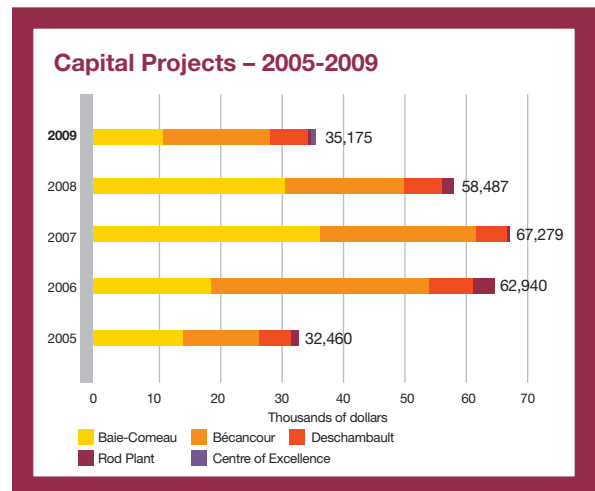


Economic development

Between July 2008 and March 2009, the price of aluminum plummeted by more than 60%, leading to a major increase in inventory and a particularly difficult year economically. As if this weren't enough, the strength of the Canadian dollar depleted our operating income by \$7 million for every cent in value gained compared to the U.S. dollar. Everyone at Alcoa Canada Primary Products contributed to our journey through this challenging period, both by reducing the number of hours worked and by providing ideas on how to reduce costs.

The Government of Québec also granted Alcoa financial assistance in the form of a \$50 million loan to enable it to maintain operations.

This gesture was supplemented by tax relief from the City of Baie-Comeau to support the efforts of Alcoa and its unionized and staff employees, as well as its suppliers. (table on economic spin-offs of Alcoa in Québec in 2009 vs. other years)



Exchanging best practices: a win-win approach

Given the difficult economic situation, exchanging best practices could be nothing but beneficial. In the fall of 2008, the Technologies, Innovation and Centre of Excellence team was created to focus on the development, experimentation and validation of new technologies, as well as the certification and deployment of best practices.

This group is also responsible for all planning and preparation related to projects for renovating existing facilities and building new Alcoa smelters around the world. The expertise of Alcoa Canada Primary Products employees is recognized across North America and beyond. This is why they make up more than a third of this team of experts which, based at its offices at the Deschambault Smelter, offers its support to all Alcoa smelters.

Modernization of the Baie-Comeau Smelter

In November 2008, Alcoa announced the permanent shutdown of Series C of the Söderberg potlines at its Baie-Comeau plant. This earlier than initially planned dismantling of the series meant that most of the employees working there could be reassigned to carry out this job and help advance, by one year, the modernization of the Söderberg potlines and the resulting economic spin-offs from this massive project.

The team performing the dismantling completed the project in full compliance with Alcoa's environmental and health and safety values, and in line with its financial objectives. Two town hall meetings were also held, and a Web site dedicated to the project was launched: www.alcoaprojets.com/en



Alcoa innovates at home

Alcoa is proud to invest in foundational projects that create wealth in Québec. And the Alcoa Innovates at Home competition, through which some 40 industrial designers presented innovative aluminum solutions for the home, is a great example. Alcoa Innovation completed the design and modelling work for the 2009 winning project, the Sesame interior door concept created by Topo Design. The first prototypes of these practical and versatile doors will be launched in 2010.



Responsible procurement

Following a recommendation from our Sustainability Advisory Committee, we finalized the development of a sustainability assessment questionnaire for our suppliers in 2009, after having tested it with a small group. We aim to further develop this approach in 2010 as part of a pilot project involving some 100 Québec suppliers.

2009 Objectives	Results	Comments
Optimize our cost structure to build a stronger position for our facilities during a global economic slowdown.		Substantial results were achieved but the challenges involved in maintaining our competitiveness on the global market are even more numerous for the coming year.
Sign an agreement and the related contracts with the Government of Québec for the expansion of the Deschambault Smelter.		While the project offers significant potential, given the current economic context, Alcoa has reviewed its strategy and does not intend to pursue this initiative or make any announcements before at least five years.
Establish a sustainability grading scheme for suppliers, and define an approach to help them progress in this area.		An assessment questionnaire was developed and tested with some suppliers, and the BNQ21000 project was selected as the supporting approach. The final evaluation approach will be determined in 2010.

Objectifs 2010

- Develop a responsible procurement approach based on the pilot project carried out with suppliers in 2010.
- Pursue the modernization of the Baie-Comeau Smelter.
- Implement 18 best practices in Québec plants.
- Develop a strategic plan to position ourselves strongly in the global marketplace.