



**ADVANCING SUSTAINABILITY CONFERENCE
SPEECH BY ALCOA CEO KLAUS KLEINFELD
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Introduction

Thank you for joining us here in Barcelona.

This is a powerful grouping here in this room.

We regard you as part of Alcoa's Advancing Sustainability Network.

You are leaders in your field.

You are the partners with whom we share our thinking on challenging sustainability issues.

We wish to work to address them with you.

As the new CEO of Alcoa, I am proud to lead a company that has such a long and proud history on sustainability issues.

I want to take this occasion to share with you my own views on this.

I think sustainability - and in particular - climate change is THE issue of our generation.

A few years ago, I was having Sunday breakfast with my then 16-year-old daughter.

She looked up from the newspaper and asked me, “Dad, what are you doing about global warming – what are YOU DOING?”

She hit me right on the head.

Not long after that, I participated in a sustainability roundtable at the World Economic Forum in Davos. A great group of well distinguished leaders were discussing various aspects of this issue.

But what really made a difference was this young woman in her 20’s from the Maldives sitting in the audience.

Very shy and in a low tone looking down, she addressed the panel of experts.

“The vegetation is changing, the water is rising....I’m scared,” she said.

“Many of our people don’t know what’s going on. These islands – my home – may simply not be there for my kids.”

Then she looked at the group and asked us the same question my daughter asked:

“What are you doing?”

Two young women from very different parts of the world asking the exact same question:

What are you doing?

Not *what have you done?*

Not *what are you going to do?*

But what are you doing right now?

Global warming is the sustainability issue of this generation.

I have taken to heart their questions. And I believe we have to ask ourselves:

Day-in and day-out, what are the steps each of us is taking right now – to protect this planet for ourselves and for the next generation?

I hope this conference provides an opportunity for each of us to ask and answer this simple but profound question.

For Alcoa's part, I believe that sustainability is what makes the Alcoa difference. It is the issue that makes us the partner of choice for so many communities and organizations.

Sustainability makes the Alcoa difference

Our philosophy is simple.

First, Alcoa believes - and I believe – that we must act to mitigate the human impact on our climate.

And we must act now.

The debate about whether we should act is over.

We know that a failure to act creates unacceptable risk – environmental risk, economic risk, social risk.

Second, the climate debate is also about our economic future.

These are difficult times. There is tremendous economic uncertainty. But when it comes to sustainability, we must persevere through both good times and bad. And, it is simply a false choice to suggest that we can have either economic growth or sustainability -- but not both.

According to a recent McKinsey study, energy efficiency alone across key sectors:

- residential,
- transport, and
- industrial –

- can cut end-use energy demand by over 20 percent, and save \$900 billion annually.

And the cost, as a percentage of GDP, is manageable – less than one and a half percent.

At a company level, we already know this.

Sustainability is about more than “doing good”. It is also about smart business.

At times like these, when the economy is down, it is important to make that point very clearly.

I think too many people have looked at sustainability and issues like climate change as separate from their business.

To me, it is critical that sustainability is an integral part of our company culture and a core part of our business.

For Alcoa, it is part of our approach of integrating sustainability into all corporate decision making:

- the products we make;
- how we manufacture;
- who we hire; and
- how we work with the communities where we operate.

Products

For Alcoa, sustainability starts with the product that we make.

Aluminum is endlessly recyclable.

Almost three quarters of all the aluminum ever produced in the past 100-plus years is still in use today. And using recycled metal saves 95 percent of the energy it would take to manufacture new metal.

Our product is also a key part of the transportation solution. The typical aluminum part is 40 to 50 percent lighter than a comparable steel part.

Lighter cars mean less emissions.

This is where aluminum and Alcoa can have the greatest impact.

The potential is enormous.

Every 10% reduction in a car's weight can result in a 7% reduction in the vehicle's greenhouse gas emissions.

And, all this is achievable with no compromise on safety as aluminum is very strong.

In fact, the entire aluminum industry has the potential to be greenhouse gas neutral within 20 years from the growth of aluminum in the transportation sector and if we capture of the weight savings.

Processes

But for Alcoa, making a great **product** is not enough.

We need to constantly improve **how** we make our product.

We do this through increasing our use of renewable energy;

We find ways to achieve lower energy and water use overall;

We implement efficiencies and cleaner extraction and manufacturing processes;

We are pursuing and investing in greater recycling-within our operations and with our customers, and

We invest in research and new technology.

This intensive effort across the company delivers real results.

Since 2000, we have reduced waste to landfill by 44 percent, and our own greenhouse gas emissions by 33 percent.

That's despite a significant increase in production over that same period.

But there are real challenges ahead:

Clearly, reducing our GHG emissions and our energy footprint is a major issue for us and our industry.

We are, after all, an energy intensive business and we need to find cleaner energy sources and reduce our energy intensity through efficiency and technology.

And it takes partners to do that.

We must increase recycling.

Recycling rates in Japan, Brazil and Europe are 90 percent.

In the U.S., that number is closer to 50 percent. We need to work hard to get those recycling rates up.

Alcoa is also a big user of water.

Since 2000, we have reduced water consumption by 26 percent. But finding ways to reduce that further - and to use more recycled water - is a major challenge for us.

We are also world leaders in mining rehabilitation.

Alcoa is the only mining company to have received a citation of honor from the United Nations Environment Program for our mining rehabilitation efforts.

But we don't rest on that. We have to be equally forward thinking about our new mine projects, such as in Juruti in the Amazon.

People

Success in driving and implementing this sort of change is only possible because of good people – our employees, our customers, our partners.

Alcoa has a global footprint, and that means a global impact. With 97,000 employees in 34 countries, and links to thousands of customers and communities around the globe, we can either be a part of the problem or we can be part of the solution.

It is our people who make us part of the solution.

Alcoa's strong corporate values mean that we are able to recruit and retain the best people.

Many who are just entering the workforce insist on these values, and it shows in their actions once they get here.

For example, over 25% of our employees volunteer in some way in their communities.

In Brazil, that number is actually over 80 percent.

This philosophy of giving has resulted in much recognition.

Alcoa has been listed on the Dow Jones Sustainability index for seven straight years.

FORTUNE has placed us on their "most admired" list for twenty-five straight years.

Communities

We are proud of that recognition.

It has been hard earned.

And I think we earned it in part because of the genuine and strong relationships we've built in the communities we work in.

Our neighbors rely on us, and we rely on them.

Frankly, Alcoa cannot expect to prosper without total support of our local communities.

We share a mutual sustainability, which involves

- economic success,
- environmental excellence, and
- social responsibility.

But as a global company, our “communities” are not limited to the locations of our plants or company headquarters.

Our broader community means all of us in this room, engaging at all levels, and creating a network of relationships that will drive change.

When it comes to the environment and sustainability, we are all in this together.

It takes a very genuine commitment and hard work by many people to harness the real power of such collective action.

For its part, Alcoa has partnered with the environmental community on important and specific efforts – forest protection in the Amazon and Australia; protection of blue whales in Chile.

We have also helped create broad coalitions. Alcoa is a founding member of the US Climate Action Partnership, which brings key business and environmental leaders together to work for common purpose.

We also work with the global policy community. We are taking aggressive stands on climate change in Washington DC and in other world capitals.

True implementation, of course, occurs at the local level.

I am truly proud of the real and lasting partnerships we build in local communities.

Since joining Alcoa, I've made a number of visits to Juruti, a mining development in the Amazon. It is an outstanding example of world-class corporate citizenship.

Juruti, a 125-year-old rural township right in the heart of the Amazon rain forest, has been a shining example of how robust community involvement serves to the benefit of all parties.

Since the beginning of our time there, we have participated in meetings and public hearings with community leaders, public and private institutions and other stakeholders.

Some 6000 local people have taken part. Our engagement has covered everything –

- from the monitoring of air, noise and water; conservation of the flora and fauna; environmental education;
- to medical, sanitary and educational infrastructure; public security; and rescuing and revitalizing local culture.

We are also working with communities across the United States under our Make an Impact program in partnership with the Pew Center on Global Climate Change.

We think is a first for corporate America.

“Make an Impact” provides the tools for Alcoa’s employees and the local community to manage their individual carbon footprint, reduce their energy costs, and become part of the solution to global climate change.

It is a great example of what can be achieved by individuals.

Challenges Ahead

While we at Alcoa are working to embed sustainability into everything we do, everyday, we also know that we are far from perfect.

Of course, these Sustainability challenges are not exclusive to Alcoa. We accept full responsibility to address these. But true success will require action on a broad front - across societies and by working collaboratively.

I know many companies are hesitant to talk about their challenges. We view it as an opportunity to learn. And I hope that this conference can help provide a roadmap to address some of these challenges.

Alcoa Foundation Conservation and Sustainability Fellowship Program

That brings me to the role that you, the leaders of tomorrow, can play.

This is my first introduction to many of you in the Alcoa Foundation Conservation and Sustainability Fellowship Program.

I know that there is break-through research being conducted all over the world as part of this program.

That is truly remarkable achievement.

I congratulate each member of the program for their great contribution to building a sustainable future.

You are tomorrow's leaders on sustainability. It is an honor to meet you all and to understand the power of your combined capacity.

I am happy to announce to you all that Alcoa and Alcoa Foundation intend to continue the Fellowship program for at least another six years, through 2016.

We intend to make some changes which we hope will build on what we've learned, expand its impact and enhance the experience for Fellows and for our partners.

We will build stronger links with Fellows, both during their tenure with the program and beyond as alumni.

We want to work closely with all of you to build this network for a better tomorrow.

Conclusion

Sustainability is not just something that is trendy or fashionable.

It is the issue of *our time*, the challenge for our generation.

And as my daughter's question emphasizes, it is an issue that will affect the world that we hand to our kids and grandkids.

Now, just so you don't think I'm bragging about having great kids – I will tell you that I actually have two daughters. My older daughter wants me to help fight climate change.

My younger daughter recently discovered that Alcoa has worked with Apple to make the colorful aluminum cases for the new iPods. So she had a different question for me:

“Dad, don’t you know somebody at Apple who can get can get me the new iPod in pink before it hits the shelves?” - Well, well, well, whoever said raising children is easy?

In the days ahead, I want her and all of you to join me in asking:

What am I doing? - Right now, every day.

How do my everyday actions, and the work that I do, affect the world that we live in?

Let me add one final point – because I know everyone is thinking about the economy right now.

We need to.

These are tough times. But tough times demand strong leadership.

These are the times when our commitment is really tested.

We know that sustainability makes sense for the economy.

We know that we have to take a long-term view.

Some will say we can’t afford to focus on global sustainability issues like climate change right now.

But the truth is, we CAN’T AFFORD NOT TO.

And, if we fail to do this - the next generation will NOT treat us kindly.

Thank you again for joining us here. I know that individually we can make a difference, and together we can make an impact.

But if we take it to the next level – a true partnership to advance sustainability – we can change the world.

We should pursue nothing less.