



May 4, 2017

Arconic Directors
Arconic Inc.
390 Park Avenue
New York, NY 10022

Dear Arconic Directors,

As you know, I have argued for the removal of the legacy directors. Today's announcement is a step in the right direction.

When I think of the Arconic board, I am reminded of what John Wooden said, "Be more concerned with your character than your reputation, because your character is what you really are, while your reputation is merely what others think you are."

I am afraid that the legacy directors have focused too much on reputation and allowed the character of the company and the board to suffer as a result. You see, reputation is what others think of you and character is what you do when nobody is watching, it is a measure of your mental and moral qualities. If we review the major events at Arconic following the spin, we will see a number of changes that are beneficial for the long-term health of the company. Unfortunately, we will also see that these changes were made only after receiving significant external pressure.

Guidance

During the initial road show for the Arconic-spin, management was non-committal when discussing operating margin improvement, but did express an expectation to maintain high levels of corporate and capital spending.

In response to negative feedback from shareholders and the specter of Elliott's proxy contest, management developed more appropriate margin targets, reduced expectations for corporate expenses, and increased the return hurdle for capital spending. If the board were truly doing their job, it would have required management to set ambitious targets and optimize capital spending prior to shareholder objections.

Management/Governance

In response to Elliott's proposed management and board changes, the company mounted a full throated and scandalously expensive campaign to entrench the management and entire existing board.

The company also disclosed a vote buying scheme with Oak Hill Capital, which was only cancelled after Elliott publicly voiced their opposition to the maneuver.

The board wrongly supported an unethical CEO who ultimately landed himself and the organization on the front pages of newspapers worldwide for all the wrong reasons.

After months of external pressure and inappropriate behavior, the CEO was removed.

Two legacy directors have stepped down. If appropriately selected at the time of the spin, there should have been no reason for directors to step down so soon. The legacy directors made a significant corporate decision (constitution of the Arconic Board) which quickly proved to be a mistake. Again, absent external pressure, this mistake would have gone uncorrected.

Even with today's announcement, the board has disingenuously sought to paint Elliott as seeking control of the company. Elliott has broad support from other large long-term shareholders, including FPA, because their success in this contest would improve the culture in the boardroom and be a clear mandate for change.

The board has been overly focused on reputation and not enough on character. The positive steps taken in the past few months are a direct result of the proxy contest and would not have transpired had this board been left to its own devices.

Now you are asking shareholders to trust the board with the selection of new directors and the next CEO. Given the overwhelming evidence of this board's bad judgement, your request is absurd.

The legacy directors who share responsibility for supporting a discredited CEO, wasting money on a proxy contest, and failing to represent the company's or shareholder's interests prior to the proxy contest should all step down. It is time to change the character of this board.

We would be willing to support a compromise slate of directors if the compromise included the resignation of ALL legacy directors. The new directors should act on behalf of the shareholders and request the resignation of the remaining legacy directors. Absent the removal of legacy directors, we will continue to support the Elliott slate and encourage other shareholders to do the same.

Sincerely,

A handwritten signature in black ink, appearing to read "BS" followed by a horizontal line.

Brian Selmo
Partner, FPA

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