

Safety Leadership at Alcoa

A presentation by

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NASA – March 2, 2005

Thank you

Appreciate the opportunity to talk to you today about something that is very easy for me to discuss – Safety Leadership

Want to thank you for the opportunity to be here and also for the opportunity to sit as a member of the NASA Aerospace Safety Advisory Panel (ASAP). It is definitely a good opportunity for both organizations to learn from each other.

I would also point out that Aluminum and specifically Alcoa has had a long relationship with NASA. Alcoa and NASA have a long history of working together on aluminum material development and characterization interactions (this includes aluminum alloys, aluminum-lithium alloys, metal matrix composites, new laminate and hybrid materials). Specifically, we have worked with NASA Langley aerospace materials and structures groups on corrosion test methodology development and also the development of fatigue, fracture and failure prediction methodology.



Safety Leadership at Alcoa



- My thoughts
- History – a success story for Alcoa
- Current performance
- Leadership expectations
- Sustaining and improving the results
- Q&A

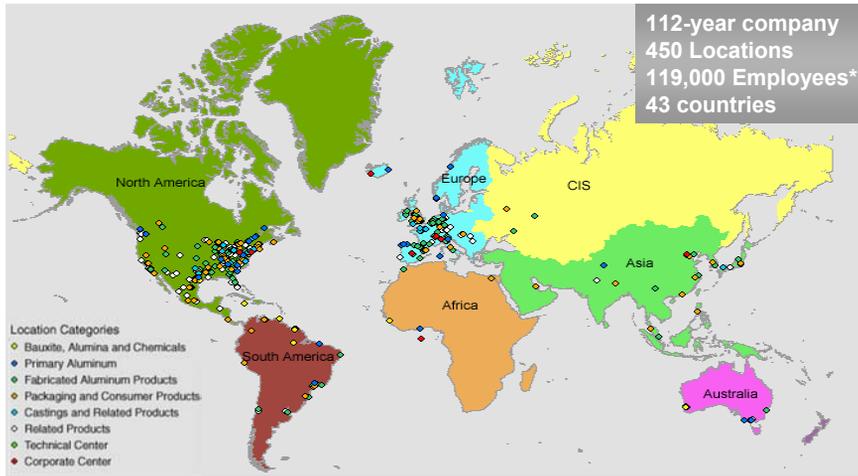
Here is what I want to cover



About Alcoa



Worldwide Operating Locations



* 131,000 employees as of February 1, 2005 with acquisition of two RusAl fabricating plants

I want to start with just one slide to cover who we are



“I want people to make a life,
not just a living, at Alcoa”

Alain Belda

I need to share with you my personal perspective on safety first, because first and foremost, for it to have passion, it must come from within.



Safety Leadership at Alcoa

- **Vision:** At Alcoa, our vision is to be the best company in the world – in the eyes of our customers, shareholders, communities and people.
- **Values:**
 - Integrity
 - EHS
 - Quality & Excellence
 - Customer
 - People
 - Profitability
 - Accountability
- **EHS Value:** *We will work safely in a manner that promotes the health and well being of the individual and the environment.*

Safety is one way we are driving to achieve our vision – to be the best



Safety Leadership at Alcoa



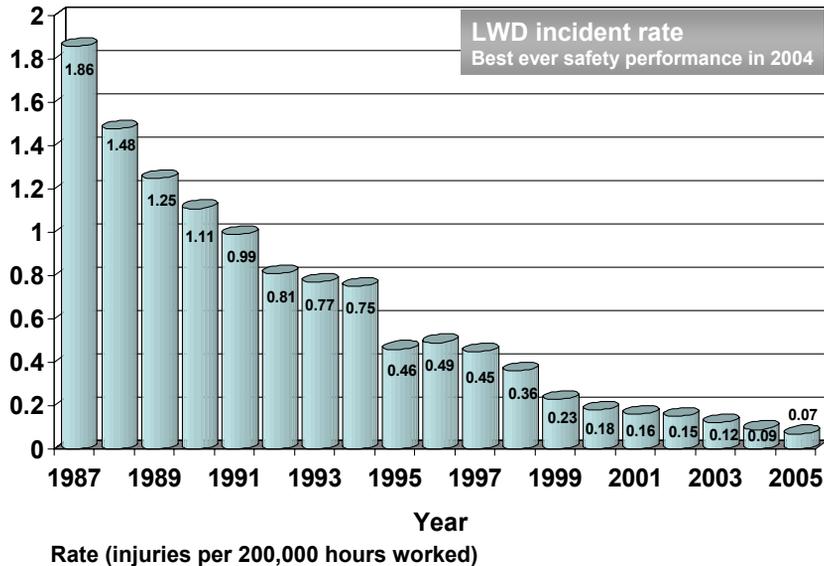
EHS Principles:

- We value human life above all else and manage risks accordingly
- We relentlessly pursue and continually improve EHS systems and processes to achieve an EHS incident free workplace.
- We do not compromise our EHS Value for profit or production.
- We comply with all laws and set higher standards for ourselves and our suppliers where unacceptable risks are identified.
- We support pollution prevention and sustainable development by incorporating social responsibility, economic success and environmental excellence into our decision making process.
- We measure and assess our performance and are open and transparent in our communications.
- We supply and use safe and reliable products and services.
- We use our EHS knowledge to enhance the safety and well being of our communities.
- We are all accountable for conforming with and deploying our EHS Value and Principles

These are 9 specific principles we constantly challenge ourselves with. We expect every Alcoan to embrace and live by our values and these principles



Alcoa LWD Performance 1987 - 2005



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That brings us to the bottom line – results

I like this chart because it shows many things – First the 0.07 Lost work day rate for 2005 represents 11 lost time injuries through February. **Let me tell you a little about these accidents. 7 of the 11 have been hand and finger injuries (lacerations, cuts, and fractures). The other 4 were a burn, a bruised shoulder, a bruised back, and a broken leg. 5 were procedure violations and 4 were due to upset conditions. In terms of where they have occurred, 6 have been in the US, 3 in Europe, and 1 each in Brazil and Australia.** Last year we had 116 lost work day cases. In 1987 we had 974. The real success is that thousands of employees over this period have not been injured because of this improvement.

At the same time we have more than tripled the size of the company primarily through acquisitions. All have come in with their own cultures and values and we have been able to bring them into our safety values and at the same time continue to improve our performance

This chart also shows that we have been able to continue our performance as we have changed CEOs, and many other key executives

Finally what this chart does not show is that despite this improvement, we have not been able to eliminate fatalities and in 2004 we lost 2 Alcoans and a contractor



Safety Leadership at Alcoa

- **Health and Safety Management System (HSMS)**
 - **Values, Policy, and Principles**
 - **EHS Standards System**
 - **Auditing/Self-Assessment**
 - **Incident Management**

I must say that we do have a strong safety management system with well defined standards and online capabilities. We also have a very mature auditing and self assessment process in place plus a well deployed real-time incident reporting process. I don't mean to discount the value of these elements, they are very important and for us represent many years of refinement.

However, it is very clear to us that the key ingredient is Leadership



- Key Ingredient.....

Leadership

What it means to be an Alcoa leader...

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This is fundamental to our success – our leaders show the way. It is easy to say the right things. It is much tougher to walk the talk. We expect leaders to be personally involved in our safety efforts, they must know our health and safety management system and participate in audits, they must have a working knowledge of our standards and hold themselves up to their employees as models of the values and principles we discussed earlier. When we acquire a new business we very quickly require the leadership to complete our HSMS training. That way the leaders know the system and can immediately start to lead by example. In fact we periodically analyze the safety audit scores for correlation with injury rates and the section of our audit on management commitment has the highest correlation with safety results. It is even higher than good scores in all the technical safety elements (fall protection, LTV, etc).

We also have a strong belief on stretch goals – you may have figured this out from our vision. We embraced a long term goal of zero incidents several years ago and we believe that it has greatly influenced our rate of improvement. Today we have 83% of our locations without a lost work day case in the past year and 41% without an OSHA recordable. We have also used this strategy to drive Environmental non-compliances and even our cost reduction initiatives. **Tell the zero lwd goal vs ROC story**

We hold our line leaders accountable for successful safety performance and our systems make it easy to see who is being successful and who is not. Along with accountability goes rewarding people for the right things. For example, if we do not recognize that one of our top producing employees or leaders is not following all of the requirements, we send a powerful message about what is important. This is a critical feedback loop. We clearly see that line leaders who are successful in leading safety are typically successful in other aspects of performance. We also clearly see the opposite. Those who can't get the safety performance right, rarely excel in other areas.

Expectations is another big learning for us. We continue to see that if we set the bar very high, our people deliver. I will give you 2 examples first a business we acquired and the second a single plant. In late 2000 we acquired Howmet. They were a good business with a good systems approach to everything and solid leadership. In 2001, they had a lost work day rate of over 1.0 and thought they were doing okay. In 2003 their LWD rate was 0.322 and the 2004 rate was 0.059. My second example is a single plant in France – a aerospace fasteners facility – St Cosme. Aganin, they were acquired in late 2002. Their lost work day experience is as follows: In 2002 they had 42, in 2003, they had 17, and in 2004 they had one that occurred in the last week of the year. In both cases, same workforce and many of the same leaders. Yes we brought some tools to them for improvement, but the biggest change was leader expectations.

At Alcoa, these kind of results have occurred over and over again and we believe very strongly in the power of leader expectations.



Safety Leadership at Alcoa

Sustaining and improving our efforts

- Executive Council
- HSMS, Standards, Audit
- Transparency

So as you can see with all of this in place all I have to do is continue to WALK THE TALK, challenge the system to hold our gains, and drive for continuous improvement. Again my theme of leadership comes into play. Our Executive Council, my direct reports, serve as our executive safety committee. We do not have a separate body. Every time we meet, we start with a review of our safety performance and to a person this team is engaged and understands exactly what is going on in their businesses – good or bad. There is also always lively discussion over driving continued improvement. For example, we started 2005 by having a rigorous debate over whether we had reached a point where we could stop having interim annual performance milestones and go with our longstanding directional goal of zero. The debate was not over whether it was appropriate for our lost work day goal – that was a no brainer. The debate was whether we should do the same thing for our OSHA recordable target. I guess the message here is I get plenty of support from the top leadership team.

I have already mentioned our Health and Safety Management System, our internal standards , and the auditing process. Clearly they are very important when it comes to sustaining our engagement. They also provide a means to identify and share best practices across the entire organization.

Finally, there is what I have referred to as Transparency. We are very open internally about sharing results. Accident rates and details are available on our intranet to every person in our organization on a real-time basis. Audit results are also posted, as are any external body inspections of our locations. We publish our real time LWD data on our alcoa.com website. We put the information out for everyone to see who is doing good and who isn't. Those who are not doing well get the attention they need to correct that. It is widely understood that not performing well in these areas is unacceptable and there will be consequences.

- Health and Safety Management System (HSMS)
 - Values, Policy, and Principles
 - EHS Standards System
 - Auditing/Self-Assessment
 - Incident Management

- Transparency

- Leadership

So, let me summarize, we have been on this journey for a long time. As a result we have well developed systems and technical resources. We also communicate and share results and best practices. However, many other organizations can make this claim. What I continue to believe is that Leadership sets our performance apart from most other organizations. We work to make sure that our leaders understand our system, are engaged, set high expectations and hold folks accountable. A formula that is easy to state, but it rarely well executed. I don't mean to say we do not have opportunities for improvement, we certainly do. What we have is the confidence in our systems, our people and leaders to believe that zero is possible.

Thank you and entertain questions



Questions