



ARCONIC

**2017
SUSTAINABILITY
REPORT**

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On November 1, 2016, Alcoa Inc. completed the separation of its business into two independent, publicly traded companies (the “Separation”)—Alcoa Corporation and Arconic Inc. Following the Separation, Alcoa Corporation holds the Alumina and Primary Metals segments, the rolling mill at the Warrick, Indiana, operations and the 25.1% stake in the Ma’aden Rolling Company in Saudi Arabia previously held by Alcoa Inc. Arconic Inc. retained the Global Rolled Products (other than the rolling mill at the Warrick, Indiana, operations and the 25.1% ownership stake in the Ma’aden Rolling Company), Engineered Products and Solutions and Transportation and Construction Solutions segments. The data presented in this report consist of Arconic-only data for all periods presented.

Forward-Looking Statements:

This report contains, in addition to historical information, statements concerning Arconic’s expectations, goals, targets, strategies or future performance. These “forward-looking statements” include such words as “anticipates,” “estimates,” “should,” “will,” or other words of similar meaning and are subject to a number of known and unknown risks and uncertainties. Some of the factors that may cause Arconic’s actual results to differ materially from those expressed or implied in the forward-looking statements include changes in aluminum industry or global economic conditions generally, factors affecting Arconic’s operations, such as unavailability of energy, equipment outages, natural disasters or other unexpected events, changes in the regulatory environment, the impact of reductions in Arconic’s capital expenditures, Arconic’s inability to realize expected benefits from its productivity improvement, sustainability, restructuring, technology and other initiatives and the other risk factors summarized in Arconic’s Form 10-K for the year ended December 31, 2017, and other SEC reports.

Sustainability at Arconic

We believe that truly sustainable organizations shape the future. By fulfilling the needs of society in the present, we can expand opportunities for generations to come.

During our first full year as Arconic, we explored what sustainability looks like in this new company. Our risks and footprint are significantly different, and new opportunities have arisen. What didn't change? Our commitment to economic, environmental and social sustainability.

From this self-reflection came three levers that will advance our sustainability efforts:

- **Operational sustainability:** Reduce our environmental footprint, act on our social responsibility, and keep our people safe, empowered and engaged.
- **Customer sustainability:** Through our products and innovations, enable our customers to achieve their sustainability goals.
- **Supply chain sustainability:** Drive sustainability into our suppliers' processes and practices and leverage their expertise to achieve our sustainability goals.









In 2017, we laid the groundwork for new sustainability goals that better reflect the challenges and opportunities of our new company. We'll introduce the goals in 2018 and begin reporting our progress on them in the 2018 Sustainability Report.

A major achievement in 2017 was progressing the integration of three companies that we acquired in recent years—Firth Rixson, TITAL and RTI—and ensuring that the integration reflected our commitment to sustainability across all dimensions.

To advance the management of our environment, health and safety (EHS) functions, we aligned our EHS management system to the refreshed ISO 14001 environmental management standard and the new ISO 45001 occupational health and safety standard. We'll begin using the updated system in 2018.

In December 2017, the Aluminium Stewardship Initiative (ASI) launched a certification program focused on responsible production, sourcing and stewardship of aluminum. We helped develop the certification as a member of the ASI Standards Committee. The certification and supporting standards will inform our sustainability approach moving forward.

2017 Progress

 <p>0 fatalities</p>	 <p>0.41 days away, restricted and transfer rate</p>
 <p>↑ 5% revenues</p>	 <p>↑ 3% greenhouse gas emissions</p>
 <p>↓ 9% Global Rolled Products energy intensity</p>	 <p>↓ 9% freshwater use</p>
 <p>↓ 27% landfilled waste</p>	 <p>\$14.6 million in community giving</p>

Economic

Products

Working in close partnership with our customers, we solve complex engineering challenges to transform the way we fly, drive, build and power.

The global markets in which we compete are increasingly driven by significant challenges—urbanization, climate change, resource scarcity and more. By developing the next generation of iconic innovations, we're enabling our customers to address the challenges and capture the opportunities.

Products made from our advanced materials and technologies are light, strong, efficient, durable and recyclable. They also can use less energy and emit fewer greenhouse gases than products produced from heavier materials.

Through our innovations, we are advancing the sustainability of our customers and the markets that we serve.

Aerospace

Airlines and aircraft manufacturers have a clear need—more efficient engines and lighter aircraft that deliver fuel efficiency and reduce emissions.

Arconic-developed materials and cooling techniques enable aero engines to run hotter, increasing fuel efficiency. In fact, our aero engine components can withstand operating temperatures that exceed the melting point of base metals.

Our solutions that can take the heat include:

- A technique for growing single crystal turbine airfoils, which is a grain structure that aligns better to centrifugal force

inside the engine, prevents deformation and increases blade temperature capability and life;

- Complex ceramics that form internal passages in the turbine airfoils to increase the flow of cool air across the metal surfaces;
- Advanced coatings that protect metal engine parts from extreme temperatures; and
- The first-ever aluminum-lithium front fan blade forging developed with Pratt & Whitney that improves fuel efficiency.

Lighter aircraft use less fuel, and our latest generation of aluminum-lithium alloys enables lighter, stronger, tougher and larger airframe components. We are the only company capable of producing single-piece aluminum-lithium wing skins for the largest commercial aircraft. Single-piece parts minimize the number of complex joints, making structures stronger, lighter and less expensive.

We are also a leader in 3D printing, producing lighter-weight parts with less material and increasingly complex geometries. Also known as additive manufacturing, 3D printing creates a part by adding only the amount of material necessary. Other manufacturing techniques start with more material than required, creating waste as the excess is removed. In 2017, we signed a [cooperative research agreement](#) with Airbus to produce and qualify large-scale 3D-printed airframe components.

An emerging trend in the aerospace industry is increased vertical integration. In the past, a part would move from company to company for specific manufacturing steps. Today, we handle many of the manufacturing steps in-house, delivering a product that is more finished while also reducing transportation-related costs, fuel consumption and emissions.

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An employee uses 3D printing to manufacture an aerospace component.

Automotive

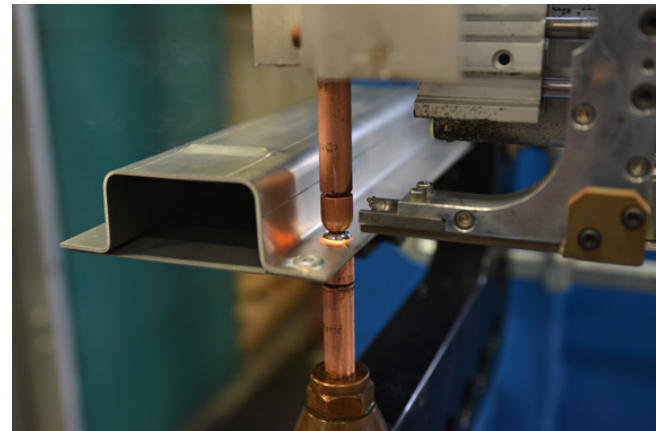
Automakers continue to focus on lightweighting to improve fuel economy and meet more stringent government regulations. According to Drive Aluminum, a 5 to 7 percent fuel savings can be realized for every 10 percent in vehicle weight reduction when heavier steel is replaced with aluminum.

For electric or hybrid vehicles, lighter weight translates into either increased range per charge or lower costs due to a smaller battery required for a given range. An Aluminum Association study found that reducing vehicle weight could reduce battery size by about 10 percent for the 16 electric vehicles studied.

Our products and technologies are supporting the market's shift to multi-material, aluminum-intensive vehicles.

A major challenge associated with the mass production of multi-material vehicles has been joining dissimilar materials cost-effectively. For example, conventional spot welding required new, higher-cost joining technologies that offered lower manufacturing flexibility. In response, we developed the RSR™ joining system and Arconic 951™ bonding technology.

RSR (resistance spot riveting) technology can join dissimilar materials using the same equipment as spot welds but offers automakers the flexibility to switch between it and conventional welds, depending on the material. Arconic 951 bonding technology, which received a prestigious R&D 100 award, creates a molecular link with both the aluminum surface and the structural adhesive for a bond that's nine times stronger than its titanium zirconium predecessor.



RSR technology allows a wide range of dissimilar materials to be joined quickly and reliably.

We're also focused on making specific automotive components lighter. We recently partnered with the industry leader in aluminum prop shafts—which transfer power from the motor to the rear axle—to develop a single-piece aluminum shaft that weighs up to 50 percent less than a conventional two-piece steel shaft.

Numerous studies have shown the weight savings that could be gained by switching from steel to aluminum for a specific component. A recent study from the Center for Automotive Research indicated an all-aluminum door using advanced material solutions and manufacturing technologies reduced the weight of the baseline door by 46 percent.

Another key sustainability advantage of aluminum's use in automobiles is its recyclability. A 2016 study from Drive Aluminum confirmed an overall recycling rate of 91 percent for automotive aluminum.

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Commercial Transportation

As with automobiles, regulations on fuel efficiency and emissions for commercial vehicles continue to tighten around the world.

Technology to make trucks more fuel-efficient tends to add weight, which impacts the amount of payload the truck can carry. Aluminum helps the industry offset the added weight, increase fuel efficiency and reduce emissions:

- Aluminum has the potential to save up to 1,497 kilograms (3,300 pounds) from a vehicle's weight. Specifically, it saves 27 kilograms (60 pounds) for roof cabs, 25 kilograms (56 pounds) for cab floors, 197 kilograms (435 pounds) for frame rails, 22 kilograms (49 pounds) for cab rear walls and 17 kilograms (38 pounds) for cab cross-members. (Source: U.S. Environmental Protection Agency)
- For every 10 percent of weight reduction in a Class 8 truck, which is a popular truck in North America, drivers can gain up to a 5.5 percent improvement in fuel economy if all mass reduction is maintained without increasing payload. (Source: Ricardo Engineering)
- Lightweighting with aluminum saves up to 17.9 metric tons of carbon dioxide (CO₂) emissions annually per vehicle. This equates to approximately 10 million metric tons of CO₂ per year for the current U.S. fleet. (Source: SAE International)

Our recent innovations to capture these benefits include a lightweight, all-aluminum frame for Class 8 trucks that will reduce truck frame weight by more than 40 percent compared to steel frames. Our Ultra ONE™ heavy-duty truck wheel is 47 percent lighter than a steel wheel of the same size. Wheels with our Dura-Bright® option are also easier to clean, reducing the use of hazardous chemicals.



Ultra ONE™ wheels can help save up to 635 kilograms (1,400 pounds) per truck.

In 2017, we introduced a more holistic **Calculighter™** online tool that goes beyond aluminum wheels to provide a complete picture of the returns on investment a trucking fleet will gain with conversion to aluminum components. Fuel savings, increased freight efficiency due to higher payload capabilities across the entire fleet and reduced maintenance costs can provide fleets and individual owner operators with improved operating profits.

Aluminum's benefits extend beyond trucks to other forms of commercial transportation, such as railcars and buses. The use of aluminum in electric buses, for example, extends the range or reduces the size of the battery required. This enables the elimination of diesel buses, which generate significant particulate emissions in urban centers.

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Building and Construction

The building and construction industry is focused on increasing transparency into the environmental and health impacts of products used in buildings, as well as products that boost a building's sustainability.

We offer **environmental product declarations** (EPDs) for all of our commercial storefront system, curtain walls and windows. Our EPDs, which convey the environmental impact of a product for a variety of categories, have been independently validated and certified by UL Environment.

We've created a **material transparency summary** (MTS) for many of our Kawneer building and construction products. Similar to EPDs for environmental impacts, an MTS lists the material ingredients in a product, helping us and our customers better understand and evaluate human health impacts.

We also have **Declare labels** for our most sustainable and popular Kawneer products. These labels indicate where a product comes from, what it's made of, where it goes at the end of its life and if it complies with the International Living Future Institute's **Red List**. The latter contains the worst-in-class materials prevalent in the building industry. Aluminum in its final form within our building and construction products is not considered a Red List or hazardous material.

Our Kawneer 1600 Wall System™ 1 Curtain Wall, Kawneer 1600 Wall System 2 Curtain Wall, Versoleil™ SunShade Outrigger Systems and Versoleil Single Blade Systems are Cradle to Cradle Certified™ Bronze. These same products also have earned a **Silver-level Material Health Certificate** from the Cradle to Cradle Products Innovation Institute.

Our engineers have been trained on cradle-to-cradle methodologies and the Red List to ensure both are integrated into the design of new products. We also work to improve the sustainability of existing products.

We recently put our Trifab™ storefront systems and standard entrances through a sustainable attribute review that found 11 Red List parts not made from aluminum. Over approximately 18 months, our engineers worked with our suppliers and procurement personnel to find substitutes that are not on the Red List for all 11 parts.

Other sustainability benefits provided by our wide range of products for the building and construction industry include recyclability, light weight, thermal efficiency and resiliency.

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Declare.

Versoleil™ SunShade Outrigger Systems and Versoleil™ Single Blade Systems
Kawneer Company, Inc.

Final Assembly: Springdale, AR, USA
Life Expectancy: 40+ Years
End of Life Options: Recyclable (95-99%), Landfill (1-5%)

Ingredients:

Frame: Aluminum; Thermal & Weathering: Polyamide, Glass Oxide; Fasteners: Stainless Steel

Living Building Challenge Criteria:

KAW-0009 EXP. 01 MAY 2018
VOC Content: N/A VOC Emissions: N/A

Declaration Status

- LBC Red List Free
- LBC Compliant
- Declared

MANUFACTURER RESPONSIBLE FOR LABEL ACCURACY
INTERNATIONAL LIVING FUTURE INSTITUTE™ declareproducts.com

Industrial Solutions

With their light weight, corrosion resistance, conductivity and formability, our industrial solutions increase sustainability in a wide range of applications.

Higher productivity and decreased lead times in the injection molding industry have created the need for molds that offer longer life times, higher corrosion resistance and faster speeds. Our QC10® aluminum mold plate machines eight to 10 times faster than steel. This cuts finishing costs and lead times by 20 to 30 percent while also reducing the energy required to manufacture the same amount of product. Our Alumec aluminum mold plate brings similar benefits to prototyping, extrusion and blow molding.

For the tooling and fixtures market, our MIC6® RD aluminum cast plate has a lower density that translates into more plate for the same tonnage. This reduces production costs as well as transportation-related costs, fuel consumption and emissions.

Our ability to produce large aluminum panels is enabling semiconductor manufacturers to use larger production chambers to make more products in less time. In addition to increased productivity, customer benefits include reduced costs and energy usage.

Our 6013 Power Plate™ aerospace-grade aluminum is substantially stronger than standard aluminum used in mobile devices. This enables thinner and lighter devices that require less material to manufacture and energy to transport.

For appliances, our Sureform brushed aluminum with clearcoat is a sustainable substitute for stainless steel. Its lighter weight translates into reduced transportation-related costs, fuel consumption and emissions.

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Defense and Space

Security and defense providers are experiencing broader requirements in response to continued and new threats.

Defense aircraft must fly farther and carry more payloads. Land vehicles must carry multiple communication and weapon systems. These needs are challenging the industrial base to respond with material solutions that provide higher performance while using less fuel.

We've been listening and innovating. Our solution systems are lighter, stronger, faster and sustainable across the air, land, sea and space defense domains.

Our monolithic forged aluminum bulkheads on the F-35 Joint Strike Fighter reduce total

material volume, saving 135 to 180 kilograms (300 to 400 pounds) per jet. This allows the jets to use less fuel to stay on station longer, carry more critical payload and offer flexibility to counter any number of threats from a single platform.

Our lightweight armor materials can replace heavier traditional systems, improving mobility and responsiveness while also extending the range of the combat vehicles. For the U.S. Navy's latest ships—Littoral Combat Ship, Ship to Shore Connector and Expeditionary Fast Transport—our corrosion-resistant materials reduce life cycle costs and the need for ozone-depleting coatings.

[LEARN MORE →](#)



Our monolithic forged aluminum bulkhead reduced the weight of the F-35 Joint Strike Fighter.

Supply Chain

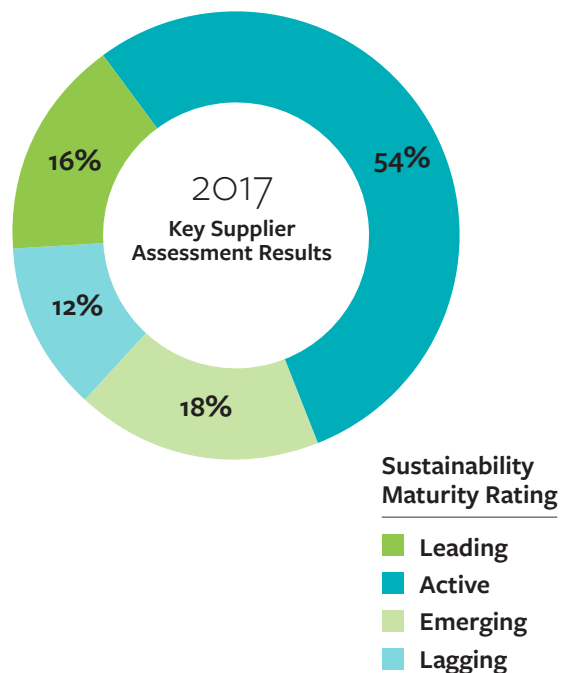
Sustainability in our supply chain is a reciprocal relationship. Our suppliers help us achieve our sustainability goals. We help them drive sustainability into their processes and practices.

As a global company, we enter relationships and conduct business with thousands of suppliers who are required to demonstrate responsible and sustainable conduct. Our interactions with them are based on the highest standards of integrity and compliance with all relevant laws and regulations. (See the [Ethics and Compliance section](#) of Arconic's website for additional information.)

We measured the sustainability of our key suppliers in 2017 through our Global Supplier Sustainability Program. These suppliers include companies that contribute to our carbon footprint, possess preferred status, are sole sources of supply, are located in emerging or high-risk countries or provide regulated commodities.

The program consists of four components:

- **Communicate expectations:** We communicate our expectations regarding sustainability to all suppliers with whom we conduct business through our [Supplier Standards](#).
- **Assess suppliers:** We conduct assessments of key suppliers to evaluate the maturity of their sustainability programs and determine where improvement may be needed.
- **Develop and educate:** We may share our perspective of a supplier's sustainability questionnaire results and discuss opportunities for improvement.
- **Monitor:** We periodically reassess our suppliers to evaluate if any changes have occurred that would influence a supplier's maturity level rating. It is our expectation that supplier sustainability should improve over time.



In 2017, we conducted a thorough reassessment of our key supplier base due to:

- The separation of Alcoa Inc. in 2016;
- New suppliers brought on through acquisitions; and
- Changes in how some products and services are procured.

We continued implementing a third-party supplier due-diligence program with our supplier base during 2017. This program helps us manage risk in our supply chain related to the areas of anti-bribery and corruption, trade compliance, child and slave labor, criminal history, human trafficking and conflict minerals.

Almost 40 percent of our targeted suppliers were registered in the program at the end of the year, and we'll continue driving compliance throughout our supply base.

Environmental

Climate Protection

We're a consumer of aluminum, titanium and other advanced materials, as well as a manufacturer of breakthrough products that help solve some of the world's toughest climate challenges. That puts us in a unique position to reduce our own climate impact and help our customers do the same through the use of our products.

Our strategy in 2017 focused on three main elements—energy management, product sustainability and supply chain collaboration.

We've developed strategic energy-reduction goals and initiatives to minimize our energy use and, in turn, reduce our greenhouse gas (GHG) emissions.

Products that our customers manufacture from our advanced materials and technologies use less energy and emit fewer GHGs than those produced from heavier materials. GHG emissions avoided by using and recycling aluminum and aluminum-based alloys are substantial relative to the emissions generated in the manufacturing phase because of the materials' light weight, infinite recyclability and other emissions-reducing benefits.

When our aluminum sheet replaces steel in automobiles and light trucks like the Ford F150, for example, it reduces a vehicle's lifetime

GHG emissions by 20 kilograms (44 pounds) of carbon dioxide equivalents for every kilogram (2.2 pounds) of aluminum.

It's imperative that we use suppliers that are focused on energy efficiency, renewable energy and advanced technologies to minimize their GHG impact and, in turn, our Scope 3 emissions. For example, one supplier's billet that we use is produced with up to 95 percent less energy.

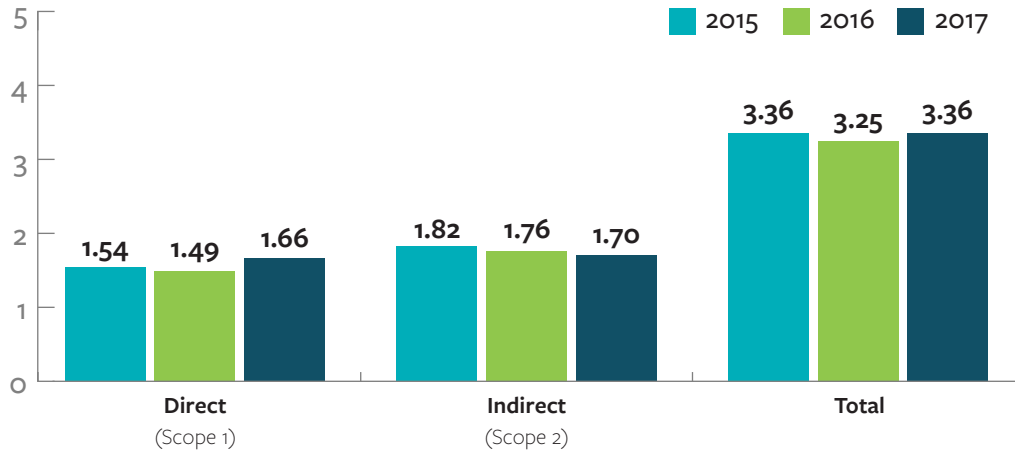
Our direct and indirect greenhouse gas emissions equaled 3.36 million metric tons in 2017—a 3 percent increase from 2016 due to higher production levels reflected in our 5 percent increase in revenue.

Our Global Rolled Products (GRP) segment, which consumes the most energy among our three segments, reduced its carbon emissions intensity by 30 percent between 2005 and 2017 due to improved energy efficiency and greener electricity supplies.

We participated in the CDP's climate change disclosure program for the first time as Arconic in 2017. Details can be found on the [CDP website](#).

Greenhouse Gas Emissions

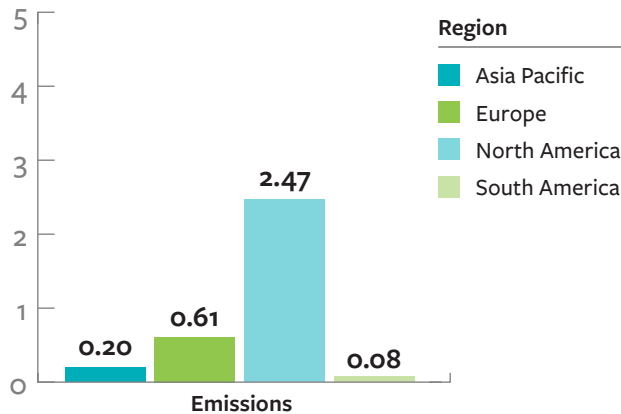
Million metric tons of carbon dioxide equivalents



Gases included in the calculations are carbon dioxide, methane and nitrous oxide.

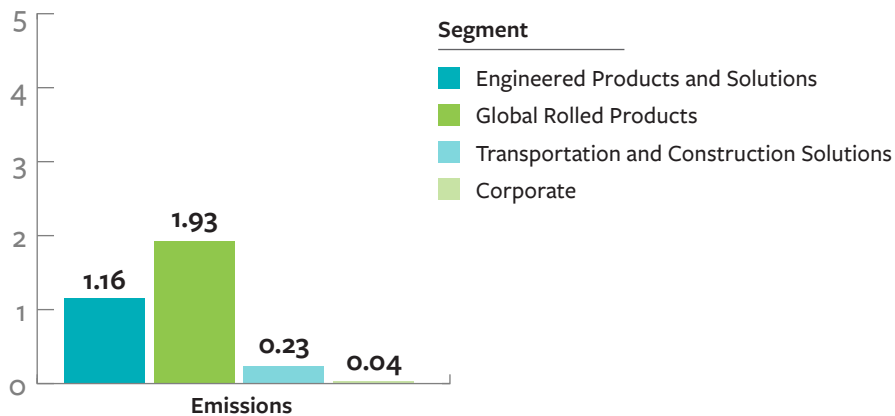
2017 Greenhouse Gas Emissions by Region

Million metric tons of carbon dioxide equivalents



2017 Greenhouse Gas Emissions by Segment

Million metric tons of carbon dioxide equivalents



Energy

The amount and type of energy we consume have a direct impact on our greenhouse gas emissions.

To reduce our energy consumption, we're improving our efficiency and evaluating strategies to increase our use of solar, wind and other renewable and low-carbon sources. We're also working to encourage compatible energy policies in regions where we're located.

We hold 12 site and multi-site certifications for the ISO 50001 energy management standard. These certifications provide independent assurance on our ongoing energy-efficiency improvements at our operations and underpin our commitment to reduce our Scope 2 GHG emissions.

Our overall energy consumption was nearly 43 million gigajoules in 2017. The 3 percent increase over prior year was due to the increased production levels.

Global Rolled Products, which consumes about two thirds of our annual energy consumption, reduced its energy intensity in 2017. The business has exceeded its 2030 target of a 30 percent reduction from a 2005 baseline.

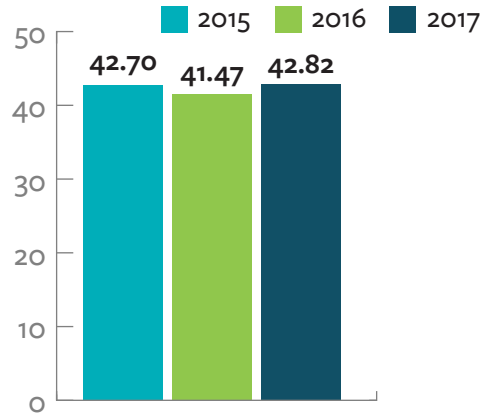
A major initiative that will significantly impact our energy efficiency is the Energy Intelligence system that we developed in 2017 and will fully implement in 2018.

With this automated system, we'll have access to real-time energy data for each plant and, at most locations, individual meters within a plant, giving plant leadership increased ability to manage energy in the moment.

This increased transparency into our energy consumption will provide significant opportunities to identify usage patterns and pinpoint inefficiencies at the plant and department levels. We also can aggregate the data for benchmarking, analytics and tracking of key performance indicators.

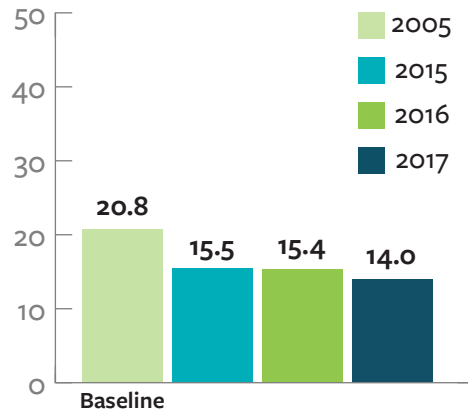
Global Energy Consumption

Millions of gigajoules



Global Rolled Products Energy Intensity

Gigajoules per metric ton of production



Water

Water is significantly valuable—to Arconic and the communities where we're located around the world. We lessen our impact on local water supplies by consuming and discharging as little water as possible and reusing that which we do draw from local sources.

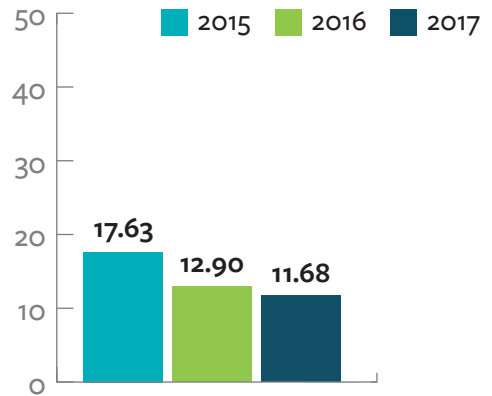
Our casthouses are our largest users of water, followed by our rolling mills. We also have facilities located in water-stressed areas, primarily in the drought-prone U.S. states of Arizona, California, Nevada and Texas.

Periodically, we conduct a global water-risk survey that includes an assessment of local and regional water stress. These location assessments are cross-referenced with global assessments from the [World Business Council for Sustainable Development](#) and the [World Resources Institute](#) to verify potential areas of stress. We conducted our most recent survey in 2016.

In 2017, we used 11.7 million cubic meters (3.1 billion gallons) of freshwater in our global operations. This equals a 9 percent reduction from 2016.

We began initial design of the Alcoa/Arconic-developed Natural Engineered Wastewater Treatment (NEWTTM) system at our Darley Dale operations in the United Kingdom in 2017. Once operational in 2018, the system will treat 788.4 cubic meters (208,273 gallons) of the location's wastewater prior to discharge annually. NEWT systems, which use a natural, green design, are also operational at three of our U.S. facilities.

Total Freshwater Withdrawal
Millions of cubic meters



Rainwater not included. Data changes from prior reporting are due to separation-related data review and new data collection methods used.

Waste

Manufacturing creates waste. Our responsibility as environmental stewards is to eliminate or minimize this waste, find alternative uses and recycling options for what we do generate, and effectively manage the safe disposal of what remains. We give priority to higher-volume waste and waste that has the potential to significantly impact the environment.

In 2017, we took steps to better understand the global waste streams of our operations following the separation of Alcoa Inc. From that analysis, we refined our historical landfilled waste data and made 2016 our new baseline.

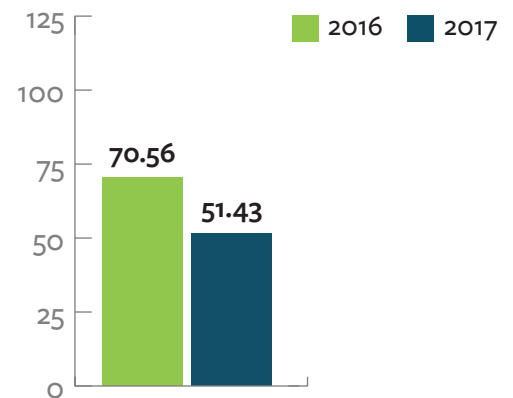
Dross from our casthouses remains our largest volume waste, and we recycle 100 percent of this material. In 2017, we began sending salt cake, which is slag generated during the recovery of aluminum from rotary furnaces, for recycling rather than landfilling. Some locations are also diverting their specific waste from the landfill, such as grit blast and nickel sludge.

We continue to evaluate other large-volume waste streams for reuse and recycling opportunities. These wastes include garnet, aluminum hydroxide sludge, caustic, limestone, and polishing dust and sludge.

In 2017, we landfilled 51,429 metric tons of waste. This 27 percent reduction from 2016 is due largely to the recycling of salt cake.

Landfilled Waste

Thousands of metric tons



Data changes from prior reporting and the omission of 2015 data are due to separation-related data review and new data collection methods used.

Emissions

Our manufacturing operations produce different types of air emissions depending upon the manufacturing process. In addition to greenhouse gases, other emissions that often are significant to specific operations or regions include nitrogen oxide, volatile organic compounds and toxic air pollutants, such as heavy metals and organic solvents.

In 2017, we analyzed our global air emissions footprint to determine what emissions would be necessary to track on a global basis. We determined that data on nitrogen oxide and volatile organic compounds can be collected at the location level only. We will further evaluate our toxic air pollutants in 2018 to identify the appropriate reporting level for each.



Social

People

To pursue, attract, develop and retain world-class talent, we've created a culture that embraces diversity, drives inclusion and empowers and engages our employees.

We offer an integrated approach, which we call the People Experience, that enables our employees to own their development and create rewarding careers that support their aptitudes and ambitions. We provide learning and development opportunities and equip our managers to provide ongoing coaching and feedback so employees maximize their performance and potential, delivering success for Arconic.

We earned a perfect score of 100 on the Corporate Equality Index 2018, a national benchmarking survey and report on corporate policies, benefits and practices related to lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals. The index is administered by the [Human Rights Campaign Foundation](#).

Our rating reflects the concrete steps we've taken on non-discrimination policies across business entities, equitable benefits for LGBTQ workers and their families, internal education and accountability metrics to promote LGBTQ inclusion competency and public commitment to LGBTQ equality.

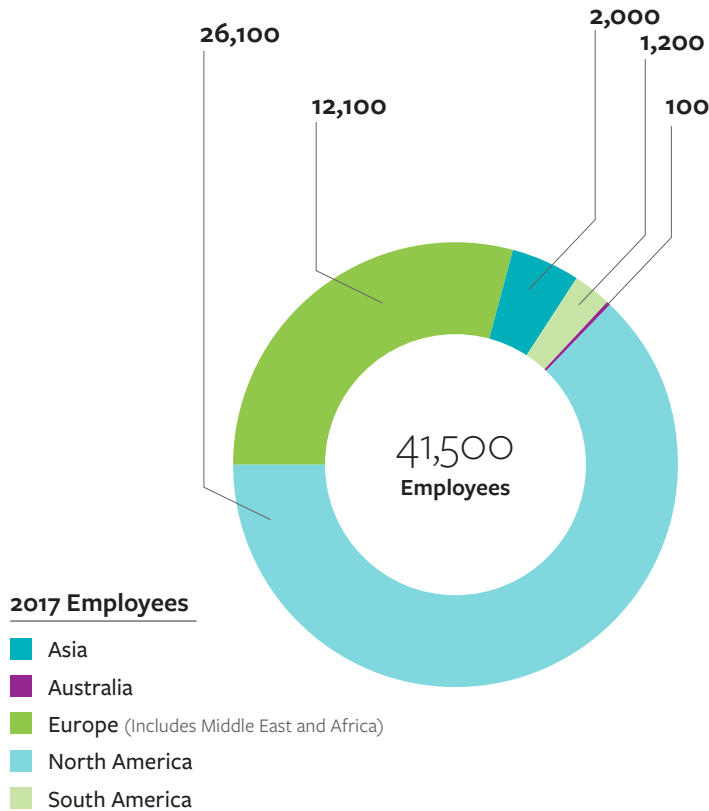
Our six employee resource groups (ERGs)—Arconic African Heritage Network, Arconic Hispanic Network, Arconic Next Generation Network, Arconic Women's Network, Arconic Veterans ERG and EAGLE (LGBTQ)—reflect an inclusive, respectful and values-based company culture. All of our employees are encouraged to participate in these grassroots, employee-led organizations that:

- Drive employee engagement through community outreach around science, technology, engineering and mathematics (STEM) education;
- Provide learning and development opportunities for diverse employees;
- Help position Arconic as a global employer of choice through strategic recruiting activities;
- Inform company policies around diversity and inclusion; and
- Reinforce our brand through key external endorsements like the Human Rights Campaign and [Catalyst](#).

Our leaders are held accountable for inclusion and diversity, which are integrated into our overall business strategy. In 2017, we tied the results to our annual variable compensation through four strategic targets to increase global female and U.S. minority employment at the professional and management levels. We met one of the targets in 2017.

The principle driver behind the results was higher attrition rates that we experienced across the company. Compared to 2016, our global female and U.S. minority representation remained stable.

In 2018, we will continue to increase our focus on minority hiring and partner with key organizations, such as the National Society of Black Engineers and Hiring Our Heroes.



2017 Women and U.S. Minority Representation

Global Women	24%	Female Executives
	29%	Female Professionals
	23%	Female Employees Overall
U.S. Minorities	15%	Minority Executives
	19%	Minority Professionals
	31%	Minority Employees Overall

The previously reported 2016 percentage for female employees overall was updated to 23 percent following a data review.

Health and Safety

Our strong health and safety culture empowers our employees and contractors to take personal responsibility for their actions and the safety of their coworkers.

This culture is supported by internal standards, rules, policies and procedures that clearly

articulate our stringent requirements for working safely in all of our facilities worldwide. During 2017, we continued our efforts to ensure each aspect of our program was appropriate for our current operations following the separation of Alcoa Inc.

Safety

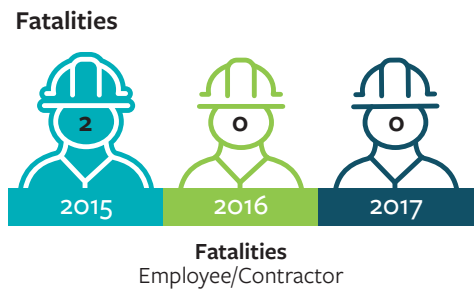
We had zero employee and contractor fatalities in 2017, which is the second consecutive year we achieved this important milestone. Fatality prevention was a major focus during the year, with each business required to review its program at least once per quarter. We also conducted in-depth fatal and serious injury reviews for seven of our highest-risk plants, with corrective actions deployed and tracked. In addition, more than 100 new leaders attended a two-day, intensive course focused on environment, health and safety, including fatality prevention.

Mobile equipment is the highest fatality risk within our global operations, and our locations are working to eliminate or mitigate this risk. For example, our Engineered Products and Solutions locations have removed more than 550 fork trucks from their operations by instead using conveyors, hand trucks and other equipment.

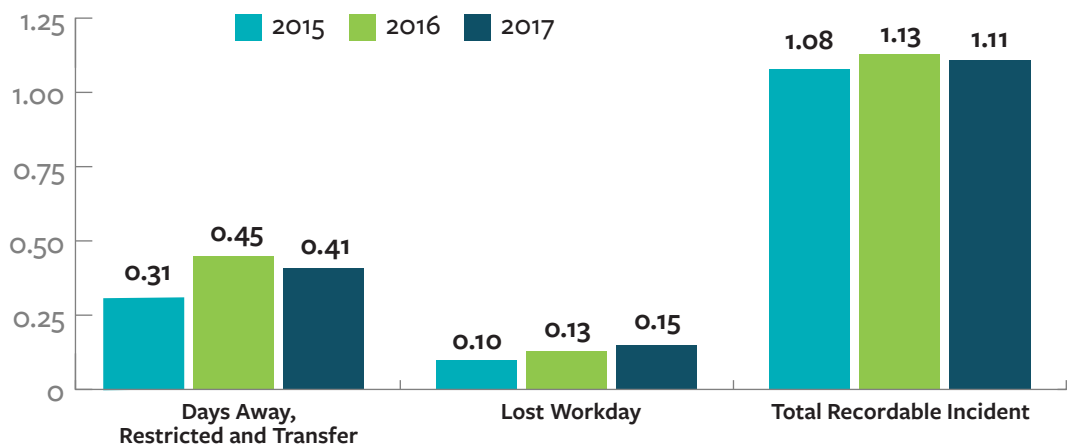
Our key safety rates remained significantly below U.S. industry averages in 2017. At 0.41, our days away, restricted and transfer (DART) rate was 9 percent lower than our 2016 rate and 74 percent below the most recent

U.S. industry average for the aerospace manufacturing sector. This is a significant achievement, as locations from our TITAL and RTI International Metals acquisitions were added to our safety data reporting as of Jan. 1, 2017. The DART rate for these and other recently acquired locations declined 30 percent during the year, marking the third consecutive year of improvement.

At the end of 2017, 64 percent of our locations globally had worked 12 consecutive months without a DART incident, 78 percent without a lost workday and 45 percent without a total recordable incident.



Incident Rates



Data changes from prior reporting are due to reclassification of some incidents that spanned multiple calendar years. Firth Rixson locations were added to the rates as of Jan. 1, 2016, and RTI and TITAL locations were added as of Jan. 1, 2017. Lost workday rate represents the number of injuries and illnesses resulting in one or more days away from work per 100 full-time workers. Days away, restricted and transfer rate includes lost workday cases plus cases that involve days of restricted duty and job transfer per 100 full-time workers. Total recordable incident rate represents the number of injuries and illnesses resulting in days away from work, job transfer or restriction, medical treatment or other recordables per 100 full-time workers.

Health

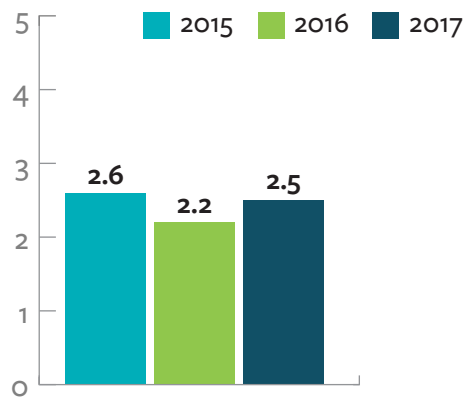
The key health risks within our operations are hearing conservation, working with chemical substances and ergonomic injuries.

We set a long-term goal of a hearing shift rate among our employees of 1 percent or lower by 2020. To achieve this, all manufacturing locations have implemented a robust hearing conservation program that builds on detailed noise exposure assessment and provides the correct hearing protection with the right noise-level reduction.

All manufacturing locations also will be required to either conduct hearing fit tests on individual employees to ensure hearing protection is effective or provide custom-molded ear plugs for a higher level of protection. We set the expectation that 70 percent of our U.S. locations and 50 percent of all other locations will meet this requirement in 2018.

Hearing Shift Rate

Percent



Our businesses and locations also continued efforts to reduce employee exposure to chemicals. Actions included eliminating specific chemicals, moving employees away from where chemicals are used and ensuring stringent adherence to requirements for personal protective equipment.

We are identifying and eliminating ergonomic risks through job analyses, workplace surveys and other proactive methods. In the fourth quarter of 2017, for example, we eliminated 89 such risks at our locations globally.

Our commitment to health and safety extends beyond the workplace. The Arconic Global Wellness Initiative focuses on the physical, mental and social well-being of our employees. Company-wide programs drive a healthier lifestyle and are supplemented by location-based programs and events that are specifically designed to address local needs, community expectations and cultural relevance.

In 2017, thousands of our employees participated in wellness activities that ranged from weight-loss competitions to biometric screenings and tobacco-cessation programs.



Employees run a six-kilometer race in Tubarão, Brazil.

REACH

A major initiative within our company is avoiding supply chain disruptions while meeting the requirements of the European Union's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation. We are also helping our customers do the same.

REACH aims to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. It places responsibility on industry to manage the risks from chemicals and provide safety information on the substances. It also calls for the progressive substitution of the most dangerous chemicals when suitable alternatives have been identified.

While we do not manufacture chemicals, we use them in our production processes either directly or as ingredients in other products that we use. An internal global team works with each of our businesses to ensure we are adhering to REACH requirements and actively seeking substitutions for chemicals that the regulation deems substances of very high concern. This can be challenging, as substitute substances ideally should not impact process efficiency or product quality and properties. That's why we work closely with our customers to validate a new substance before making a permanent substitution.

For example, we have been working to eliminate potassium hydroxyoctaoxidizedichromate from various aspects of our operations. In one aerospace application, the chemical was a key ingredient in a supplier's coating that we used for corrosion protection. After extensive research and testing within our operations and those of our customer, we will begin using a different coating that does not contain the chemical in 2018.

While we have been successful in finding material substitutions for various applications, others will require more time and effort. Until targeted chemicals are eliminated, we will continue to enforce our stringent requirements for their safe handling and use.

In support of our aerospace customers, we are an active member of the International Aerospace Environmental Group (IAEG). Formed by the major aerospace companies, the association addresses the complexity and variability of global laws and regulations impacting health and the environment, including REACH.

By serving on IAEG committees and working groups, we are contributing to the development of tools and voluntary consensus standards to address key chemical management and environmental issues. We also are gaining valuable insight on the needs of the aerospace industry.



IAEG[®]

INTERNATIONAL AEROSPACE
ENVIRONMENTAL GROUP[®]

Stakeholder Engagement

We engage formally and informally with a wide variety of stakeholders to solicit views on our sustainability initiatives and performance.

Our stakeholders include shareholders and lenders who provide our financial capital; our customers, suppliers and employees; the people who live in the communities where we operate; the public agencies that regulate our businesses; government representatives; and the non-governmental organizations (NGOs) that are interested in what we are doing.

The Arconic Community Framework is the principal way we manage our engagement with stakeholders at the community level. The framework helps each of our locations define the stakeholder groups with which to engage and identifies tools and approaches to ensure that engagement with these stakeholders is robust, effective and transparent. It also accommodates the differing sizes and stakeholder engagement needs of our facilities.

Arconic Foundation, which is an independently endowed foundation and the charitable arm of Arconic, has assets of approximately \$310 million. It allocates more than half of its grantmaking each year to our worldwide operating locations so they can partner with local NGOs to develop relevant strategies that address specific community needs and interests. In addition, our employees volunteer their time, energy and skills to community programs and projects to help local nonprofit organizations.



Arconic volunteers helped plant 110 trees at a new community park in Kunshan, China.

Ethics, Compliance and Human Rights

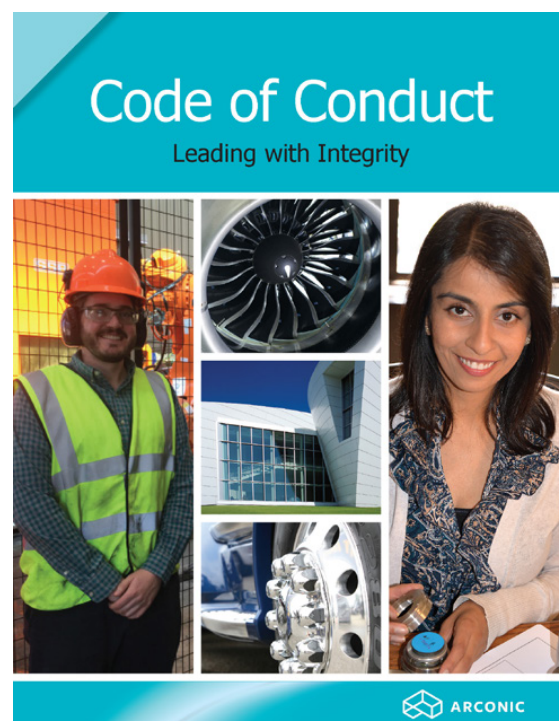
As a global company with operations in diverse cultural, political and economic environments, we are committed to conducting business ethically and in compliance with all applicable laws.

Guiding our actions are our [Values](#), [Code of Conduct](#), [Anti-Corruption Policy](#), [Human Rights Policy](#), Anti-Harassment Policy and other programs and policies. Employees appointed as Arconic Integrity Champions help ensure integrity and compliance are operationalized at all levels of our business, and they also serve as a resource to employees who may have ethical or business questions. In addition, our [Integrity Line](#) is available 24/7 to all employees and external stakeholders who wish to seek advice or raise a concern.

Major initiatives and accomplishments in 2017 included:

- Redesigning the Integrity Champion Network to better align with current business risks;
- Completing investigations on more than 450 Integrity Line calls;
- Conducting an anti-corruption audit in China;
- Updating our anti-corruption self-assessment, which evaluates location compliance;
- Implementing a procedure for charitable contributions;
- Deploying four online ethics and compliance courses for all salaried employees;
- Delivering live anti-corruption training to 3,474 employees in 11 languages and 21 countries; and
- Issuing the annual Conflicts of Interest Survey to more than 11,000 employees.

Additional information on our ethics and compliance program can be found on arconic.com.





ARCONIC

Arconic Inc. (NYSE: ARNC) creates breakthrough products that shape industries. Working in close partnership with our customers, we solve complex engineering challenges to transform the way we fly, drive, build and power. Through the ingenuity of our people and cutting-edge advanced manufacturing techniques, we deliver these products at a quality and efficiency that ensure customer success and shareholder value. For more information: www.arconic.com.

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