

OFFER DOCUMENT

**ALCOA CORPORATION
2016 STOCK INCENTIVE PLAN**

**OFFER OF STOCK OPTIONS TO
AUSTRALIAN RESIDENT EMPLOYEES**

Investment in shares involves a degree of risk. Participants in the Plan (as defined herein) should monitor their participation and consider all risk factors relevant to the purchase of shares of Alcoa Corporation common stock under the Plan as set out in this Offer Document and the Additional Documents (as defined herein).

The information contained in this Offer Document and the Additional Documents is general information only. It is not advice or information specific to any particular employee's objectives, financial situation or needs.

Employees should consider seeking advice from an independent person licensed by the Australian Securities and Investments Commission to give such advice.

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We are pleased to provide you with this offer to participate in the Alcoa Corporation 2016 Stock Incentive Plan, as amended (the “Plan”). This Offer Document sets out information regarding the grant of stock options under the Plan to Australian resident employees of Alcoa Corporation (the “Company”) and any of its Subsidiaries (as defined in the Plan).

The Company has adopted the Plan to encourage and enable selected directors and employees to acquire a proprietary interest in the long-term growth and financial success of the Company and to further link the interests of such individuals to the long-term interests of shareholders.

Capitalized terms used but not otherwise defined herein shall have the same meanings given to such terms in the Plan.

1. OFFER

This is an offer of Stock Options made by the Company to certain eligible Employees in Australia, as may be granted from time to time in accordance with the Plan.

2. TERMS OF GRANT

The terms of the grant incorporate the rules of the Plan and the Terms and Conditions for Stock Options, including any additional (or, if so indicated, different) terms and conditions for Non U.S. Participants contained in Appendix A thereto and any country-specific provisions contained in the Appendix B thereto (the “Terms and Conditions”). By accepting the grant of Stock Options, you will be bound by the rules of these documents.

The grant of Stock Options under the Plan is intended to comply with the Australian Securities and Investments Commission (“ASIC”) Class Order 14/1000, relevant provisions of the *Corporations Act 2001* (the “Corporations Act”) and ASIC Regulatory Guide 49.

3. ADDITIONAL DOCUMENTS

In addition to the information set out in this Offer Document, the following documents that accompany this Offer Document (the “Additional Documents”) provide further information regarding your participation in the Plan:

- (a) the Plan;
- (b) the Plan Prospectus (the “Prospectus”);

- (c) the Terms and Conditions; and
- (d) the Long-Term Incentive Award Summary.

The Plan and Terms and Conditions set out, among other details, the nature of Stock Options and the consequences of a change in the nature or status of your employment on your ability to participate in the Plan.

Neither the Plan nor the Prospectus is a prospectus for purposes of the Corporations Act, and neither has been modified for purposes of grants made in Australia.

If there is any inconsistency between this Offer Document and any Additional Documents, the terms of this Offer Document will prevail to the extent of the inconsistency.

4. RELIANCE ON STATEMENTS

You should not rely upon any oral statements made to you in relation to this offer. You should only rely upon the statements contained in this Offer Document and the Additional Documents when considering your participation in the Plan.

5. ACCEPTING AN AWARD

The Terms and Conditions sets out the key details of your Stock Option Award. To accept your Award, you must execute the Terms and Conditions pursuant to the instructions contained therein.

6. WHAT IS A STOCK OPTION?

The Stock Option granted pursuant to the Plan gives its holder the right, but not the obligation, to purchase a specified number of Shares at a price fixed at the grant date.

7. WHAT IS A SHARE OF COMMON STOCK IN THE COMPANY?

Shares of common stock of a United States (“U.S.”) corporation is analogous to ordinary shares of an Australian corporation. Each holder of a Share is entitled to one vote for every Share held in the Company.

The Shares are listed on the New York Stock Exchange (“NYSE”) in the U.S. and are traded under the symbol “AA.”

The Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

8. WHAT ARE THE MATERIAL TERMS OF THE STOCK OPTION?

(a) Do I have to pay any money to receive the Stock Option Award?

You pay no monetary consideration to receive the Stock Option Award. However, you will have to pay an exercise price to receive the Shares of the Company upon exercise of the Stock Option.

(b) When can I exercise my Stock Options and how many Shares will I receive upon exercise?

The details of your Stock Option Award are set out in the Terms and Conditions.

(c) What is the exercise price of the Stock Option?

The exercise price of the Stock Option is 100% of the Fair Market Value per Share on the date of grant, unless the Participant's account at Merrill Lynch's OnLine[®] website www.benefits.ml.com, specifies a higher exercise price.

Fair Market Value means, as of any applicable date, the closing per-share sales price for the Shares on the NYSE on that date, or if the Shares are not traded on the NYSE on that date, then on the most recent preceding date on which the Shares were traded..

The exercise price is denominated in U.S. dollars and must be paid in U.S. dollars. The Australian dollar amount required to exercise your Stock Options and acquire Shares will be that amount which, when converted into U.S. dollars on the date of exercise, equals the exercise price. The Australian dollar equivalent of the exercise price will change with the fluctuations in the U.S./Australian dollar exchange rate.

(d) When do I become a Shareholder?

You are not a shareholder merely as a result of holding Stock Options, and the Stock Options will not entitle you to vote or receive dividends, notices of meetings, proxy statements and other materials provided to shareholders until the Stock Options are exercised and you receive the underlying Shares. In this regard, you are not recorded as the owner of Shares prior to exercise. You also should refer to the Terms and Conditions for details of the consequences of a change in the nature of your employment.

(e) Can I transfer the Stock Options to someone else?

The Stock Options are non-transferable, except upon approval and subject to requirements as may be imposed by the Company. However, once the Shares are issued upon exercise, these Shares will be freely tradeable.

10. HOW CAN I ASCERTAIN THE CURRENT MARKET PRICE IN AUSTRALIAN DOLLARS?

You may ascertain the current or historical market price of the Shares as traded on the NYSE at www.nyse.com under the symbol "AA." The Australian dollar ("AUD") equivalent of that price can be obtained at: www.rba.gov.au/statistics/frequency/exchange-rates.html.

11. WHAT ADDITIONAL RISK FACTORS APPLY TO AUSTRALIAN EMPLOYEES' PARTICIPATION IN THE PLAN?

You should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of Shares. For example, the price at which the Shares are quoted on the NYSE may increase or decrease due to a number of factors. There is no guarantee that the price of the Shares will increase. Factors which may affect the price of Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including

interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company's business and financial results is included in the Company's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, available upon request. In addition, you should be aware that the AUD value of the Shares you may acquire at exercise will be affected by the USD/AUD exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

12. PLAN MODIFICATION, TERMINATION ETC.

The Board may amend, alter, suspend, discontinue or terminate the Plan at any time. No such amendment, alteration, suspension or discontinuation of the Plan shall materially impair your rights with respect to Stock Options already granted, except with your written consent.

13. WHAT ARE THE AUSTRALIAN TAXATION CONSEQUENCES OF PARTICIPATION IN THE PLAN?

The following is a summary of the income tax consequences for an Australian resident employee who receives Stock Options under the Plan as of May 2016. It applies to Stock Options granted on or after July 1, 2015. You also may be subject to Medicare levy (including any applicable surcharge) and possibly a Temporary Budget Repair levy. This summary is general in nature and does not purport to be tax advice specifically applicable to you.

If you are a citizen or resident of another country for local law purposes, transfer employment and/or residency to another country after the Stock Options are granted, or are considered a tax resident of another country, the information contained in this summary may not be applicable to you. You are advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.

If you accept Stock Options under the Plan, then you should not rely on the summary as anything other than a broad guide and you are strongly advised to obtain independent tax advice specific to your particular circumstances.

(a) What is the effect of the grant of the Stock Options?

The Australian tax legislation contains specific rules, in Division 83A of the *Income Tax Assessment Act 1997*, governing the taxation of shares and rights (called "ESS interests") acquired by employees under employee share schemes. The Stock Options issued under the Plan should be regarded as a beneficial interest in a right to acquire Shares and accordingly, an ESS interest for these purposes.

Your assessable income includes any discount given in relation to the acquisition of the ESS interest at grant, unless the ESS interest is subject to a real risk of forfeiture in which case you will be subject to deferred taxation.

In the case of the Stock Options, the real risk of forfeiture test requires that:

- (i) there be a real risk that, under the conditions of the Plan, you will forfeit the Stock Options or lose them (other than by disposing of them or the Stock Options being exercised); or
- (ii) there be a real risk that, under the conditions of the Plan, if you exercise your Stock Options that you will forfeit the underlying Shares, or lose them other than by disposing of them.

The terms of your Stock Option grant are set out in the Terms and Conditions. It is understood that your Stock Options will satisfy the real risk of forfeiture test and, accordingly, you will be subject to deferred taxation (*i.e.*, you generally should not be subject to tax when Stock Options are granted to you). However, whether or not there is a real risk of forfeiture may depend on your individual circumstances. Accordingly, you should seek your own advice in relation to your individual circumstances.

(b) When will you be taxed if your Stock Options are subject to a real risk of forfeiture?

You will be required to include an amount in your assessable income for the income year in which the earliest of the following events occurs in relation to the Stock Options (the "ESS deferred taxing point"). In addition to income taxes, this amount also will be subject to Medicare Levy (including any applicable surcharge) and possibly a Temporary Budget Repair levy¹.

Your ESS deferred taxing point will be the earliest of the following:

- (i) when you exercise the Stock Options and there are no longer any genuine restrictions on the disposal of the Shares;
- (iii) the date you cease to be employed by any company in the Company group (to the extent you retain the Stock Options) (but see Section 9(e) below); or
- (iv) 15 years from when the Stock Options were granted.

Generally, this means that you will be subject to tax when you exercise your Stock Options and Shares are issued to you. However, the ESS deferred taxing point for your Stock Options will be moved to the time you sell the underlying Shares if you sell the underlying Shares within 30 days of the original ESS deferred taxing point. In other words, the income must be reported by you in the income year in which the sale occurs and not when the ESS deferred taxing point occurs if you sell the underlying Shares in an arm's length transaction within 30 days of the ESS deferred taxing point.

(c) What is the amount to be included in your assessable income if an ESS deferred taxing point occurs?

¹ From July 1, 2014 through June 30, 2017, an additional 2% Temporary Budget Repair Levy will be imposed on taxable income over AUD180,000.

If the ESS deferred taxing point occurs at exercise (as should typically be the case), the amount you must include in your assessable income in the income year (*i.e.*, the financial year ending 30 June) in which the exercise occurs will be the difference between the "market value" of the underlying Shares at exercise and the cost base of the Stock Options (which will be the exercise price).

If, however, you sell the underlying Shares in an arm's length transaction within 30 days of the ESS deferred taxing point, the amount to be included in your assessable income in the income year in which the sale occurs will be equal to the difference between the sale proceeds and the cost base of the Stock Options.

You will be subject to income taxes at your marginal tax rate on the assessable amount with respect to your Stock Options. In addition, the assessable amount will be subject to Medicare Levy (including any applicable surcharge) and possibly a Temporary Budget Repair levy.

(d) What is the market value of the underlying Shares?

The "market value" of the underlying Shares at the ESS deferred taxing point is determined according to the ordinary meaning of "market value," expressed in Australian currency. The Company will determine the market value in accordance with guidelines prepared by the Australian Taxation Office ("ATO").

As noted in (h) below, your employer will give you a statement containing certain information about the Stock Options, including an estimate of the market value of the underlying Shares at the ESS deferred taxing point (except if the original ESS deferred taxing point is moved to the sale of the Shares, as explained above in (b)). This may assist you in determining the market value of the Shares.

(e) What happens if I cease employment before I exercise my Stock Options?

If you cease employment prior to exercising some or all of your Stock Options and the Stock Options do not vest upon termination of employment (*i.e.*, they are forfeited), you may be treated as having never acquired the forfeited Stock Options in which case, no amount will be included in your assessable income.

(f) Sale of Shares

If you acquire Shares upon exercise, you may be subject to additional taxation at the time you sell such Shares.

If you sell your Shares acquired upon exercise of your Stock Options within 30 days of the original ESS deferred taxing point, your ESS deferred taxing point will be shifted to the date of sale for purposes of determining the amount of assessable income (as described above) and you will not be subject to capital gains taxation.

If you sell your Shares acquired upon exercise of your Stock Options more than 30 days after the original ESS deferred taxing point, you will be subject to capital gains taxation to the extent that the sale proceeds exceed your cost base in the Shares sold, assuming that the sale of Shares occurs in an arm's-length transaction (as generally will be the case provided the Shares are sold through a recognized stock exchange (*i.e.*, the NYSE)). Your cost base in the Shares generally will be equal to the market value of the Shares at the ESS deferred taxing point, plus any incremental costs you incur in connection with the sale (*e.g.*, brokers fees).

The amount of any capital gain you realize must be included in your assessable income for the year in which the Shares are sold. However, if you hold the Shares for at least one year prior to selling (excluding the dates you acquired and sold the Shares), you may be able to apply a discount to the amount of capital gain that you are required to include in your assessable income. If this discount is available, you may calculate the amount of capital gain to be included in your assessable income by first subtracting all available capital losses from your capital gains and then multiplying each capital gain by the discount percentage of 50%. Please note that, if you cease Australian residency in the holding period, you may not qualify for the full discount.

You are responsible for reporting any income you realize from the sale of Shares acquired upon exercise of Stock Options and paying any applicable taxes due on such income.

If your sale proceeds are lower than your cost base in the Shares sold (assuming the sale occurred in an arm's-length transaction), you will realize a capital loss. Capital losses may be used to offset capital gains realized in the current tax year or in any subsequent tax year, but may not be used to offset other types of income (*e.g.*, salary or wage income).

(g) Dividends

Prior to the exercise of your Stock Options, you will not be eligible to receive any dividends. If you exercise your Stock Options and become a Company shareholder, you may be entitled to receive dividends paid on the Shares obtained from exercise of the Stock Options, if the Board of Directors, in its discretion, declares a dividend. Any dividends paid on Shares will be subject to income tax in Australia in the income year they are paid. The dividends are also subject to U.S. federal withholding tax. You may be entitled to a foreign income tax offset, whereby the U.S. federal withholding tax is offset against the Australian tax payable on the dividend.

(h) Withholding and Reporting

You will be responsible for reporting on your tax return and paying any tax liability in relation to the Stock Options and any Shares issued to you at exercise. It is also your responsibility to report and pay any tax liability on any dividends received.

Your employer will be required to withhold tax due on the Stock Options only if you have not provided your Tax File Number ("TFN") or Australian Business Number ("ABN") (as applicable) to your employer.

However, your employer will provide you (no later than 14 July after the end of the year) and the Commissioner of Taxation (no later than 14 August after the end of the year) with a statement containing certain information about your participation in the Plan in the income year when the ESS deferred taxing point occurs (typically the year of exercise) (including an estimate of the market value of the underlying Shares). Please note, however, that, if you sell the Shares within 30 days of the ESS deferred taxing point, your taxing point will not be at the ESS deferred taxing point, but will be the date of sale; as such, the amount reported by your employer may differ from your actual taxable amount (which would be based on the sale proceeds). You will be responsible for determining this amount and calculating your tax accordingly.

14. WHAT ARE THE U.S. TAXATION CONSEQUENCES OF PARTICIPATION IN THE PLAN?

Employees who are not U.S. citizens or permanent residents will not be subject to U.S. tax by reason only of the grant and exercise of the Stock Options or the sale of Shares, except with respect to any dividends paid by the Company. However, liability for U.S. taxes may accrue if an employee is otherwise subject to U.S. taxes.

The above is an indication only of the likely U.S. taxation consequences for Australian resident employees awarded Stock Options under the Plan. You should seek your own advice as to the U.S. taxation consequences of Plan participation.

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We urge you to carefully review the information contained in this Offer Document and the Additional Documents. We also recommend that you seek advice from your personal financial advisor or accountant before making a decision about whether to participate in the Plan.