

Alcoa Corporation

2018 Annual Meeting of Shareholders

Wednesday, May 9, 2018, 10:00 AM Eastern

**CORPORATE PARTICIPANTS**

**Michael G. Morris** - Chairman

**Roy C. Harvey** - *President and Chief Executive Officer*

**Jeffrey D. Heeter** - *Executive Vice President, General Counsel and Secretary*

## **PRESENTATION**

### **Jeff Heeter**

Good morning everyone. Welcome to Alcoa's 2018 Annual Meeting of Stockholders for Alcoa Corporation. I'm Jeff Heeter, Executive Vice President, General Counsel and Secretary. Joining me here on stage today are Mike Morris, our Chairman of the Board of Directors, and Roy Harvey, President and Chief Executive Officer of the company.

Before we get started, I'd like to take care of two housekeeping items. First, I'd like to give you some safety instructions in the event of an emergency. On the screen now and in your handout is a diagram of this room, including the emergency exits. Please take a moment to familiarize yourself with the exits nearest to you. One exit is here on the right, and there are three exits in the back of the room.

In the event of an emergency, it will be announced either by an alarm or from this stage. If evacuation is necessary, please proceed to the nearest escalator or stairwell and exit the building. Do not use the elevators. Once outside, move clear of the building and allow others to exit. Do not assemble under the hotel or in the hotel garage. Keep the streets, walkways, and parking areas clear for emergency vehicles and personnel.

The second item is that I'd like to ask everybody to please turn off your cell phones out of courtesy for the speakers in the program, and with that I will now turn it over to Mr. Morris, our Chairman, who will preside over this meeting.

### **Mike Morris**

Thanks, Jeff, and I'd like to add my good morning and welcome to all of you for being here and thank you for being here for Alcoa Corporation's second meeting; the second of what I hope is, like, 130 of our predecessor at Alcoa Incorporated.

It is exactly 10:02 AM and I'm pleased to call to order the 2018 annual meeting of the shareholders of Alcoa Corporation. The screen shows the agenda of today's meeting. You were also provided with a copy of the agenda and the rules of conduct when you entered the meeting room today. We will conduct the meeting in accordance with that agenda and the rules of conduct. Please read them carefully.

Under Item 7 of the agenda, there will be ample opportunity for questions. At that time, only stockholders and individuals holding proxies on behalf of stockholders may ask questions during the meeting. Consistent with requirements of the rules of conduct as stated in those rules, stockholders should not address the meeting until recognized. Thank you for following those instructions.

So all of the company's directors are here with us, and their photos and their backgrounds are shown on the slide on the board today. They are all here and present at the meeting. The biographical information about each of them, and it is considerable, and the committees on which they serve are listed in the proxy statement, which you received.

The company leadership team is here as well, and they're listed here, starting off obviously with Roy and going down to the members of that team. They, too, are here with us and present. Today, also representing our company's independent auditors, Bob McCutchen and the partner in charge from the PricewaterhouseCoopers LLP, questions arising during the meeting or during

the questions which are appropriate to the accounting officer can be asked of Bob after the meeting on a one-on-one basis.

Now, I'd like to ask the Secretary to report the existence of a quorum and other matters relating to the meeting.

**Jeff Heeter**

Thank you, Mike. This meeting is being held pursuant to the notice in proxy statement dated March 20, 2018, provided to stockholders of record as of the close of business on March 13, 2018. A list of stockholders as of the record date has been made available in accordance with Delaware law.

In addition, I'd like to note that were being assisted today by Sam Bavely, who is a representative of Corporate Election Services, which has been designated as the inspector of elections to tabulate proxies and ballots. Mr. Bavely has been duly sworn to perform the duties of the Inspector of Elections.

A total of 186,198,529 shares are entitled to vote at this meeting. According to the Inspector of Elections, at this meeting, 156,482,035 shares of common stock are represented in person or by proxy, which represents approximately 84% of all shares entitled to vote at this meeting.

**Mike Morris**

Thank you. And based upon the percentage of the total shares of the company held by holders of record now present at the meeting, either in person or by proxy, I declare that a quorum is present. This meeting therefore is now duly convened for the purposes of transacting businesses properly brought before it. And those issues are now shown on the slide in front of you.

The polls are now open at exactly 10:05 AM for each matter to be voted on at this meeting. Most of our stockholders voted, as you can imagine, by proxy, and their shares are being voted accordingly. If you have already submitted your proxy, you do not need to submit a new ballot at this meeting unless you would like to change the vote that you submitted in that proxy.

Stockholders who requested ballots so that they could vote their shares at the meeting today were given to them when they entered the room. If you need a ballot, please raise your hand now and one will be brought to you. There's one in the front, please.

So out of courtesy, we should give that poor soul some time to vote if she'd like. I want to make sure we do this in accordance with what's all fair and stay forward. But we will try to move on. If you've already turned in your completed proxy or your completed ballot to the Inspector of Elections, please raise your hand and your ballot will be collected.

Will the Secretary please introduce the four matters that are being considered for the shareholders of the company?

**Jeff Heeter**

Yes, sir. There are four items of business for this meeting today. All of these items are described in detail in the 2018 proxy statement. The first item is the election of directors. The 12 named directors have been nominated for election, each to serve a one-year term until the 2019 Annual Meeting of Stockholders.

As no other persons have been nominated in accordance with the company's governance documents, the nominations are now closed. The second item of business is the ratification of PricewaterhouseCoopers LLP to serve as Alcoa's independent registered public accounting firm for 2018.

The third item of business is an advisory vote on the 2017 compensation of the companies named executive officers, and the fourth item and final item of business today is the approval of Alcoa's 2016 stock incentive plan as amended and restated.

**Mike Morris**

Okay, thanks, Jeff. If there are no questions or comments on any of these proposals, we will proceed to the next agenda item. So having heard from no one or hearing nothing else, I declare that the polls are now closed, at exactly 10:08 AM, today, May the 9th, 2018, and ask that the Inspector of Elections tabulate the ballots.

Will the Secretary please report the preliminary results?

**Jeff Heeter**

The Inspector of Elections has counted the ballots and proxies and has reported that the preliminary voting results are as follows. With respect to the election of directors, the 12 nominees named in the proxy statement for this meeting each received the affirmative vote of a majority of the votes cast. Therefore, all 12 nominees have been elected.

Each of the proposals two, three and four respectively, which again are the ratification of the appointment of the independent auditors, the advisory vote to approve 2017 executive compensation and the approval of the Alcoa Corporation 2016 stock incentive plan as amended and restated, have all received the requisite affirmative votes and have been approved.

These voting results are preliminary. The final voting results will be reported on a Form 8K that the company will file with the Securities and Exchange Commission within four business days after this meeting. The final report of the Inspector of Elections will be filed with the records of the meeting. That concludes the report.

**Mike Morris**

Thank you very much, Jeff, and to the shareholders of Alcoa Corporation, thank you for your votes and supporting the election of the 12 directors and the three issues that were also up for votes and tallies.

With that, I conclude the official part of this business at exactly 10:10 in the morning. Today, May the 9th of 2018. It's now my pleasure to let Roy Harvey, our president and chief executive officer, to tell us a bit about Alcoa, making a brief report. There clearly will be an opportunity to ask questions after this issue has been done. Roy, the floor is yours.

**Roy Harvey**

Thank you, Mike. So I appreciate the opportunity to address our stockholders here at the meeting. I appreciate the presence of the Board of Directors and also of the management team, and also all those joining us on the webcast.

Before we get started, I do want to draw your attention to some brief statements here. We could be talking about forward-looking statements. In addition, we also will be talking about non-GAAP

financial measures. You can find all of those in the backup for the information provided. So please do call your attention to that.

So let me start with some basic concepts about how we're trying to organize Alcoa. So we've now been a standalone company for about a year and a half, maybe a little bit more. We've had the opportunity in that time to think about what does it mean to be an Alcoa. And so that when we launched ourselves, and as we develop ourselves as a standalone company, it gives us the opportunity to truly think about how we make decisions and how they affect the broader company.

And so one of the first decisions that we made as we were preparing to be a standalone company was to start with our values. Now, values are relatively simple words, but they are meant to embody the method by which we choose to make decisions. The process that we use in order to evaluate what can sometimes be conflicting evidence to make sure that we are all working from the same playbook.

So we simplify this back into three very basic values. The first is to act with integrity so that we can always hold our head up, no matter what the decision is and explain why this is the right thing to do. The second is to operate with excellence, which very simply means that we are never satisfied with the way that we are operating.

If we're operating in a stable manner, we want to find a way to improve operations, to improve our cost position and to always be driving to even better results. Number three is to care for people; to recognize the fact that there is a human dimension of each of the decisions that we make, and while we do not pull back from hard decisions that make this company stronger for the 14,000 employees that we have, we do recognize the fact that the decisions that we make affect people, affect communities and in the end also affect our stockholders.

So those are the very basic rules of engagement and decision-making. We then connected that to a set of what we call strategic priorities, which are meant to be very simple, simple rules by which we generate value for this company. By which we make this company stronger and better able to either make use of a great market conditions or weather if market conditions turn against us.

So we simplified this back into three, again, three very basic priorities. The first is to reduce complexity. To ensure that each and every decision that we make, that we are making the lives of our operators, of our mechanics, of our plants, of our resources, simpler. Now, we don't shy away from complexity if it makes our company stronger, but we do ensure that we are eliminating as much bureaucracy and documentation so that we can be as trim and efficient as we possibly can.

We also choose to invest. We choose to drive returns, so when we think about how we make our business stronger for the future, we're always thinking about the business case. How to make Alcoa stronger. So when we invest capital in order to sustain our operations, we ensure that it's truly necessary.

When we choose to either creep our plants or to drive cost reduction projects, we measure that all the way through the implementation of the project and ensure that we're generating returns for our stockholders.

And the third aspect is to strengthen our balance sheet, to make sure that we are clearly focused on making this company stronger. The world outside of us can be an uncertain place, and I think there is no better example than what we've seen over the beginning of 2018.

However, by strengthening our balance sheet, by focusing on the obligations that we have, those that have been created over 130 years of history, it gives us the opportunity to be stronger and to grow faster when times are good.

So these are the two basic structural building blocks that we put together, so that all 14,000 Alcoans can be focused on the same things. So let's talk a little bit now about where we've been in 2017. And let me start with safety. We have been trying to ensure that we're always talking about safety first and foremost. And to be quite honest, 2017 was a disappointing year.

We lost three lives across Alcoa. These happened to be contractors. Two of them were in Brazil and one of them was in Spain. These are at some of our most important plants in our portfolio. One contractor José Bernardino in the Juruti plant in the Brazilian rain forest in the Amazon state. Also a gentleman, José Manuel in Spain in our San Ciprián plant and then another José in our São Luís plant, worked in the refinery in there.

So we take this loss of life very seriously, and we use these disappointing results in 2017 as a springboard to make ourselves stronger and better into 2018. And so there's three things I'd like to highlight for you that we are undertaking to improve our system going forward.

The first is that we brought in a new ahead of our EHS system, Environmental Health and Safety. He comes from outside of Alcoa. He will help us to rediscover the great processes that we have inside, but then also accelerate and drive the needed structural change so that we can see better outcomes from a safety perspective.

Second, is to clearly focus each and every Alcoan and each and every one of our contractors on our goal. And our goal is very simple: it is to eliminate fatalities, it is to eliminate serious injuries, and it is to ensure that each and every Alcoan and each and every person that crosses into our plants goes home safe and sound, in as good a condition as they arrived at the plant.

So we are aligned around that objective, and we have three very basic rules that we use. This only represents a more complex system, but these are the things we want each of our operators and each of our contractors to have clearly in mind.

The first is that we operate as One Alcoa. So the safe conditions that we have for our employees are the same safe conditions and the same safety expectations for all of our contractors. Second, we drive a program that we call human performance, which very simply means that we recognize ourselves and what's happening to us. We watch our colleagues and then we also watch what's happening in the environment around us.

And if we see an unsafe situation developing, we stop. No matter the impact, we choose to not continue to operate, to maintain, to make changes, if it means that we are entering into an unsafe environment.

And third, we talk a lot about critical risk management, which essentially looks at all those risks that are out there, prioritizes them and ensures that we are giving our very best to recognize issues that could be coming from our most critical risks.

In this, we talked about stopping for safety. This one means that before we ever start maintaining a piece of equipment or start some operational procedure, or before we start our shift, we take a moment to think, "Have we been provided with the safest conditions possible in which to operate?"

So we never start if we don't have a safe environment. So there is an incredible amount of focus across Alcoa to make a difference on safety. Again, the results from 2017 do not reflect where we need to be, and so we are going to improve and we use this as an opportunity to build an even stronger safety system into the future.

I also wanted to comment briefly on what we've been able to accomplish over the course of 2017 from a sustainability standpoint. So when you then step away from just the safety of our employees to think about the environment, to think about the communities in which we work, the countries in which we operate. This is important for us for three very specific reasons.

The first is that every action that we take in every single one of our plants is important because it helps to generate a positive reputation in our communities and in the governments where we operate and around the world. So every one of our Alcoans has a hand in making sure that we make that reputation as strong as possible in each of our operations.

Second, when we reach the end of operations, and we have several plants that have shut down over recent years and we have several plants that are curtailed at the moment, we also recognize the fact that the way we deal with the end of those facilities is just as important as when we're operating them. We find the best solution possible for our communities, for the local governments, and make sure that we take that very seriously. The fact is that we have a very creative and a very thoughtful team that works on the end of life as much as we work on the operations.

And third, we recognize how both the way we operate our plants today and the way that we choose to close operations impacts the future of this company. Sustainability is embedded in the way that we choose to win going forward in Alcoa. We will move to places and we will operate facilities in places that want Alcoa to be a member of society and a member of the community, because they know that we can operate in the Amazonian rain forest. They know that we can do the right thing in Western Australia. They know that we follow the same set of rules in it Guinea that we follow in Brazil.

So you can see a lot of really great things that we've done over the course of 2017 here. I'm not going to go into details, but I would invite everybody in the room to take some time and read our Sustainability Report. There are some incredible stories that I think you can take away from reading the report.

So now let's talk briefly about financials and about a few comments on our businesses. So let's start with financials. So if you remember, when we first launched as a company, in fact when we first announced our launch, we started to go down into another downturn, another cyclical downturn in our industry. And so we needed to prepare and scramble so that we could survive even when markets were incredibly tough.

And so in our launch, we've had the good fortune to see improving market conditions for the most part driven by a China that is focused on eliminating oversupply and applying the environmental and operational rules that the rest of us follow. That's meant that we have a

much more positive environment, industrial environment, then we ever imagined would be possible.

And so that has driven significantly improved results from 2016 prior to separation into 2017, our first full year as a standalone company. To mention just two things, first of all, our EBITDA, our measure of our results, was able to be improved by two times. Second, even though we chose to invest in strengthening the balance sheet and in driving new growth projects across our portfolio, we also emerged in 2017 with another half billion dollars in the bank than when we started.

This is money that we can use it to continue to sustain our operations and is also clearly a part of how we'll be operating and managing cash over the rest of 2018. And we'll talk about that in a few minutes.

From a business perspective, again, just to hit some of the very top highlights, from a bauxite perspective, we are growing a new third-party business. It is an opportunity for us to get into a relatively new material for us from a third-party basis, although we're really good at mining because we are one of the largest bauxite miners in the world.

So we're growing that business, and I think we've seen really great results so far. We are getting closer to our customers and we're also trying to stay very close, from a reputational aspect, with our local communities and our local governments.

In alumina, we continue to focus on how we make our plants stronger and better, finding long-term solutions to be able to reduce our costs and then continuing a program of growth and creep that we've been able to continue for years now.

In a moment where alumina is precious and we see the price of alumina from an elevated standpoint, it gives us a great strength, the fact that we have the largest alumina portfolio outside of China and we have the largest long alumina position outside of China as well.

And then finally, in our aluminum business, we've also made great strides in modifying our portfolio. So two restarts that completed in 2017; first, we finished the restart of our Portland facility in eastern Australia. This is a facility that experienced a power outage and is now fully back up and operating. Very positive for our workforce and our management there.

Number two, we restarted our Lake Charles calciner refinery. And in a moment where coke is in great demand, calcined coke, and then also turning that into anodes, this gives us great optionality and flexibility to choose to calcine that ourselves.

In addition, we also started the restart of our Warrick smelter, so when you think about the integrated power plant smelter and then rolling mill in Warrick, Indiana, we are in the midst of finalizing our restart, to be completed by the end of the first half of this year, but it gave us an opportunity to actually increase--not only make our plant more productive, but also increase the output of the smelter there.

So great news from an aluminum standpoint. And then when you step back and think about what we've done as a corporation as we roll this all up together, I'll only mention two things. First of all, we've done a lot of work to simplify all the processes. All the meetings that we have, the way that we choose to discuss and review capital projects, we are working to be more efficient.

And second, we also made a very specific decision to move away from Park Avenue in New York and come back to our home here in Pittsburgh. I think that is a great opportunity for us to be closer to a broad population of Alcoans that work here in the city as well as retirees and as well as what is a pretty exciting and thriving city.

So great progress on both the financial side and on the business side. And finally, what I'd like to talk about is 2018. So because we've emerged into a time where we have good, strong cash flows and where we continue to see our cash balances improve, it means we have to have a pretty thoughtful approach to how we're going to use that cash, how we're going to use that capital.

And so what we put together from the beginning of this year was what we call the capital allocation framework. What it's meant to do is make it very clear for all of our stockholders how we will be using our cash over the course of 2018. First and foremost, we believe that our stockholders want to be exposed to the aluminum market, so we hold \$1 billion on our balance sheet as cash so that if times turn against us, we can continue to operate and we can continue to do smart things.

This is in addition to a \$1.5 billion revolving credit facility that we hope never to access. Second, we choose to continue to sustain our operations. \$300 million of sustaining capital is more or less our run rate year on year. We also choose to continue to invest. Remember, drive returns.

We are investing \$150 million over the course of 2018 in projects that reduce our costs or that increase our productivity or our capacity. Next, outside of the mandatory contributions to our pension, we are also choosing to invest another \$300 million to better fund that pension. It makes the pension more reliable for our retirees. It also helps to make our balance sheet simpler and a better show of the strength of Alcoa.

So once you get past those first four boxes, the question then becomes what happens if you have excess cash over \$1 billion, which is what we want to hold in the bank account. And the commitment that we've made is that as we approach the second half of this year, and as we progress through it, we will take half of the extra cash over \$1 billion and continue to deleverage or continue to strengthen the pension, and the other half we will return to our stockholders.

Now, we have not yet determined if that is a regular or special dividend or whether it is a share buyback. That, to be quite frank, is a fun discussion for us to have and a rather attractive thing to be discussing, but that will be coming over the course of the second half of this year. So we continue to see strong industry parameters, and it gives us great expectations and great hopes that this capital allocation framework will be a clear indicator of where we're going.

So let's start from the beginning and work our way to the end very quickly. It all starts with a very basic structure of values and strategic objectives so that all of our Alcoans are focused on the same things. We then think about what went right and what went wrong in 2017. 2018 is going to be about safety, it's going to be about operational stability and is going to be about making use of the great industrial conditions that we have today.

And so when we think about our assets, we think about our position in the industry, whether it's in bauxite, alumina or aluminum. We think about what we've been able to accomplish up until now. We always look at a glass half-full, this is really great progress, and the glass half empty, what more should we be doing?

So I would say that management and our Board of Directors is clearly aligned that we are just at the beginning of making Alcoa stronger and faster and more efficient and will promise an even better future. So thank you very much for listening a little bit about Alcoa.

I'd like to turn it over to Mike to remind us about the code of conduct for questions and answers, and then we'll invite everyone who do like to say something to say something.

**Mike Morris**

Thanks, Roy. Remember the rules of conduct are that only stockholders and/or individuals holding proxies of stockholders who wished to ask a question or speak to matters relevant to this meeting may do so at this time.

Please remember to follow those rules of conduct, especially regarding the time limit, out of respect for fellow shareholders. All questions should be directed to Mr. Harvey. If you'd like to be recognized, please raise your hand, step to one of the microphones, and before asking your question, please identify yourself, your status as a shareholder or proxy holder and ask a question.

And now the floor is yours.

**QUESTION AND ANSWER**

**Alain Croteau**

Good morning, everybody. I am a proxy, so I'm from Québec and I represent the people of Bécancour Alcoa ABI. Alcoa is the owner of 75% and Rio Tinto 25. My name is Alain Croteau. I'm a United Steel Worker director in Québec, and like I said, I represent the people, 1,030 members that they are on lockout since last January 11.

This lockout is a costly and irrational decision from the company. Two pot-line had already been stopped before the union had even had a chance to explain to the company why workers had rejected the latest offer. Why such a rush? The union had already indicated it would not strike, but management did not give bargaining a chance.

In fact, management at the bargaining table lacked experience and did not have a proper mandate to negotiate. I understand that it is impossible for you to know everything what happened at all the plants around the planet, but this is the truth.

Before the final offer, there was still progress being made at the bargaining table. You're talking about the pension plan. We were very close to having a deal about the pension plan with ABI. The bargaining committee had agreed to consider a member funded pension plan with the risk falling on the workers shoulders, as requested by all the shareholders here, removing pension liability from the balance sheet.

This final offer did not even respect seniority, which is basic in any union all across the world. Instead of negotiating the specific points remaining, the company issued a final offer and it knew it would be rejected by our members. I have two questions, Mr. Harvey.

We are about to enter into the new round of bargaining with former Québec Premier Lucien Bouchard as a conciliator. My first question is is Alcoa ready to give a full mandate to negotiate the specific points left on the table? In the second question is is Alcoa ready to proceed to a

comprehensive round of bargaining rather than dictating the final offers? Thank you, Mr. Harvey.

### **Roy Harvey**

Perfect. And Alain, thank you very much for your comment. I know it's not easy to stand at the microphone and be recognized, so thank you very much for the explanation. Let me start off by answering your questions in a very simple fashion. Yes, when we announced that we were ready to go back to bargaining, we are doing that with the best of faith.

And I think when we step back and think about the 1,030 employees and families that are affected by this, we recognize it has not been easy. And I believe that we can be united in a goal to make Bècancour a plant that can have a very long and very competitive future.

So we have a lot of belief in our management team in Bècancour. We're also going to ensure that we put all the resources necessary so that we can have real discussions and that we can ensure that we come to a conclusion that works for all of us. So thank you for your question. I think the story is still to be told, but I truly appreciate your viewpoint.

### **Alain Croteau**

Thank you for your answer.

### **Réal Valiquette**

A compliment for the question of Mr. Croteau. My name is Réal Valiquette. I'm a USW area coordinator working with the local 9700 lockout members in Bècancour, like said, before, Alain.

We don't understand Alcoa's decision to lockout 1,030 workers. This decision doesn't make sense from a financial point of view. I address that to shareholders too, Mr. Harvey. Stopping two-pot line will cost at least \$100 million in Canadian dollars. Every month this lockout lasts, ABI will lose \$16 million, a conservative estimate.

So this lockout has already cost \$164 million and still counting, and probably more, because it doesn't take account of high-value products such as billet and slab. How much will Alcoa lose? The Québec government and Hydro-Québec have already lost \$72 million Canadian in revenue due to the lost electricity sale.

This lockout looks bad in Québec. Alcoa's reputation is adversely affected. It looks like Alcoa doesn't respect Québec's citizen workers, citizens from the Bècancour region. Last week, the labor board ordered ABI to stop using scab at this plant, which is forbidden by Line Québec.

Question: how does Alcoa's management explain this costly decision when other options were on the table? Why did it start a lockout instead of going back to the bargaining table? Why wait so long before trying to reach a settlement?

I know you answered a part of the question to Alain, and I listened carefully when you said in your report, the third point about the value of humanity. So like you said before to Alain, we hope to have a settlement and go back to work.

### **Roy Harvey**

Thank you, Raël, I think there was more statement than there was a question. Again, I think it was a decision that was made under very difficult circumstances. We look to preserve our plant, make sure that each of our employees has safe operating conditions and that our assets are

protected as much as possible and we look forward to getting that plant back up and operating and sitting down at the negotiating table and working our way through some issues that still remain. So thank you for your statement. I appreciate your very clear viewpoint, and I would welcome the next question.

## **CONCLUSION**

### **Roy Harvey**

Great. Well, thank you so much for your participation. I truly do appreciate the two comments. I also appreciate everyone's attention over the course of this meeting. I know some of the business can be dry, but I also appreciate the fact that you are investors at this company, that you are co-conspirators with us in making this company great. So thank you for your attention and all the best going forward. We'll speak to you next year.

### **Mike Morris**

Our program for the day has now come to a conclusion and I, along with my colleagues on the board thank you on behalf of the 14,600 Alcoans who work in 15 different countries around the world and trying to bring one of the very best products known to humankind to all of its beneficial uses, and we look forward to seeing you next year. Thanks.