</sup>

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# Why Are We Here?

*Prolonged disappointing financial results combined with the irreparably damaged credibility of Arconic's current management have created a circumstance whereby Arconic will never approach its potential under the current CEO*

- For more than a year, Elliott has engaged in private discussions with the Company regarding the numerous ways in which Arconic could effectively execute its business separation, improve operational performance, enhance investor communications, and establish improved corporate governance practices
  - While we have appreciated the dialogue and remain excited about the Arconic opportunity, we **believe a change in CEO is needed for the Company to sustainably create maximum shareholder value**

## Clear Evidence for the Need of Change in Leadership

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### Poor Total Shareholder Returns

- *A cumulative loss of nearly 70% in value*
- *Profound underperformance compared to any of the Company's self-selected peer groups*
- *Worst TSR record of any active S&P 500 CEO*

### Abysmal Operating Performance

- *On pace to miss all key operating metrics for 2016; new 2019 targets are indistinguishable from the original guidance for 2016*
- *Returns on invested capital have remained below cost of capital during Dr. Klaus Kleinfeld's entire tenure*
- *Massive margin improvement opportunity has existed for years and has not been realized*

### Broken Company Culture

- *We believe that an obsession with image, prestige, and stature is the current CEO's key focus*
- *Wasteful corporate spending on questionable projects that enthuse the CEO but provide little benefit to the business or shareholders*
- *Antiquated corporate governance has resulted in failure to hold the CEO accountable, but has enabled the delivery to him of more than \$111 million in compensation over an 8 year period*



# Our Goals at Arconic

*Elliott is Arconic's largest shareholder, owning approximately 10.5% of shares outstanding. We are seeking sustained improvements at Arconic to benefit all long-term stakeholders*

Please note that Elliott holds economic interest of over 12.1% of Arconic

## Change the Culture



- ✓ Instill a culture dedicated to fierce operational focus
- ✓ Foster an entrepreneurial spirit by empowering and incentivizing each business unit and each manufacturing plant to participate in the upside of operational improvements
- ✓ Eliminate image-driven and wasteful culture (e.g. "The Jetsons" ad campaign, continued headquarters at Lever House)
- ✓ Overhaul the Company's antiquated corporate governance and adopt modern best practices demonstrating that "New Arconic" welcomes accountability

## Improve the Business



- ✓ Achieve substantial and real corporate-level margin improvement through:
  - ✓ Closing the persistent margin gap to the Company's closest peer in the EPS business
  - ✓ Achieving real margin improvements in GRP and TCS businesses
  - ✓ Dramatically reducing corporate overhead
- ✓ Allocate capital away from wasteful projects and toward more practical growth strategies

***We believe that through a combination of operational and cultural changes, Arconic has an approximately 45 – 105% upside***

# Change the Culture: Remove Dr. Klaus Kleinfeld from Arconic



Despite years of poor performance, a culture of grandiose rhetoric devoid of any real substance or follow-through has been tolerated

Arconic points to this performance metric to assert that Dr. Kleinfeld "saved the Company."

	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	Since CEO	Since Low
vs Proxy Peers	(3.0)	(46.3)	(11.7)	(39.1)	(91.8)	(120.6)	(181.6)	(207.0)	(155.9)	(293.0)
vs. Industrials Proxy Peers	(5.6)	(54.4)	(36.6)	(86.8)	(135.8)	(149.1)	(193.7)	(234.0)	(186.8)	(286.5)
vs. Materials Proxy Peers	(2.0)	(36.5)	(2.8)	(23.2)	(80.7)	(92.1)	(173.8)	(129.0)	(67.8)	(353.6)
vs. Aluminum Peers	(12.6)	(45.6)	(47.7)	(18.9)	(8.8)	8.3	0.1	(75.7)	(19.7)	66.3
vs. S&P 500	4.1	(51.5)	(21.9)	(48.0)	(96.7)	(125.5)	(154.6)	(167.5)	(150.3)	(166.7)

## Sampling of Dr. Klaus Kleinfeld's Public Comments

(4/12/10) "We're exceeding our goals...we have the future in our hands...very proud of the almost flawless execution."

(7/12/10) "Alcoa's performance is strengthening. The long-term drivers remain intact... you will expect profitability to grow and outperform our past."

(1/10/11) We continue to produce outstanding shareholder value across all businesses, and take my word, that's our promise."

(4/11/11) "This quarter marks an excellent performance"

(5/6/11) "We have unprecedented growth opportunities. Our end markets are improving pretty much all across the board."

(7/11/11) "...on a road to sustained better performance"

(10/11/11) "Alcoa remains a confident Company in a nervous world"

(11/9/11) "We continue to accelerate to build up shareholder value creation"

(4/10/12) "We've had a strong start in 2012. We are delivering on our promises"

(7/9/12) "...there are exciting things in our future. [A]ll of this will make us stronger."

(1/8/13) "We are well positioned to maximize on profitable growth."

(4/8/13) "We are executing on our targets to deliver long-term value. Our strategy is working"

(10/8/13) "We are creating value by executing our strategy...[W]e've really been firing on all cylinders"

(4/8/14) "Stay close, you will see more of this [strong performance]"

(7/8/14) "We are transforming Alcoa. We are creating compelling sustainable value."

(10/8/14) "This quarter is a clear data point that Alcoa's transformation is delivering."

(1/12/15) "The transformation is delivering sustainable value."

(4/8/15) "The best is yet to come."

(7/8/15) This has been a strong quarter."

(1/11/16) "We're actually on a very, very good course, capturing the synergies, right, from gaining more market share there, from getting the operational -- the ability of the equipment up to the level that we are used to, and that's all happening. That's all happening."

(4/11/16) "We're on course for the second half of 2016 [guidance]."

(7/11/16) "And I mean, as I said before, there is a ramp-up curve that we are seeing in the second half....This is ramping up. And we are on track to meet our targets"

Peer Group Median. Source: Bloomberg. TSR Trailing as of 10/31/2016, the day before Alcoa and Arconic split. Since CEO TSR: 5/1/2008 - 10/31/2016. Peer Proxy is Alcoa's 2016 self-selected proxy peers and includes two groups named by the Company, Industrials Peers which are the following ten companies: 3M CO, CUMMINS INC, DANAHER CORP, DEERE & CO, EATON CORP PLC, EMERSON ELECTRIC CO, GENERAL DYNAMICS CORP, L3 TECHNOLOGIES INC, NORTHROP GRUMMAN CORP, RAYTHEON COMPANY, And Materials Peers which are the following 10 companies: DU PONT (E.I.) DE NEMOURS, DOW CHEMICAL CO/THE, FREEPORT-MCMORAN INC, HUNTSMAN CORP, INTERNATIONAL PAPER CO, PPG INDUSTRIES INC, NEWMONT MINING CORP, NUCOR CORP, UNITED STATES STEEL CORP, LYONDELLBASELL INDU-CL A. The Company's self-selected Aluminum Company peers consist of: ALUMINUM CORP OF CHINA LTD-H, UNITED CO RUSAL PLC, NORSK HYDRO ASA, ALUMINA LTD, NATIONAL ALUMINIUM CO LTD, SHANDONG NANSHAN ALUMINUM. Since Low is date range 3/6/2009 - 10/31/2016.



# Change the Culture: Consider Larry Lawson for CEO

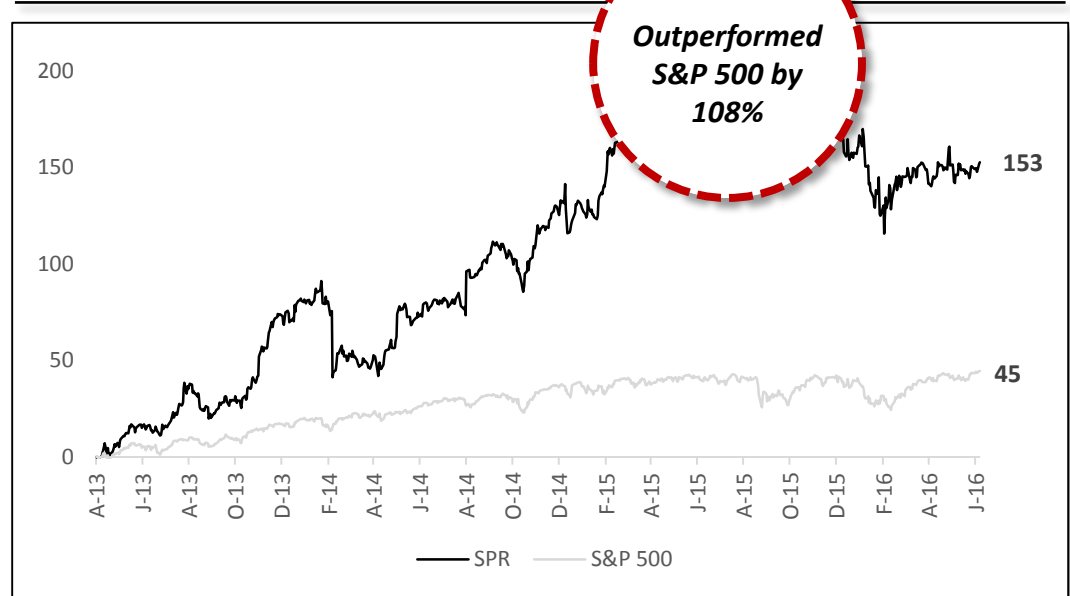
*Elliott has engaged Mr. Lawson as a consultant on its investment in Arconic and believes that Mr. Lawson should be a leading candidate to become the Company's CEO, as he has the ideal set of skills needed to turn around Arconic's woefully and continually underperforming business*

## Larry Lawson



- ✓ Former CEO of Spirit Aerosystems, Inc. (NYSE: SPR)
- ✓ Former Executive Vice President of Aeronautics of Lockheed Martin (NYSE: LMT)
- ✓ Former Flight Control Engineer of McDonnell Douglas (Acquired by The Boeing Company in 1997)

## Spirit TSR with Mr. Lawson as CEO



*"SPR stock is up over 160% since Larry Lawson was named president and CEO of the company on March 19, 2013 effective April 6, 2013. Sentiment for SPR has improved as the company focused on controlling costs, generating positive free cash flow, and divesting the problematic G650 and G280 wing programs in Tulsa. In our view, market expectation for performance is now significantly higher for SPR than with the previous management team."*

BAML, 4/30/15

*"[H]e is a tough change agent with unrelenting demands on performance improvements. As such, we're beginning to conclude that he might be just what SPR always needed."*

Barclays, 12/18/13

Source for stock chart: Bloomberg, ending day prior to announced of planned departure of Mr. Lawson as CEO (6/7/2016)

# Drive Sustainable Shareholder Value Through Operational Improvement



## 1 Close the Margin Gap with Precision Castparts (“PCC”)

- *EPS margins have been an average of 700 basis points below PCC despite the fact that there are few (if any) structural reasons for this gap*
- *Each 100 bps improvement in margins at Arconic’s EPS business is worth ~\$1.20/share*
- *Improving margins by 900 basis-points to levels approximating PCC’s would increase value by ~\$10.50/share*

## 2 Achieve Real Margin Improvement in Global Rolled Products (“GRP”)

- *Management’s 3-5 year goal of increasing GRP margins is misleading at best, deceptive at worst, and the majority is already baked*
- *Approximately 130-150 bps of the targeted improvement comes from simply eliminating can sheet volumes*
- *Reaching industry average performance would increase EBITDA by \$150 million*
- *Achieving half-way to best-in-class in each product would increase EBITDA by \$245 million, worth ~\$4.40/share*

## 3 Reduction of Corporate Overhead

- *Arconic has excess corporate overhead which we believe is a direct result of the Company’s “CEO-centric” culture*
- *Alcoa Corp. - which has overhead costs which are roughly half those of its former parent - has already announced plans to cut \$50 million, while repeatedly highlighting the cost reduction opportunity resulting from the separation from its bloated former parent:*

*“Very, very focused on cutting costs, and you’ll hear me talk about that, that’s one of the things that’s different about Alcoa Corp. As we go forward, we’ll be very, very focused on not only cutting cost at the plant level, but also in the overhead structure... We did not take any of the corporate jets with us. We skinny down the corporate office to only 15 people here in New York. So we’re now on one floor in the New York office. We’ve eliminated our Geneva office. We’ve gone -- and I use these just as examples. We’ve gone location by location and cut overhead costs, but there’s still more work to be done.”*

William F. Oplinger, CFO of Alcoa Corp, 11/16/16

- *Cutting a comparable \$100 million would increase value by \$800 million, worth ~\$1.60/share*

## 4 Implement Capital Allocation Discipline

- *Arconic has spent \$2.2 billion at GRP without increasing EBITDA dollars.*
- *ROA at EPS plummeted during Dr. Kleinfeld’s tenure*
- *More disciplined capital spending and exploration of strategic options with respect to GRP and TCS could produce significant additional value*



# Even Modest Improvement Produces Dramatic Returns

- Elliott’s targets are based on the mid-point of Arconic’s 2017 revenue target
  - Unlike management, Elliott believes that Arconic margins can be improved even absent additional scale
    - ***in short, even without growth, Arconic could be worth at least \$33-\$46 per share.***

	<u>Low</u>				<u>High</u>			
	<u>Amount</u>	<u>Multiple</u>	<u>Value</u>	<u>\$ / Share</u>	<u>Amount</u>	<u>Multiple</u>	<u>Value</u>	<u>\$ / Share</u>
Current Performance / Price (as of 1/30/2017)	\$1,815	8.7x		\$22.50	\$1,815	8.7x		\$22.50
EPS Margin Improvement	\$342	9.0x	\$3,078	\$6.31	\$513	11.0x	\$5,643	\$11.56
GRP Margin Improvement	\$150	7.5x	\$1,131	\$2.32	\$245	8.8x	\$2,153	\$4.41
TCS Margin Improvement	\$36	7.3x	\$262	\$0.54	\$36	10.3x	\$371	\$0.76
Cut Corporate Costs	\$50	8.7x	\$434	\$0.89	\$100	8.6x	\$858	\$1.76
Overall Improvement	\$578	8.5x	\$4,906	\$10.05	\$894	10.1x	\$9,024	\$18.49
Improved Credibility + Multiple Expansion					\$1,815	1.4x	\$2,554	\$5.23
<b>Total</b>	<b>\$2,393</b>	<b>8.5x</b>		<b>\$32.55</b>	<b>\$2,709</b>	<b>10.1x</b>		<b>\$46.23</b>

Vs. Current Share Price

45%

105%

- Low Case
  - 600 bps improvement at EPS at 9.0x multiple
  - GRP to achieve in-line performance with peers based on bottoms-up mix analysis
  - Cut \$50 million in Corporate costs
- High Case
  - 900 bps improvement at EPS at 11.0x multiple
  - GRP to achieve goal half-way between industry average cost-bucket upside and best-in-class (see pg. 21)
  - Cut \$100 million in Corporate costs





# Shareholder Nominees

*Ideal mix of skills and experience to deliver meaningful change at Arconic*

Please note that if the Company renominates Ulrich Schmidt at the 2017 annual meeting, Elliott does not intend to seek his replacement.



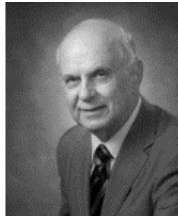
## Christopher Ayers

- Former Chief Executive Officer of WireCo WorldGroup, Inc., a leading producer of specialty steel wire ropes
- Former Vice President of Alcoa Inc. and President of its Global Primary Products Business (NYSE: AA)
- Former Executive Vice President of Precision Castparts (“PCC”)



## Elmer Doty

- Former President and Chief Executive Officer of Accudyne Industries (Acquired by The Carlyle Group in 2012)
- Former President and CEO of Vought Aircraft
- Former Executive Vice President of United Defense Industries, now part of BAE System Plc. (LON: BA)



## Charles Hall

- Former President and Chief Executive Officer of AM General
- 37-year career with General Dynamics Corporation (NYSE:GD)
- Final position with General Dynamics was Executive Vice President of Combat Systems



## Bernd Kessler

- Former Chief Executive Officer of SRTechnics AG,
- Former President and Chief Executive Officer of MTU Maintenance, a subsidiary of Aero Engines AG (ETR:MTX)
- Mr. Kessler held management and executive positions for 20 years at Honeywell International Inc. (NYSE:HON)



## Patrice Merrin

- Former CEO and a director of Luscar Ltd., Canada’s largest producer of thermal coal
- Former Executive Vice President and Chief Operating Officer of Sherritt International Corporation (TSE:S)
- Director of Stillwater Mining Company (NYSE:SWC), Glencore plc (LON:GLEN), and Novadaq Technologies Inc. (NASDAQ:NVDQ)



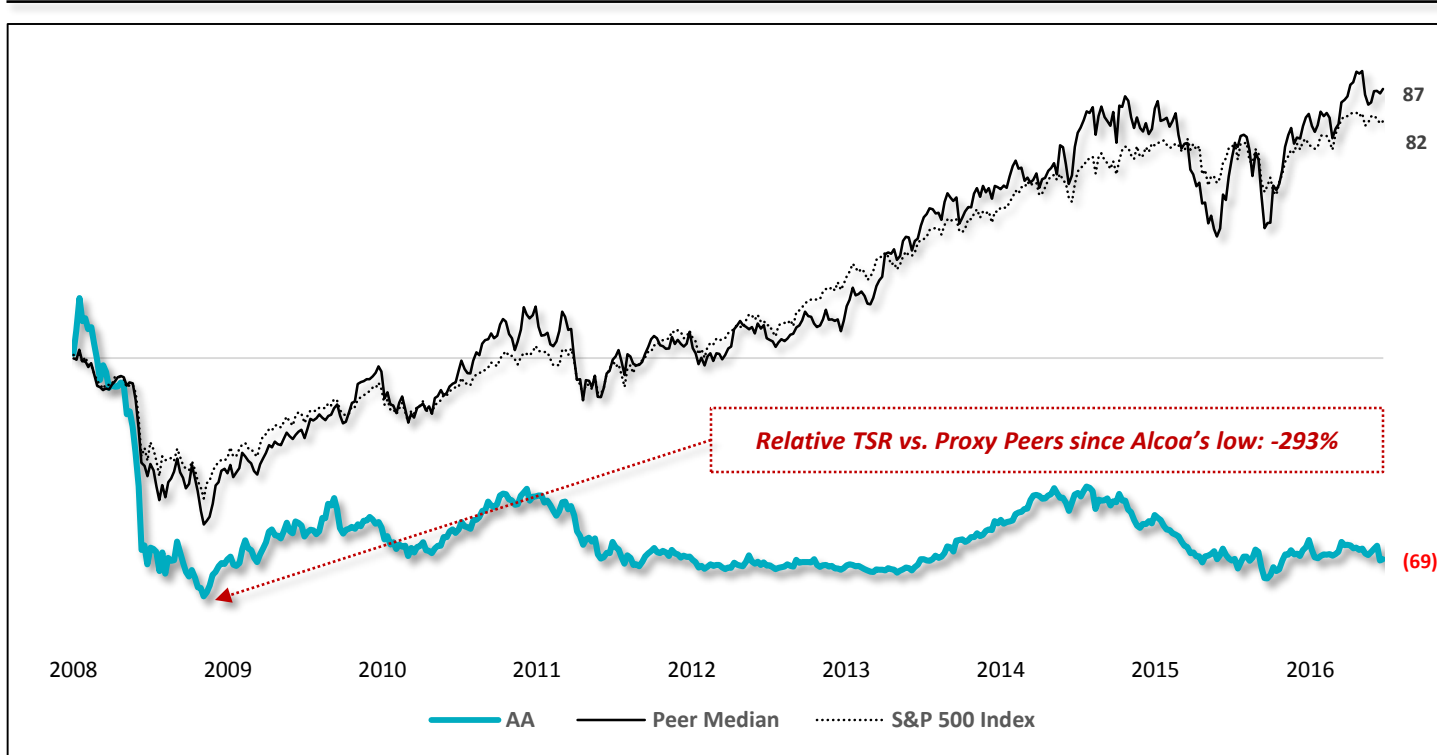
*“On a short, meaning next year or this year, and midterm, three- to five-year timeframe, we will continue to produce outstanding shareholder value across all businesses, and take my word, that's our promise.”*



# TSR Under Dr. Klaus Kleinfeld

Since becoming CEO, Dr. Klaus Kleinfeld has underperformed the Company's proxy peer median by 156% and the S&P 500 by 151%

Alcoa Cumulative TSR Relative to Peer Median and S&P 500 Under Dr. Klaus Kleinfeld



*"I think then we are creating substantial shareholder value. That's the main driver that we will continue to follow here."*

Dr. Klaus Kleinfeld, 4/10/12

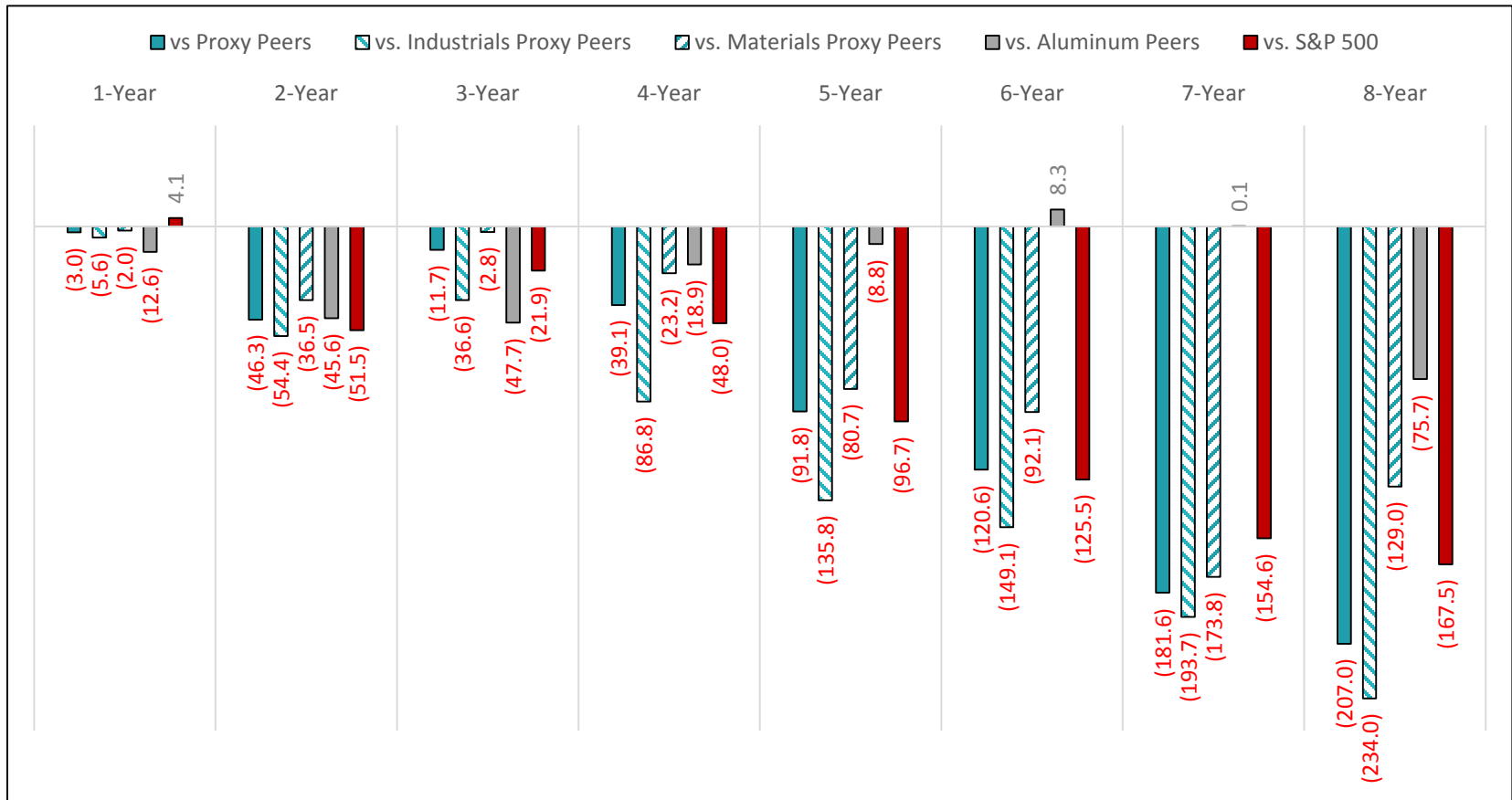
Source: Bloomberg. TSR 5/1/2008 - 10/31/2016, ending the day prior to the Alcoa/Arconic split. Peer group is Alcoa's 2016 self-selected proxy peers and includes: DU PONT (E.I.) DE NEMOURS, DOW CHEMICAL CO/THE, FREEPORT-MCMORAN INC, HUNTSMAN CORP, INTERNATIONAL PAPER CO, LYONDELLBASELL INDU-CL A, PPG INDUSTRIES INC, NEWMONT MINING CORP, NUCOR CORP, UNITED STATES STEEL CORP, 3M CO, CUMMINS INC, DANAHER CORP, DEERE & CO, EATON CORP PLC, EMERSON ELECTRIC CO, GENERAL DYNAMICS CORP, L-3 COMMUNICATIONS HOLDINGS, NORTHROP GRUMMAN CORP, RAYTHEON COMPANY. Alcoa's low point was 3/6/2009

# TSR Under Dr. Klaus Kleinfeld vs. Company Selected Peers



*Under Dr. Kleinfeld, the Company massively underperformed virtually all peer groups over virtually all periods*

## Alcoa Cumulative TSR Relative to Each Peer Median and S&P 500 Under Dr. Klaus Kleinfeld



Peer Group Median. Source: Bloomberg. TSR Trailing as of 10/31/2016, the day before Alcoa and Arconic split. Since CEO TSR: 5/1/2008 - 10/31/2016. Peer Proxy is Alcoa's 2016 self-selected proxy peers and includes two groups named by the Company, Industrials Peers which are the following ten companies: 3M CO, CUMMINS INC, DANAHER CORP, DEERE & CO, EATON CORP PLC, EMERSON ELECTRIC CO, GENERAL DYNAMICS CORP, L3 TECHNOLOGIES INC, NORTHROP GRUMMAN CORP, RAYTHEON COMPANY, And Materials Peers which are the following 10 companies: DU PONT (E.I.) DE NEMOURS, DOW CHEMICAL CO/THE, FREEPORT-MCMORAN INC, HUNTSMAN CORP, INTERNATIONAL PAPER CO, PPG INDUSTRIES INC, NEWMONT MINING CORP, NUCOR CORP, UNITED STATES STEEL CORP, LYONDELLBASELL INDU-CL A. The Company's self-selected Aluminum Company peers consist of: ALUMINUM CORP OF CHINA LTD-H, UNITED CO RUSAL PLC, NORSK HYDRO ASA, ALUMINA LTD, NATIONAL ALUMINIUM CO LTD, SHANDONG NANSHAN ALUMINUM. Since Low is date range 3/6/2009 - 10/31/2016.



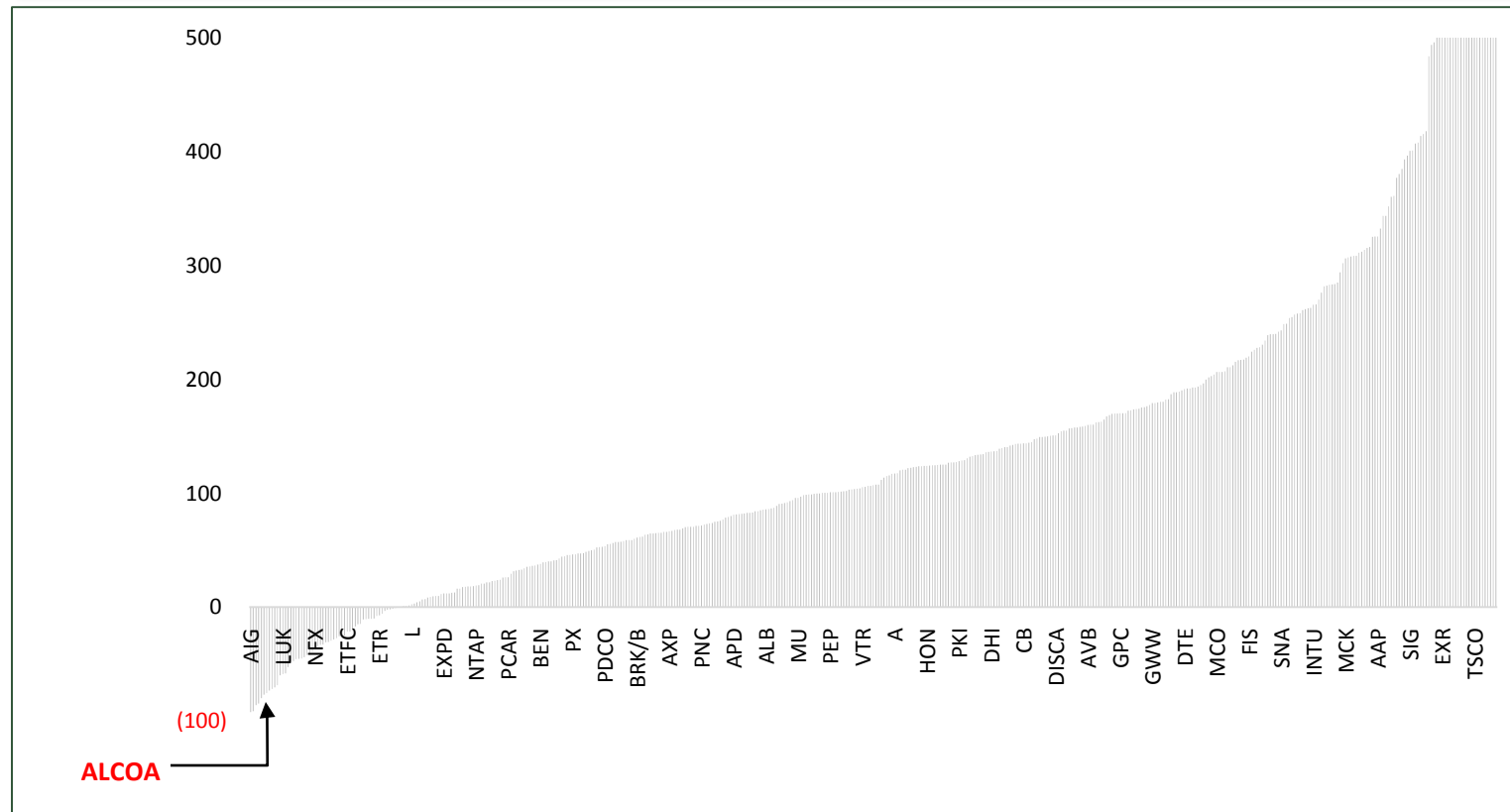
# Alcoa vs. S&P 500 During CEO Tenure

465 of the current S&P 500 companies have been in the index since May 1, 2008. Out of those 465 companies, Alcoa ranks 456<sup>th</sup>. All of the companies to the left of Alcoa have changed CEOs during this period

*“But we are also very focused on ensuring that each and every dollar that we spend, whether it'd be an expense or whether it'd be for a capital investment will both sustain the operations that we have today, and therefore, the cash generation but also, look forward to create additional value for our shareholders.”*

Dr. Klaus Kleinfeld, 6/20/16

## S&P 500 Returns , 5/1/2008 – 10/31/2016



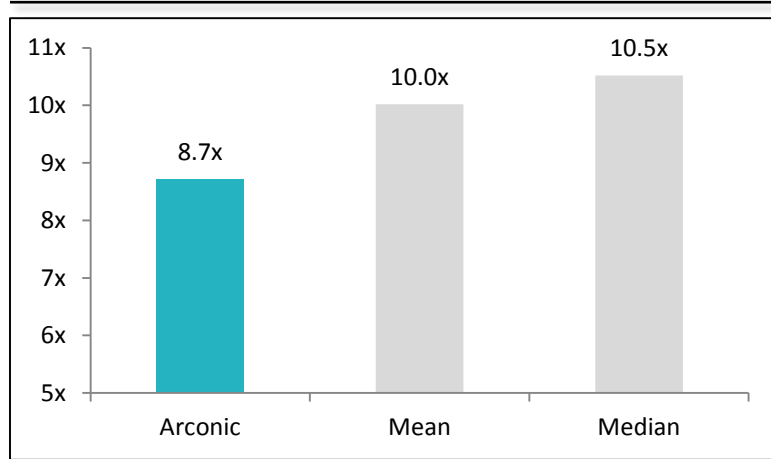
Bloomberg. As of 10/31/2016. 5/1/08 – 10/31/2016 is Dr. Klaus Kleinfeld's tenure as CEO of Alcoa. 10/31/2016 is day prior to split of Alcoa and Arconic



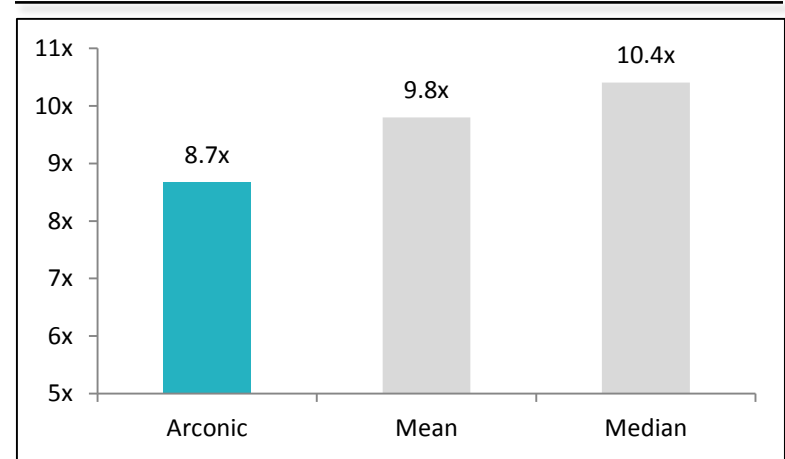
# Arconic's "Dr. Klaus" Discount – 2017 Numbers

*Arconic's discount, we believe, can principally be attributed to current management's lack of credibility*

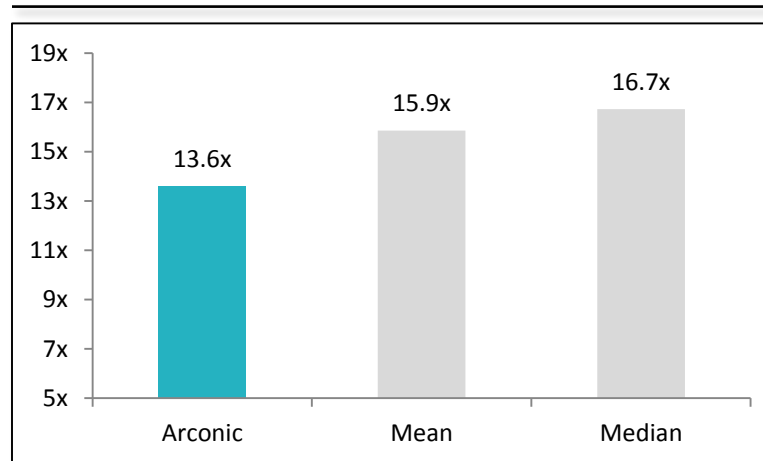
### EV/EBITDA vs. Peers



### Adj. EV/EBITDAP vs. Peers



### Cash Adjusted P/E



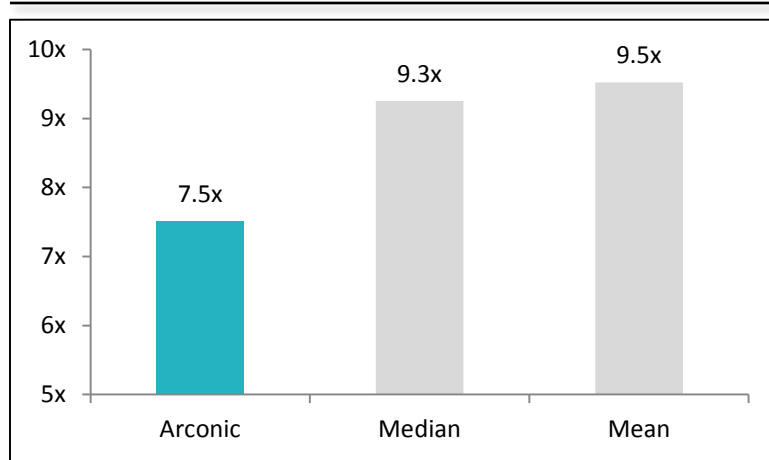
*Selected Comps: Boeing, Airbus, Spirit Aerosystems, Triumph Group, MTU Aero Engines, Meggitt, TransDigm, Moog, Curtiss-Wright, Woodward, TriMas, Esterline, HEICO, Rockwell-Collins, Safran, Barnes Group, Carpenter Technology, Kaiser Aluminum, Hexcel, United Technologies, AMAG Austria Metall, Embraer, Rolls-Royce, Parker-Hannifin, Crane, Eaton, Zodiac Aerospace, AMETEK, GKN, Honeywell, Hindalco, UACJ*



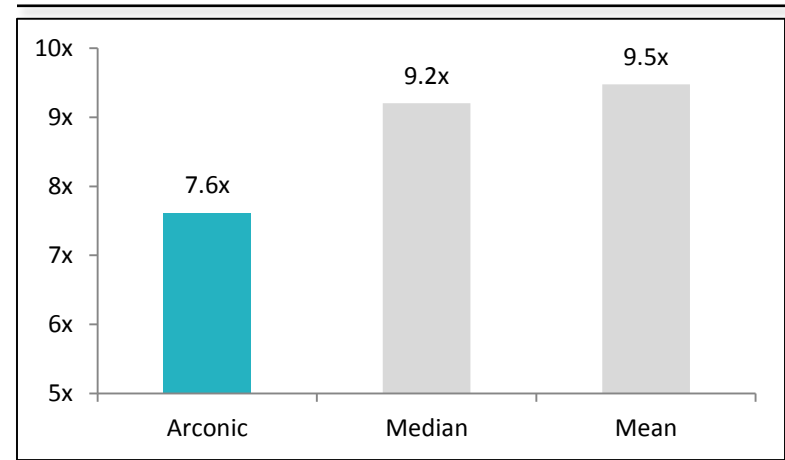
# Arconic's "Dr. Klaus" Discount – 2018 Numbers

*Larger discount on 2018 estimates suggests lack of confidence in management's ability to hit targets*

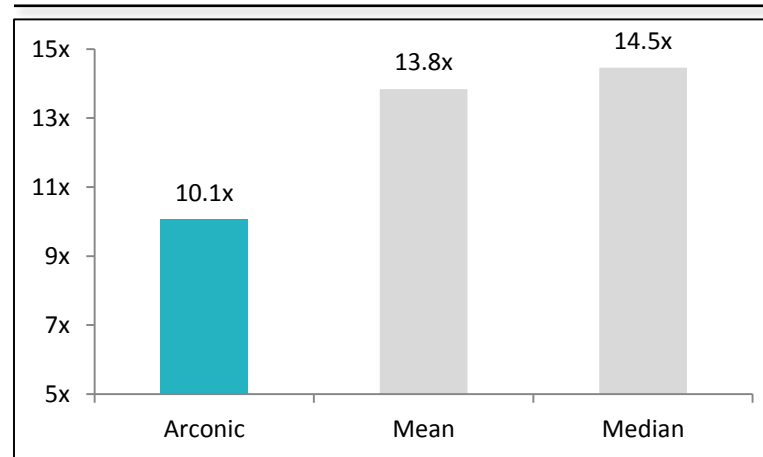
**EV/EBITDA vs. Peers**




**Adj. EV/EBITDAP vs. Peers**



**Cash Adjusted P/E**



*Selected Comps: Boeing, Airbus, Spirit Aerosystems, Triumph Group, MTU Aero Engines, Meggitt, TransDigm, Moog, Curtiss-Wright, Woodward, TriMas, Esterline, HEICO, Rockwell-Collins, Safran, Barnes Group, Carpenter Technology, Kaiser Aluminum, Hexcel, United Technologies, AMAG Austria Metall, Embraer, Rolls-Royce, Parker-Hannifin, Crane, Eaton, Zodiac Aerospace, AMETEK, GKN, Honeywell, Hindalco, UACJ*

A close-up photograph of a man in a dark suit and tie, speaking. He is looking slightly to the right of the frame. His right hand is raised, with fingers slightly curled, as if gesturing while speaking. The entire image has a teal or cyan color overlay. The background is dark and out of focus.

*“Now, I mean, talking to managers, you'd say disciplined execution? Really? I mean, is that a strategic priority? Isn't that what business is about? I mean, it's not just warm words and nice plans, you've got to execute, right? But we actually have put I think more of a discipline around it than what you typically find in an organization.”*

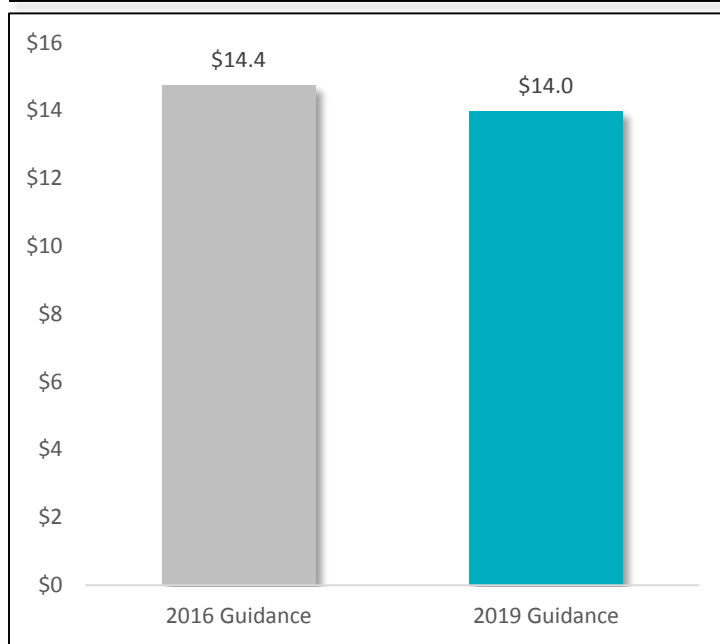




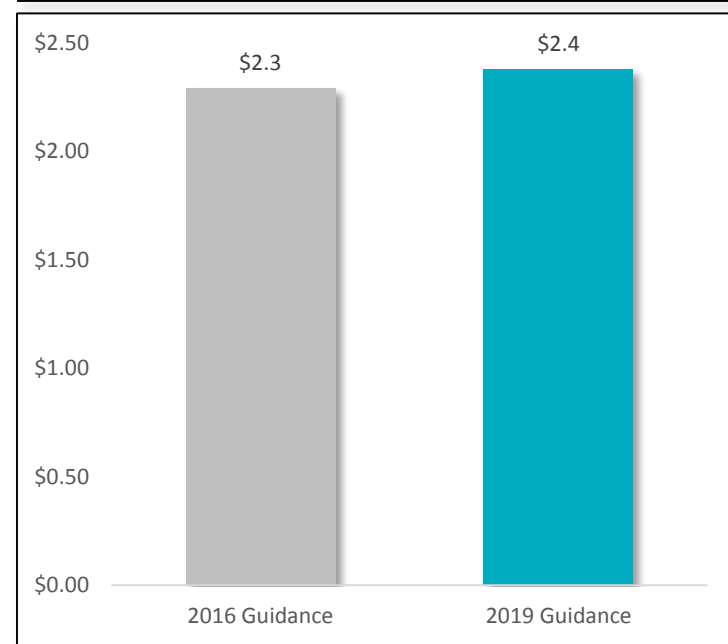
# “New” 2019 Guidance Resembles Original 2016 Guidance

*After a series of massive guidance misses, the Company released three year targets which are nearly identical to the Company’s original 2016 guidance , which pertained until as recently as April 2016*

**2016 and 2019 Revenue Guidance**



**2016 and 2019 EBITDA Guidance**



*“As we stated in the webcast, we are excited about Arconic’s prospects and believe we have a compelling opportunity to create significant long-term value for our shareholders. During the 2017 to 2019 time period, we have set targets that outperform market growth, increase profit margins towards benchmark level and above, improve capital efficiency and significantly reduce debt to strengthen Arconic’s balance sheet and credit rating.”*

Dr. Klaus Kleinfeld Letter to Shareholders, 12/14/16



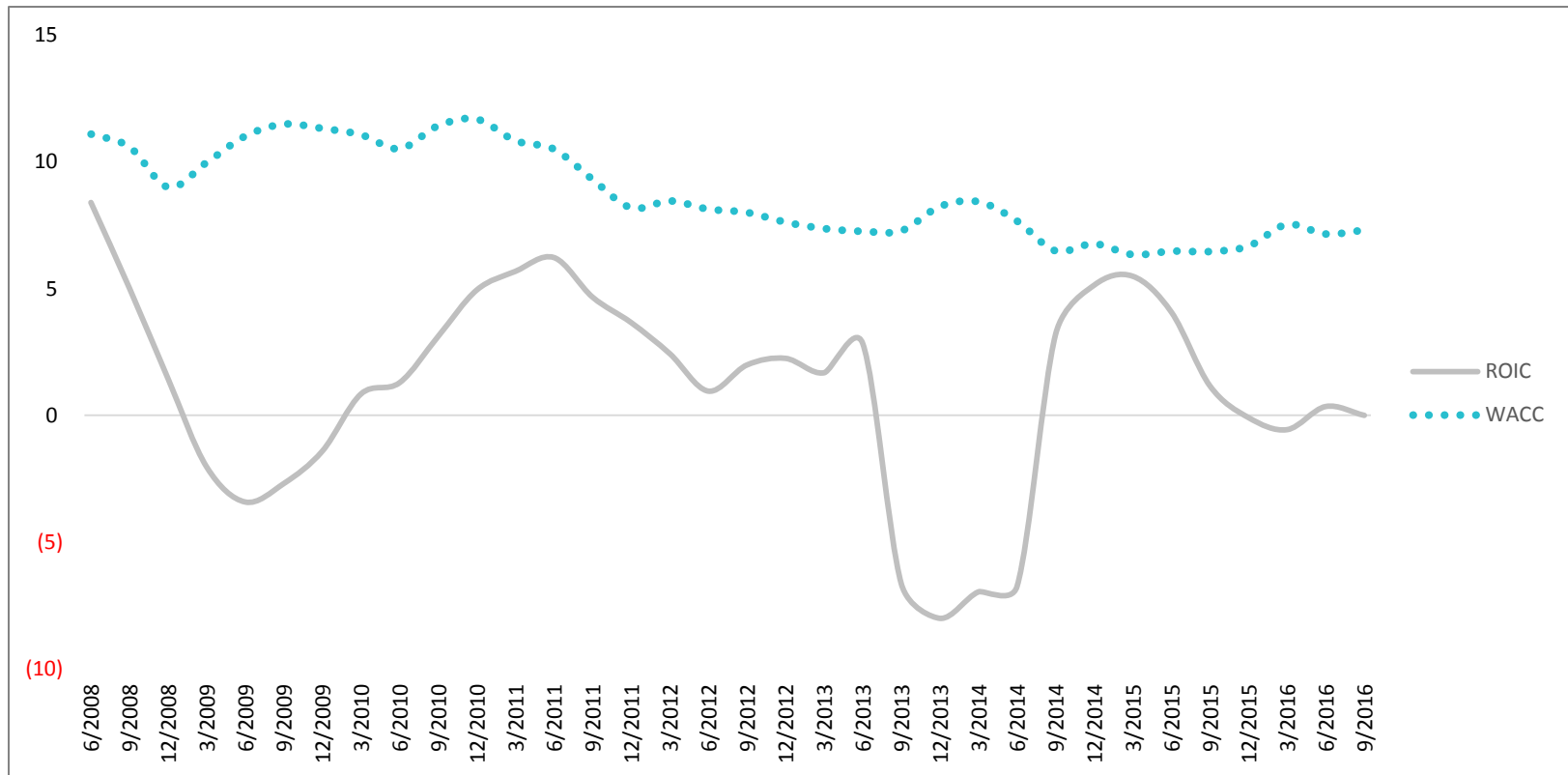
# Returns Lower Than Cost of Capital

*During Dr. Klaus Kleinfeld's tenure, returns on invested capital have remained consistently below the Company's weighted average cost of capital*

*"We look at IRRs versus cost of capital, right. So we're breaking in part of the synergies, we look at the returns versus cost of capital."*

Dr. Klaus Kleinfeld, 11/4/15

## Alcoa ROIC vs. WACC



Source: Bloomberg. Quarterly June 2008 – September 2016



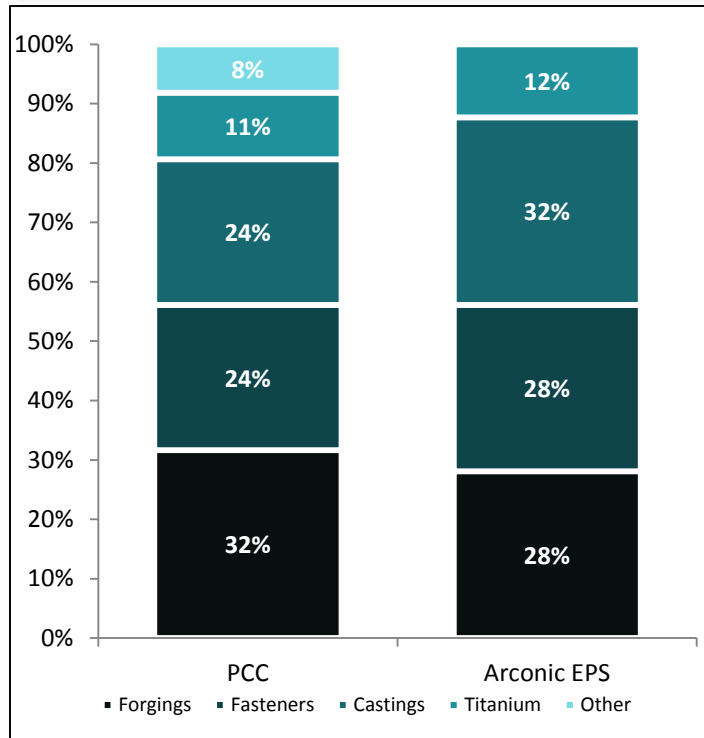
*"You can only win the 'war' with ideas, not with spending cuts"*



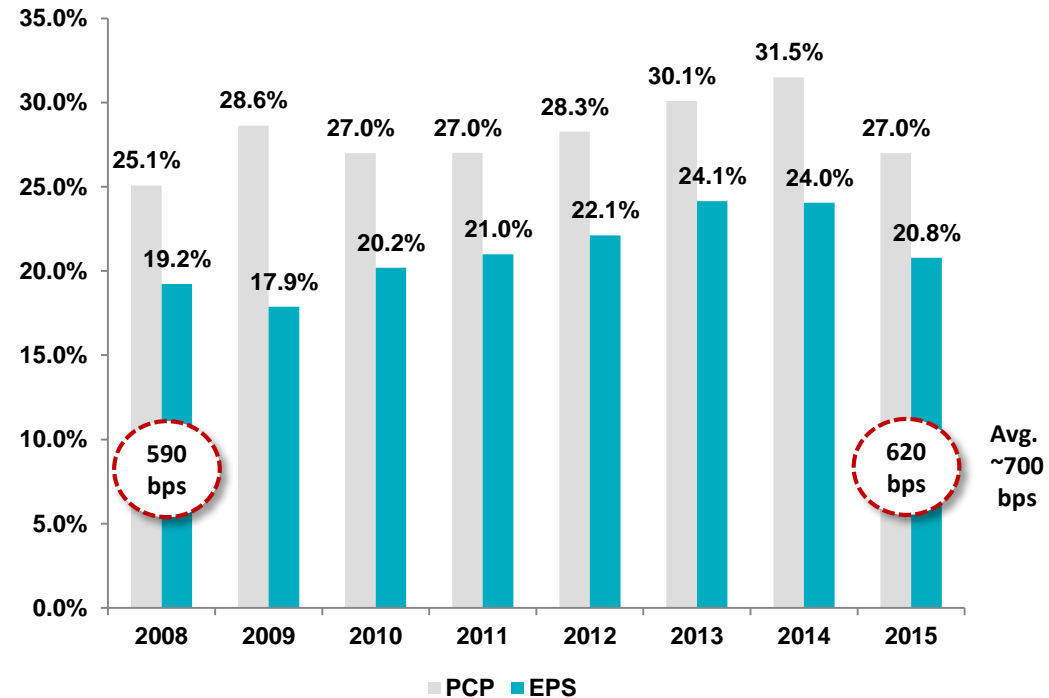
# Arconic EPS: Unable to Close the PCC Margin Gap

*Elliott worked with a number of experts including: former employees and customers of both Arconic EPS and Precision Castparts, external consulting firms, and an investment bank. The conclusion is unambiguous. EPS and PCC are substantially similar businesses. Nonetheless, **Arconic's EPS business is substantially less profitable than PCC***

**PCC vs. Arconic Business Unit Revenue Contribution**



**PCC vs Arconic EPS Business EBITDA Margin**



**Every 100 bps improvement in margins at Arconic's EPS business is worth ~\$1.20/share**

Note: Arconic EPS margins are fully adjusted and include proportional share of estimated downstream corporate and pension expenses based on historical LegacyCo reported figures; Historical PCP numbers adjusted for pension expenses



# GRP: Massive Room to Improve

Going bottoms-up, we analyzed GRP's mix and cost position relative to peers. The opportunity for improvement is enormous

		CAN BODY STOCK	PLATE	BRAZING SHEET	AUTO BODY	HEAT TREATED	AUTO STRUCTURAL	OTHER	TOTAL
<b>Industry Avg.</b>	Opportunity size	\$70M	\$32M	\$1M	\$20M	\$2M	\$1M	\$21M	~\$150M
<b>Best-in-Class</b>	Opportunity size	\$99M	\$81M	\$31M	\$15M	\$22M	\$1M	\$89M	~\$340M
<b>Best-in-Class with BDP on Overhead/WIP</b>	Opportunity size	\$127M	\$95M	\$35M	\$15M	\$27M	\$1M	\$102M	~\$400M
<b>BDP Across the Board</b>	Opportunity size	\$242M	\$117M	\$53M	\$59M	\$42M	\$10M	\$218M	~\$750M

Mid Pt.  
~\$245M

**Notes:**

- Industry Average: Production cost improvement opportunity calculated as difference between Arconic production cost and average production cost summed across Raw Material, Overhead & WIP, and Other. Where Arconic's costs are lower than average at the cost-bucket level, \$0 improvement opportunity assumed; other and total buckets are weight averaged based on Arconic tonnage for industry costs
- Best-in-Class: Production cost improvement opportunity calculated as difference between Arconic production cost and best in class ('BIC') production cost of the top 10 volume producers for each product; Other and total buckets are weight averaged based on Arconic tonnage for industry costs; Production cost opportunity based on non-China benchmarking; Opportunity size calculated using global Arconic volumes
- Best-in-Class w/ BDP on Overhead and WIP: Production cost improvement opportunity calculated as difference between Arconic production cost and best in class ('BIC') production cost of the top 10 volume producers for each product, BDP overhead and WIP used in place of BIC overhead and WIP; Other and total buckets are weight averaged based on Arconic tonnage for industry costs; Production cost opportunity based on non-China benchmarking; Opportunity size calculated using global Arconic volumes
- BDP Across the Board: Production cost improvement opportunity calculated as difference between Arconic production cost and Best Demonstrated Practice (BDP) production cost (lowest cost line item across top 10 producers) summed across Raw Material, Overhead & WIP, and Other; Other and total buckets are weight averaged based on Arconic tonnage for industry costs. The cost-level established by "Best Demonstrated Practice" may not be fully achievable. The components of rolling costs are interactive, i.e. one component might be low or high directly as a result of another being high or low.



*"We're in this together."*

Dr. Klaus Kleinfeld, 11/4/2015

# Poor Corporate Governance Practices

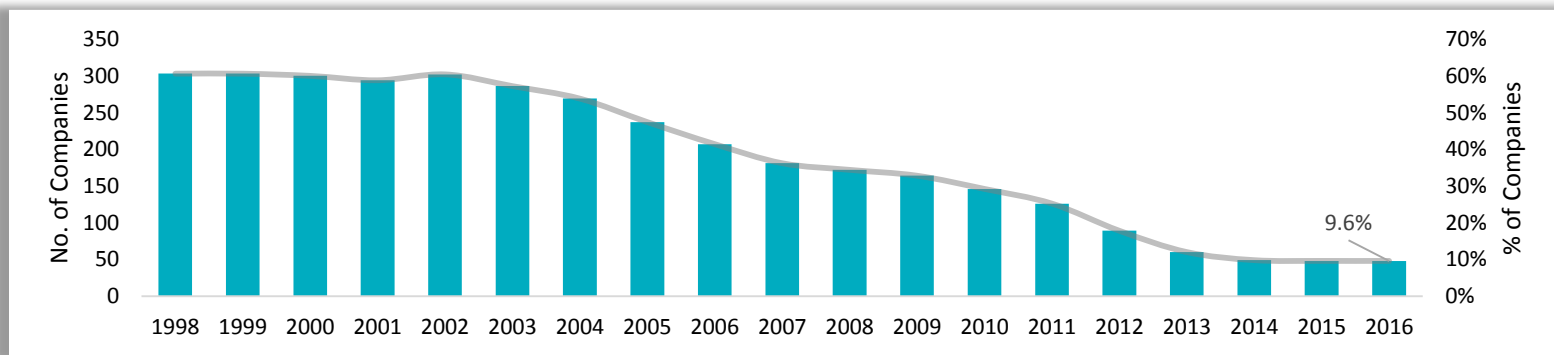


*"[O]ne of the things about Alcoa Corp. that is fundamentally different than Alcoa Inc. is that we were given the opportunity to come out with a **much better governance structure**. So as a new company, we **separated the Chairman and the CEO role**. I personally believe that's the right way to have the business set up. In addition to that, we've decided to incorporate in Delaware... Delaware is much more shareholder-friendly."*

William F. Oplinger, CFO Alcoa Corp, 11/16/16

Governance Issue	Arconic	Best Practice
Election of Directors	Staggered Board	Annually Elected Board
State of Incorporation	Pennsylvania	Delaware
Removal of Directors	Requires 80% of outstanding	Majority of outstanding
Bylaw & Charter Amendments	Requires Supermajority	Majority of outstanding
Leadership Structure	Combined Chairman & CEO	Separate Chairman & CEO
CEO Share Retention Policy	6X Base Salary	10X Base Salary
CEO Additional Public Co. Boards	2	0
Board Stock Ownership	No Open-Market Purchase Requirement	3x Director Salary OM Purchases

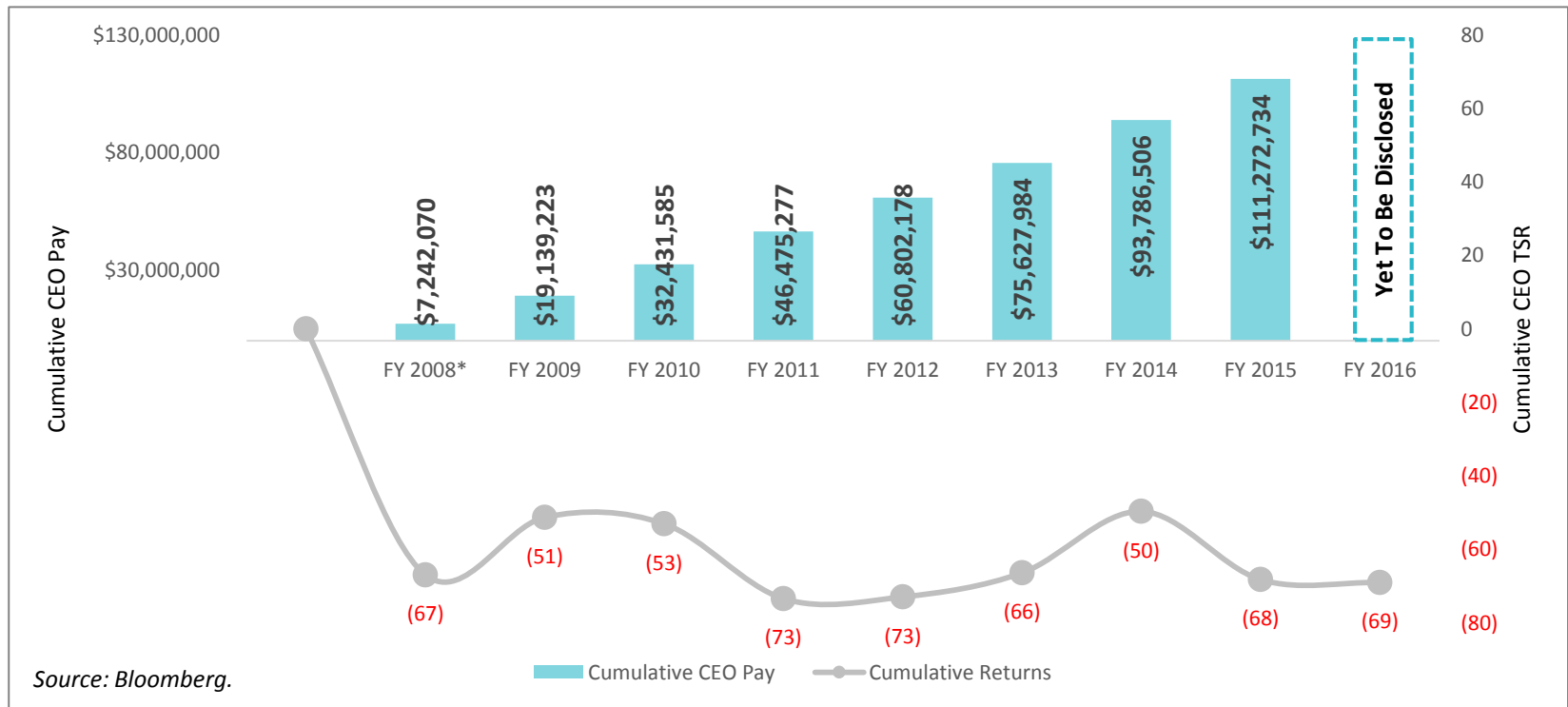
Percentage of Staggered Boards in S&P 500



# Generous Compensation Despite Continually Poor Performance

*Dr. Klaus Kleinfeld has been paid more than \$111M during his tenure despite generating massively negative returns. He has also sold more shares than he owns, including \$46M of stock since 2014*

**Cumulative TSR vs. Cumulative CEO Compensation**



*"The Company has been deficient in linking executive pay to corporate performance, as indicated by the 'D' grade received by the Company in Glass Lewis' pay-for-performance model. Shareholders should be concerned with this disconnect. A properly structured pay program should motivate executives to drive corporate performance, thus aligning executive and long-term shareholder interests. In this case, as indicated by the poor grade, the Company has not implemented such a program. In our view, shareholders should be concerned with the compensation committee's failure in this area."*

Glass Lewis, 2016 Alcoa Proxy Paper





# Culture of High C-Suite Turnover

*Dr. Klaus Kleinfeld has been the only constant among Company leadership. Notably there have been 7 heads of investor relations*

Position	2008	2009	2010	2011	2012	2013	2014	2015	2016	# leaders since 2008	
Chairman & CEO	Klaus Kleinfeld	→								1	
EVP, CFO	Chuck McLane	→				William Oplinger	→			Ken Giacobbe	3
President, EPS	William Christopher	→		Olivier Jarrault	→				Karl Tragl	3	
President GRP	Helmut Wieser	→		Kay Meggers	→					2	
President, TCS	Kevin Kramer*	Tim Myers*	→				Jose Drummond	Karl Tragl then Tim Myers		5	
EVP, HR & EHS	Regina Hitchery	→	John Bergen	→	Michael Barriere	→	Roy Harvey	Vas Nair	→	5	
EVP, Legal	J. Michael Schell	Nicholas DeRoma	→		Kurt Waldo then Audrey Strauss	→			Kate Ramundo	5	
EVP, Technology	Mohammad Zaidi	→		Raymond Kilmer	→					2	
Director, Investor Relations	Greg Aschman	Matthew Garth	Roy Harvey	Kelly Pasterick	→			Nahla Azmy	Matt Garth and Patricia Figueroa	7	

***Despite the Company's penchant for repeatedly 'shooting the messenger,' the problems at Arconic run much deeper than poor investor communications***

Note: \*President of Wheel and Transportation Products (TCS was not yet a separate entity); Positions listed above not representative of full executive committee; Karl Tragl replaced Jose Drummond at end of 2015, and was replaced by Tim Myers in April 2016  
 Source: Company filings; Arconic website; press releases"



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